

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **March 31, 2019**
2. Commission Identification No.: **A1996-11593**
3. BIR Tax Identification No.: **005-038-428**
4. Exact name of Issuer as specified in its charter: **MANILA WATER COMPANY, INC.**
5. Province, country or other jurisdiction of Incorporation or organization: **Quezon City, Philippines**
6. Industry Classification Code: (SEC Use Only)
7. Address of Issuer's principal office: **MWSS Administration Building, 489 Katipunan Road, Balara, Quezon City Postal Code: 1105**
8. Issuer's telephone number, including area code: **(632) 917-5900 / (632) 981-8122**
9. Former name, former address and former fiscal year, if changed since last report: **Not Applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

Title of each class	Number of shares outstanding
Authorized capital stock	
Common shares (P1.00 par value)	3,100,000,000
Number of shares outstanding	
Common shares (P1.00 par value)	2,064,839,617

Amount of debt outstanding as of March 31, 2019: **None**

The Company has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of Registrant's securities listed on a Stock Exchange? Yes ☒ No ☐
12. Indicate by check mark whether the registrant:
 - a. Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes ☒ No ☐
 - b. Has been subject to such filing requirements for the past ninety (90) days.
Yes ☒ No ☐

PART I – FINANCIAL INFORMATION

- I. Financial Statements**
- II. Management's Discussion and Analysis of Results of Operations and Financial Condition**

MANILA WATER COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	March 31, 2019 Unaudited	December 31, 2018 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	₱7,415,086	₱9,390,591
Receivables	1,635,985	1,955,233
Concession financial receivable - current portion	154,894	193,706
Contract assets - current portion	678,586	398,448
Inventories	227,182	205,923
Other current assets	1,499,946	1,304,640
Total Current Assets	11,611,679	13,448,541
Noncurrent Assets		
Property, plant and equipment	3,794,002	3,508,215
Service concession assets - net	83,775,198	82,529,566
Concession financial receivable - net of current portion	885,564	853,335
Contract assets - net of current portion	538,074	492,943
Investments in associates	16,343,647	15,994,949
Goodwill	136,566	136,566
Deferred tax assets - net	1,342,711	1,363,604
Other noncurrent assets	4,401,410	4,205,597
Total Noncurrent Assets	111,217,172	109,084,775
	₱122,828,851	₱122,533,316
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables	₱8,698,283	₱7,309,174
Short-term debt	—	8,596,539
Current portion of:		
Long-term debt	5,495,411	5,525,372
Service concession obligations	759,544	809,405
Income tax payable	750,043	467,888
Total Current Liabilities	15,703,281	22,708,378
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt	44,479,802	37,525,555
Service concession obligations	7,276,836	7,119,121
Pension liabilities - net	128,754	109,392
Deferred tax liabilities - net	118,143	103,104
Provisions	569,893	569,893
Other noncurrent liabilities	811,156	776,779
Total Noncurrent Liabilities	53,384,584	46,203,844
Total Liabilities	₱69,087,865	₱68,912,222

(Forward)

	March 31, 2019 Unaudited	December 31, 2018 Audited
Equity		
Attributable to equity holders of Manila Water Company, Inc.:		
Capital stock:		
Common stock	P2,064,840	P2,064,840
Preferred stock	400,000	400,000
	2,464,840	2,464,840
Additional paid-in capital	4,518,048	4,518,048
Subscriptions receivable	(414,241)	(458,453)
Total paid-up capital	6,568,647	6,524,435
Common stock options outstanding	57,023	51,743
Retained earnings:		
Appropriated	32,444,000	32,444,000
Unappropriated	12,155,338	12,052,605
Remeasurement loss on defined benefit plans	(57,483)	(57,483)
Other equity reserves	54,107	54,107
Cumulative translation adjustment	1,348,164	1,420,590
	52,569,796	52,489,997
Noncontrolling interests	1,171,190	1,131,097
Total Equity	53,740,986	53,621,094
	P122,828,851	P122,533,316

MANILA WATER COMPANY, INC. AND SUBSIDIARIES**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in Thousands Except Earnings per Share Figures)

	Periods Ended March 31	
	2019	2018
REVENUE		
Water	₱3,718,557	₱3,636,118
Environmental charges	740,135	621,517
Sewer	136,895	136,697
Other operating income	483,177	318,246
	5,078,764	4,712,578
COSTS OF SERVICES		
Depreciation and amortization	578,211	503,972
Power, light and water	349,469	307,010
Salaries, wages and employee benefits	277,365	275,971
Repairs and maintenance	132,696	128,200
Contractual services	143,580	110,895
Regulatory costs	59,037	70,754
Management, technical and professional fees	56,385	56,561
Wastewater costs	52,265	43,384
Water treatment chemicals	44,086	25,851
Collection fees	28,915	34,542
Cost of water service connections	25,822	44,851
Occupancy costs	2,266	2,329
Other expenses	53,943	27,322
	1,804,040	1,631,642
GROSS PROFIT	3,274,724	3,080,936
OPERATING EXPENSES	1,314,514	744,987
INCOME BEFORE OTHER INCOME (EXPENSES)	1,960,210	2,335,949
OTHER INCOME (EXPENSES)		
Revenue from rehabilitation works	1,419,911	3,086,301
Cost of rehabilitation works	(1,419,911)	(3,086,301)
Foreign currency differentials	64,919	2,321,642
Foreign exchange losses	(53,505)	(2,278,304)
Equity share in net income of associates	206,905	109,268
Interest income	162,405	105,412
Interest expense	(533,076)	(404,384)
Gain (loss) on disposal of property and equipment	6,135	(25)
Other income (charges)	(281)	29
	(146,498)	(146,362)
INCOME BEFORE INCOME TAX	1,813,712	2,189,587
PROVISION FOR INCOME TAX	540,418	460,653
NET INCOME	1,273,294	1,728,934

(Forward)

	Periods Ended March 31	
	2019	2018
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Cumulative translation adjustment	(P72,461)	P305,669
TOTAL COMPREHENSIVE INCOME	P1,200,833	P2,034,603
Net income attributable to:		
Equity holders of Manila Water Company, Inc.	P1,233,201	P1,689,674
Noncontrolling interests	40,093	39,260
	P1,273,294	P1,728,934
Total comprehensive income attributable to:		
Equity holders of Manila Water Company, Inc.	P1,180,740	P1,995,343
Noncontrolling interests	40,093	39,260
	P1,200,833	P2,034,603
Earnings per Share		
Net income attributable to common equity holders of Manila Water Company, Inc.:		
Basic	P0.48	P0.67
Diluted	P0.48	P0.67

MANILA WATER COMPANY, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands Except Par Value and Number of Shares Figures)

	Periods Ended March 31	
	2019	2018
CAPITAL STOCK		
Common stock - ₱1 par value		
Authorized - 3,100,000,000 shares		
Issued and outstanding – 2,032,020,360 shares in 2019 and 2,026,067,122 shares in 2018	₱2,032,020	₱2,026,067
Subscribed common stock – 32,819,018 shares in 2019 and 27,599,454 shares in 2018	32,819	27,600
	2,064,839	2,053,667
Preferred stock - ₱0.10 par value, 10% cumulative, voting participating, nonredeemable and nonconvertible		
Authorized, issued and outstanding - 4,000,000,000 shares	400,000	400,000
	2,464,839	2,453,667
ADDITIONAL PAID-IN CAPITAL	4,518,048	4,230,508
SUBSCRIPTIONS RECEIVABLE		
Balance at beginning of period	(458,453)	(235,694)
Collections	44,212	—
Balance at end of period	(414,241)	(235,694)
COMMON STOCK OPTIONS OUTSTANDING		
Balance at beginning of period	29,572	28,701
Cost of share-based payments	27,451	871
Balance at end of period	57,023	29,572
RETAINED EARNINGS		
Appropriated	32,444,000	28,698,000
Unappropriated:		
Balance at beginning of period, as reported	12,052,605	11,426,282
Impact of PFRS 9, 15 and 16 adoption	(8,760)	(5,440)
Balance at beginning of period, as restated	12,043,845	11,420,842
Net Income	1,233,201	1,689,793
Dividends declared	(1,121,708)	(1,055,688)
Balance at end of period	12,155,338	12,054,947
	44,599,338	40,752,947
REMEASUREMENT GAIN (LOSS) ON DEFINED BENEFIT PLANS	(57,483)	3,252
OTHER EQUITY RESERVES	54,107	54,107
CUMULATIVE TRANSLATION ADJUSTMENT		
Balance at beginning of period	1,420,590	895,910
Other comprehensive income	(72,426)	305,670
Balance at end of period	1,348,164	1,201,580
NONCONTROLLING INTERESTS		
Balance at beginning of period	1,131,097	1,005,964
Share in net income	40,093	39,260
Balance at end of period	1,171,190	1,045,224
	₱53,740,986	₱49,535,163

MANILA WATER COMPANY, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Periods Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before Income tax	₱1,813,712	₱2,189,587
Adjustments for:		
Depreciation and amortization	657,316	601,051
Interest expense	533,076	404,384
Equity share in net income of an associate	(206,905)	(109,268)
Interest income	(162,405)	(105,412)
Pension expense, net of contribution and benefit payment	18,231	28,973
Share-based payments	5,280	871
Loss on sale of property, plant and equipment	(6,135)	25
Operating income before changes in operating assets and liabilities	2,652,170	3,010,211
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	317,176	(230,088)
Inventories	(21,259)	15,794
Contract assets	(300,829)	—
Other current assets	(195,308)	(733,067)
Concession financial receivable	38,812	(22,214)
Service concession assets	(1,983,629)	(2,971,280)
Increase in:		
Accounts and other payables	1,195,406	2,097,475
Contract liabilities	585,897	—
Net cash provided by operations	2,288,438	1,166,831
Income tax paid	(219,572)	(235,335)
Net cash provided by operating activities	2,068,866	931,496
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investments in associates	—	(8,886,802)
Property and equipment	(329,038)	(365,328)
Interest received	107,739	59,056
Proceeds from sale of property and equipment	6,377	3,928
Decrease (increase) in other noncurrent assets	(253,859)	1,135,360
Net cash used in investing activities	(468,781)	(8,053,786)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of:		
Short-term debt	—	8,964,235
Long-term debt	8,696,539	—
Payments of:		
Service concession obligation	(308,621)	(282,806)
Long-term debt	(10,572,667)	(1,782,536)
Dividends paid	(1,121,709)	(1,055,688)
Interest paid	(347,721)	(342,048)
Collection of subscriptions receivable	44,212	—
Increase in other noncurrent liabilities	34,377	59,279
Net cash provided by (used in) financing activities	(3,575,590)	5,560,436
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,975,505)	(1,561,854)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,390,591	9,020,744
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱7,415,086	₱7,458,890

MANILA WATER COMPANY, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Manila Water Company, Inc. (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.

On May 2, 2019, the Audit Committee approved and authorized the release of the unaudited interim condensed financial statements.

Additional information about the Group, including the annual and quarterly reports can be found on the corporate website at www.manilawater.com.

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

	Country of Incorporation and Place of Business	Effective Percentages of Ownership	
		2019	2018
Manila Water Total Solutions Corp. (MWTSC)	Philippines	100.0	100.0
Calasiao Water Company, Inc. (Calasiao Water)	-do-	90.0	90.0
Manila Water Asia Pacific Pte. Ltd. (MWAP)	Singapore	100.0	100.0
Manila Water South Asia Holdings Pte. Ltd. (MWSAH)	-do-	100.0	100.0
Asia Water Network Solutions Joint Stock Company (Asia Water) ¹	Vietnam	67.9	67.9
Thu Duc Water Holdings Pte. Ltd. (TDWH)	Singapore	100.0	100.0
Kenh Dong Water Holdings Pte. Ltd. (KDWH)	-do-	100.0	100.0
Manila Water Thailand Holdings Pte. Ltd. (MWTH) ²	-do-	100.0	100.0
Manila Water (Thailand) Co., Ltd. (MWTC) ³	Thailand	100.0	100.0
Manila South East Asia Water Holdings Pte. Ltd. (MSEA) ⁴	Singapore	100.0	100.0
PT Manila Water Indonesia (PTMWI) ⁵	Indonesia	100.0	100.0
Manila Water Philippine Ventures, Inc. (MWPVI)	Philippines	100.0	100.0
Laguna AAWater Corporation (Laguna Water)	-do-	70.0	70.0
Clark Water Corporation (Clark Water)	-do-	100.0	100.0
Boracay Island Water Company, Inc. (Boracay Water)	-do-	80.0	80.0
Filipinas Water Holdings Corp. (Filipinas Water) ⁶	-do-	100.0	100.0
Obando Water Company, Inc. (Obando Water)	-do-	90.0	90.0
Bulakan Water Company, Inc. (Bulakan Water)	-do-	90.0	90.0
Iligan Water Company, Inc. (Iligan Water)	-do-	90.0	-
Manila Water Consortium, Inc. (MW Consortium)	-do-	57.2	57.2
Cebu Manila Water Development, Inc. (Cebu Water) ⁷	Philippines	40.4	40.4
Davao del Norte Water Infrastructure Company, Inc. (Davao Water)	-do-	51.0	51.0
Tagum Water Company, Inc. (Tagum Water) ⁸	-do-	45.9	45.9
Bulacan MWPV Development Corp. (BMDC)	-do-	100.0	100.0
Aqua Centro MWPV Corp. (Aqua Centro)	-do-	100.0	100.0
Manila Water International Solutions, Inc. (MWIS)	-do-	100.0	100.0
EcoWater MWPV Corp. (EcoWater)	-do-	100.0	100.0
Leyte Water Company, Inc. (Leyte Water)	-do-	100.0	100.0
Zamboanga Water Company, Inc. (Zamboanga Water)	-do-	70.0	70.0

¹Asia Water is 51.00% owned by Saigon Water Infrastructure Corporation (Saigon Water) and 48.60% owned by MWSAH. MWSAH's effective ownership interest in Asia Water is 67.87% as of December 31, 2018 and December 31, 2017 by virtue of its 37.99% ownership interest in Saigon Water.

²Previously named Manila Water Indonesia Holdings Pte. Ltd.

³MWTC was incorporated on February 20, 2018 and is 100% owned by MWTH.

⁴Previously named North-West of Saigon Holdings Pte. Ltd.

⁵PTMWI is incorporated on February 1, 2018 and is 95.00% owned by MSEA and 5.00% owned by a director of PTMWI whose ownership has been pledged to MSEA.

⁶Previously named Obando Water Consortium Holdings Corp. Philippines Water is 49.00% owned by the Parent Company and 51.00% owned by MWPVI.

⁷Cebu Water is 70.58% owned by MW Consortium. MWPVI's effective ownership interest in Cebu Water is 40.39% by virtue of its 57.22% ownership interest in MW Consortium.

⁸Tagum Water Company is 90.00% owned by the Davao Water. MWCI's effective interest in Tagum Water is 45.90% by virtue of its 51.00% ownership interest in Davao Water.

Unless otherwise indicated, the Philippines is the principal place of business and country of incorporation of the Group's subsidiaries.

2. Basis of Preparation and Summary of Changes to Significant Accounting Policies

Basis of Preparation

The unaudited interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis. The Parent Company's presentation and functional currency is the Philippine Peso (P, Peso or PHP). Amounts are rounded off to the nearest Peso, except otherwise stated.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the December 31, 2018 audited annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2018.

Statement of Compliance

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

The preparation of the financial statements, in compliance with PFRS, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the unaudited interim condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited interim condensed consolidated financial statements. Actual results could differ from such estimates.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those of the previous periods except for the PFRS, amended PFRS and improvements to PFRS which were adopted as of January 1, 2019. Unless otherwise stated, the new standards and amendments did not have any material impact to the Group.

a. Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or fair value through other comprehensive income (FVOCI), provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

The amendments do have any significant impact on the Group's consolidated financial statements.

b. PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately

recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

The Group adopted PFRS 16 using the modified retrospective approach with date of initial application as of January 1, 2019. Under the modified retrospective approach, the Group recognized the cumulative effect of initially applying PFRS 16 as an adjustment to the beginning balance of retained earnings at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of twelve (12) months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Summarized below are the new accounting policies of the Group upon adoption of PFRS 16:

- *Right-of-use assets*

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- *Lease liabilities*

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

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

c. *Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted.

The amendments do not have any significant impact on the Group's consolidated financial statements since the Group has no future plan amendments, curtailments, or settlements as of January 1, 2019.

d. *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

Since the Group does not have such long-term interests in its associates and joint ventures, the amendments did not have an impact on its consolidated financial statements.

e. *Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and,
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of the periods ended March 31, 2019.

f. *Annual Improvements to PFRSs 2015- 2017 Cycle*

- *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A Group's party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- a. Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- b. Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

Effective beginning on or after January 1, 2021

c. PFRS 17, Insurance Contracts

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

The standard is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with Insurance or issue insurance contracts.

Interpretation with Deferred Effective Date

a. Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in

PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

3. 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 segments where the Group operates follow:

- **Manila Concession and Head Office** – represents the operations of the Manila Concession (East Zone) of the Parent Company in accordance with its Concession Agreement.
- **Domestic Subsidiaries** – represents the financial results of the Philippine businesses such as MWTS, Calasiao Water, MWPVI (including Laguna Water, Clark Water, Boracay Water, Filipinas Water, Obando Water, Bulakan Water, Ilagan Water, MW Consortium, Cebu Water, Davao Water, Tagum Water, BMDC, Aqua Centro, MWIS, EcoWater, and Zamboanga Water).
- **Foreign Subsidiaries** – consists of businesses outside the Philippines under MWAP (MWSAH, Asia Water, TDWH, KDWI, MWTH, MWTC, MSEA, and PTMWI).

Details of the Group's operating segments as of and for the years ended March 31, 2019 and 2018 are as follows:

March 31, 2019					
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Eliminations	Consolidated
	(In Thousands)				
Total revenue	P3,968,819	P1,182,878	P1,654	(P74,587)	P5,078,764
Segment profit (loss) before Income tax	P1,375,388	P341,743	P127,501	(P30,920)	P1,813,712
Segment provision for income tax	437,978	102,440	—	—	540,418
Segment profit (loss) after Income tax	P937,410	P167,981	P127,501	(P4,664)	P1,273,294
Net Income (loss) attributable to equity holders of the Parent Company	P937,410	P239,303	P127,501	(P71,013)	P1,233,201

March 31, 2018					
	Manila Concession and Head Office	Domestic Subsidiaries	Foreign Subsidiaries	Eliminations	Consolidated
	(In Thousands)				
Total revenue	P3,785,996	P987,457	P72	(P60,947)	P4,712,578
Segment profit (loss) before Income tax	P1,889,760	P249,266	P55,225	(P4,664)	P2,189,587
Segment provision for income tax	379,293	81,285	75	—	460,653
Segment profit (loss) after income tax	P1,510,467	P167,981	P55,150	(P4,664)	P1,728,934
Net Income (loss) attributable to equity holders of the Parent Company	P1,510,467	P167,981	P55,150	(P43,924)	P1,689,674

4. Notes to the Unaudited Interim Condensed Consolidated Financial Statements

- a. The Group does not have any significant seasonality or cyclicality in its Interim operations, except for the usually higher demand during the months of April and May.
- b. On April 24, 2019, MWSS imposed a financial penalty of P534.05 million to the Parent Company for its failure to meet its service obligation to provide 24/7 water supply to its customers. While the development of new water sources is, under the Concession Agreement, ultimately the responsibility of MWSS, the Parent Company will abide by the decision of MWSS to pay the financial penalty of P534.05 million and set aside capital of P600 million to invest in new water sources.

There were no other known trends, demands, commitments, events or uncertainties that have material impact on the Group's liquidity.

Other than the items disclosed in the unaudited interim condensed consolidated financial statements, the Group did not acquire assets nor incur liabilities that are material in amount for the period ended March 31, 2019.

- c. There were no off-balance sheet transactions, arrangements and obligations created during the reporting period.
- d. Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any change in estimates will be recorded in the consolidated financial statements as they become reasonably determinable. There were no material changes in estimates of amounts reported in the prior interim period of the prior financial year.
- e. The Group has not been subjected and is not subject to any bankruptcy, receivership, or similar proceedings. It has not made any material reclassification, purchase, or sale of any significant amount of assets which are not in the ordinary course of business.
- f. The Group has various contingent liabilities arising from the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcomes of which are not presently determinable.

In the opinion of the Group's management and its legal counsel, the eventual liability under these lawsuits and claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations.

- g. There were no adjusting or non-adjusting events after the interim period reporting date up to the date of authorization for issuance of the unaudited interim condensed financial statements.

5. Significant Events and Transactions

- a. Parent Company Amendment of Articles of Incorporation
On February 26, 2019, the BOD approved the amendment of the second article of incorporation to include the authority to enter into contracts of guarantee and/or suretyships. This amendment was later ratified by the stockholders during the annual stockholders meeting held on April 22, 2019.
- b. Parent Company Declaration of Dividends
On February 26, 2019, the BOD approved the declaration of cash dividends for the first semester of 2019, amounting to ₱0.4551 and ₱0.0455 per share on the outstanding common shares and participating preferred shares, respectively, payable on March 28, 2019 to stockholders of record as of March 14, 2019.
- c. MWTC's Term Loan Facility
On February 27, 2019, MWTC signed a THB5.30 billion, five (5)-year term loan facility with Mizuho Bank Ltd. – Bangkok Branch and Bank of Ayudhya Public Company Limited to take out the previous bridge loan used to finance the acquisition of an 18.72% equity stake in East Water.
- d. Clark Water's Term Loan Facility
Clark Water signed a term loan agreement amounting to ₱535.00 million with the Development Bank of the Philippines last March 11, 2019. The proceeds of the loan will be used to partially finance Clark Water's capital expenditure programs.
- e. Parent Company Voluntary Bill Waiver for East Zone Customers
On March 26, 2019, the Parent Company announced a one-time voluntary bill waiver for March 2019 consumption, which was reflected in the April 2019 billing to help ease the inconvenience of the water shortage to all customers of the Parent Company in the East Zone.
- f. Parent Company Foreign Currency Differential Adjustment (FCDA)
Effective April 1, 2019, a foreign currency differential of ₱0.52 per cubic meter was implemented to the East Zone customers. This adjustment was based on the exchange rate of USD1 to ₱52.77 and JPY1 to ₱0.468. The FCDA of the water bill will be adjusted to 1.81% of the basic charge.

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 unaudited 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 holds the right to provide water and used water services to the eastern side of Metro Manila (Manila Concession or East Zone) under a Concession Agreement (CA) entered into between the Company and the 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, semi-business, 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 CA, the Company has the right to the use of land and operational fixed assets, and the right, as agent and concessionaire 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 Manila Concession, the Group has a holding company for all its domestic operating subsidiaries in Manila Water Philippine Ventures, Inc. (MWPV). Currently under MWPV are Clark Water Corporation (Clark Water), Laguna AAA Water Corporation (Laguna Water), Boracay Island Water Company (Boracay Water), Manila Water Consortium, Inc. (MW Consortium), a subsidiary of MW Consortium – Cebu Manila Water Development, Inc. (Cebu Water), Bulacan MWPV Development Corporation (BMDC), Filipinas Water Consortium Holdings Corp. (Filipinas Water), subsidiaries of Filipinas Holdings – Obando Water Company, Inc. (Obando Water) and Bulakan Water Company, Inc. (Bulakan Water), Davao del Norte Water Infrastructure Company, Inc. (Davao Water), a subsidiary of Davao Water – Tagum Water Company, Inc. (Tagum Water), Zamboanga Water Company, Inc. (Zamboanga Water), Manila Water International Solutions, Inc. (MWIS), Aqua Centro MWPV Corporation (Aqua Centro MWPV), EcoWater MWPV Corporation (EcoWater), and Leyte Water Company, Inc. (Leyte Water). Also under MWPV is Estate Water, which is its division that operates and manages the water systems of townships developed by Ayala Land, Inc. Another subsidiary of Manila Water is Calasiao Water Company, Inc. (Calasiao Water), a water supply project for the Calasiao Water District.

The holding company for its international ventures is Manila Water Asia Pacific Pte. Ltd. (MWAP). 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 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) and another company tasked to pursue non-revenue water reduction projects in Vietnam called Asia Water Network Solutions Joint Stock Company (Asia Water). Apart from its operations in Vietnam, MWAP has associates in Thailand and Indonesia through Eastern Water Resources Development and Management Public Company Limited (East Water), and PT Sarana Tirta Ungaran (PT STU), respectively.

Lastly, Manila Water Total Solutions Corporation (MWTS), a wholly-owned subsidiary, handles after-the-meter products and services including pipe-laying, integrated used water services, and the sale of Healthy Family Purified Water as five-gallon, 500-ml and 350-ml bottles in selected areas in Metro Manila.

CONSOLIDATED FINANCIAL PERFORMANCE

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

For the periods ended March 31 (In thousand Pesos)				
	2019	2018	Increase/ (Decrease)	%
Total operating revenues	5,078,764	4,712,182	366,582	8%
Total cost and expenses (excluding depreciation and amortization)	2,461,239	1,775,578	685,660	39%
Other income (expense) - net	224,173	152,610	337,800	47%
Equity share in net income of associates	206,905	109,268	97,637	89%
Others	17,268	43,342	(26,074)	-60%
EBITDA	2,841,699	3,089,214	(247,515)	-8%
Depreciation and amortization	657,316	601,051	56,266	9%
Income before other income/expenses	2,184,383	2,488,164	(303,781)	-12%
Interest income (expense) - net	(370,671)	(298,973)	(314,428)	24%
Income before income tax	1,813,712	2,189,191	(375,479)	-17%
Provision for income tax	540,418	460,534	34,428	17%
Net income	1,273,294	1,728,657	(455,363)	-26%
Non-controlling interest	40,093	39,260	833	2%
Net income attributable to MWC	1,233,201	1,689,397	(456,196)	-27%

Consolidated operating revenues grew by 8% to ₱5,079 million in the first quarter of 2019 from ₱4,712 million the previous year, on account of higher billed volume and average effective tariff in several key business units but was offset by the voluntary, one-time Bill Walver Program to help alleviate the inconvenience of all customers and to those severely affected by the water shortage in the Manila Concession.

A breakdown of the revenue drivers is shown below:

For the periods ended March 31 (In thousand Pesos)				
	2019	2018	Increase/ (Decrease)	%
Water	3,718,557	3,636,118	962,452	2%
Environmental charges	740,135	621,517	118,617	19%
Sewer	136,895	136,697	64,795	0%
Other operating income	483,177	317,850	165,328	52%
Total operating revenues	5,078,764	4,712,182	366,582	8%

The Group derived 73% of its operating revenues from the sale of water, while 15% came from environmental and sewer charges. Other revenues, which accounted for the balance of 12%, were from after-the-meter services, connection fees and septic sludge disposal, among others.

Consolidated costs and expenses (excluding depreciation and amortization) increased by 39% to ₱2,461 million in the first quarter of 2019, led by a 207% growth in overhead costs to ₱782 million. This increase was primarily due to the provision for penalty amounting to ₱534 million imposed by MWSS in relation to the recent water supply shortage in the Manila Concession. In addition, direct costs rose 18% as a result of increased cost of water treatment chemicals, increased power cost due to higher consumption and higher power rates, and increased contractual services.

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

For the periods ended March 31 (In thousand Pesos)				
	2019	2018	Increase/ (Decrease)	%
Salaries, wages and employee benefits	568,555	554,617	13,938	3%
Non-personnel costs	1,783,175	1,101,765	681,410	62%
Direct costs	894,229	754,897	139,332	18%
Overhead	782,211	255,103	527,107	207%
Premises	106,735	91,765	14,970	16%
Other expenses	109,509	119,196	(9,686)	-8%
Total cost and expenses (excluding depreciation and amortization)	2,461,239	1,775,578	685,660	39%

Meanwhile, other income (net of expense) grew by 47% to ₱224 million in the first quarter of 2019 from ₱153 million the previous year, driven by the higher equity share in net income of associates and net foreign exchange gains with the full impact this year of the East Water acquisition done last March 2018. Along with East Water in Thailand, the two bulk water companies in Vietnam, namely Thu Duc Water and Kanh Dong Water, together with additional contribution coming from PT Sarana Tirta Ungaran in Indonesia, contributed ₱207 million in net income, growing by 89% year-on-year.

The movements in operating revenues and expenses as well as other income resulted in consolidated earnings before interest, income taxes, depreciation and amortization (EBITDA) of ₱2,842 million in the first quarter of 2019. This EBITDA level is 8% lower than the same period last year. EBITDA margin was recorded at 56%.

Depreciation and amortization rose by 9% to ₱657 million in line with the Group's capital expenditure plan. Meanwhile, net interest expense was higher by 24% to ₱371 million on account of additional interest from the drawdown of several loans in the Manila Concession, as well as the new loan drawdowns of the subsidiaries. Provision for income tax increased by 17% to ₱540 million due to the higher taxable base of the Group.

These developments resulted in a reported net income of ₱1,233 million in the first quarter of 2019; a decline of 27% from the same period in 2018.

BUSINESS UNITS' FINANCIAL AND OPERATING PERFORMANCE

Manila Concession

For the periods ended March 31				
	2019	2018	Increase/ (Decrease)	%
Operating Highlights				
Billed volume (in million cubic meters)	121.6	120.4	1.2	1%
Domestic	77.8	77.9	-0.3	-0.4%
Semi-Business	15.6	15.2	0.4	3%
Commercial	22.4	21.9	0.4	2%
Industrial	6.0	5.3	0.7	13%
Number of billed connections	992,036	968,409	23,627	2%
Non-revenue water	12.7%	11.8%	(0.9% pt)	
Financial Highlights (In thousand Pesos)				
Revenues	3,916,986	3,758,378	1,151,272	4%
Cost and expenses	1,716,882	1,054,903	661,979	63%
EBITDA	2,217,747	2,748,052	(530,306)	-19%
Net income	984,350	1,544,644	(580,294)	-38%

The water shortage in March affected Manila Concession operations during the first quarter of 2019, with billed volume largely flat and average consumption lower by 1.42% to 40.94 cubic meters per connection. Average effective tariff increase was only 2% due to accrual of the Bill Waiver Program given by the Company to its customers. The Company announced in March its implementation of a one-time Bill Waiver Program to help alleviate the inconvenience of all customers and to those severely affected by the water supply shortage. All customers in the Manila Concession were waived of their first 10 cu.m. consumption, while severely affected

customers were waived of their entire consumption in March. The Company began implementation in April and will be effected after completion of customer meter readings. The Company recognized a ₱342 million reduction in total revenues related to this.

The level of system losses, as measured by non-revenue water (NRW), dropped to 12.7% at the end of the period from 11.8% during the same period in 2018. Meanwhile, collection efficiency in the first quarter of 2019 was at nearly 100%, with average accounts receivable days maintained at 19 days.

Revenues increased by 4% to ₱3,917 million in the first quarter of 2019. Cost and expenses, on the other hand, rose by 63% to ₱1,717 million primarily due to an increase in overhead costs owing to the provision for penalty amounting to ₱534 million imposed by MWSS in relation to the water supply shortage. Other costs incurred were to service affected customers during the water shortage. Isolating out the impact of the water shortage, cost and expenses would have increased only by 4%. These factors resulted in an EBITDA of ₱2,217 million, 19% lower than the previous year and an EBITDA margin of 57%. Net income reached ₱964 million, a decline of 38% from the same period last year.

Manila Water Philippines Ventures (MWPV)

The following discussion includes the consolidated results of Manila Water Philippines Ventures, as well as the individual performance of the domestic operating subsidiaries in Boracay Water, Clark Water, Laguna Water, and Estate Water, which is a division within Manila Water Philippine Ventures.

	For the periods ended March 31			
	2019	2018	Increase/ (Decrease)	%
Operating Highlights				
Billed volume (In million cubic meters)	21.9	21.4	0.5	2%
Financial Highlights (In thousand Pesos)				
Revenues	1,055,800	889,150	166,750	19%
Cost and expenses	568,190	499,442	68,748	14%
EBITDA	487,709	389,789	97,920	25%
Net income attributable to MWC	174,466	162,669	11,797	7%

On a consolidated MWPV level, revenues grew by 19% to ₱1,056 million in the first quarter of 2019 due to higher revenue of Estate Water coming mostly from the supervision fees arising from provision of design and project management services in the development of water and used water facilities, from the provision of water and used water services, and from the new water service connections. Portion of the increase in revenues are due to higher average tariff of Boracay Water and Laguna Water, as well as income coming from new subsidiaries Obando Water, Bulacan MWPV Development Corporation, Aqua Centro, Eco Water and Calasiao Water. Cost and expenses rose by 14% year-on-year to ₱568 million, due to increase in direct costs on the back of higher power and light expenses coming from additional facilities which Estate Water took over in the second half of last year. Net income attributable to MWC ended at ₱174 million in the first quarter of 2019, increasing by 7% from the previous year due to higher net income of Estate Water and Cebu Water but was partially offset by lower income levels of Clark Water, Laguna Water, and Boracay Water.

	For the periods ended March 31			
	2019	2018	Increase/ (Decrease)	%
Clark Water				
Billed volume (In million cubic meters)	3.5	3.6	(0.1)	-3%
Net income (In thousand Pesos)	11,244	28,197	(16,954)	-60%
Laguna Water				
Billed volume (In million cubic meters)	10.4	10.8	(0.3)	-3%
Net income (In thousand Pesos)	85,265	101,606	(16,341)	-16%
Boracay Water				
Billed volume (In million cubic meters)	1.1	1.4	(0.4)	-25%
Net income (In thousand Pesos)	23,076	48,155	(25,080)	-52%
Estate Water				
Billed volume (In million cubic meters)	2.5	1.9	0.6	35%
Net income (In thousand Pesos)	93,517	34,537	58,980	171%

Clark Water registered lower billed volume of 3.5 mcm in the first quarter of 2019, 3% down from 3.6 mcm in 2018 due to lower consumption of several key locators affected by the US-China trade war. It also faced a deterioration in NRW as it increased by 2.0%-points to 7.6% in the first quarter of 2019 from 5.6% the previous year. With lower

billed volume, Clark Water's revenues dropped by 3% to ₱112 million in the first quarter of 2019. Furthermore, cost and expenses rose by 12% to ₱66 million, mainly due to increase in power rates and contractual services, resulting in an 18% decline in EBITDA to ₱46 million. As a result, Clark Water net income declined by 80% to ₱11 million in the first quarter of 2019. Clark Water spent ₱29 million in capital expenditures, mostly going to network expansion projects.

Meanwhile, in Laguna Water, billed volume dropped by 3% to 10.4 mcm in the first quarter of 2019, also brought about lower consumption of several of its LTI locators affected by the US-China trade war. On the other hand, NRW improved by 1.4%-points as it reached 18.5% in the first quarter of 2019 from 19.9% the previous year. Laguna Water spent ₱127 million in capital expenditures during the period, mostly for the expansion of water and used water networks. Revenues grew slightly by 1% in the first quarter of 2019 to ₱379 million, on the back of a 25% improvement in average effective tariff to ₱33.45 per cubic meter. Meanwhile, cost and expenses increased by 4% from 2018 to ₱186 million due to higher direct costs related to meter reading services, partly offset by lower systems costs and concession fees. These movements resulted in a 2% decline in EBITDA to ₱193 million and a 16% decline in net income to ₱85 million in the first quarter of 2019.

Moving on to Boracay Water, its billed volume declined by 25% to 1.1 mcm in the first quarter of 2019. This was still a direct result of the island's closure in April 26, 2018 as part of the government's drive towards the island's environmental rehabilitation. Said closure led to a 7% decline in tourist arrivals during the period with only about 513,000 visitors reported. Consequently, NRW improved by 5.5%-points to 8.3% during said period as leaks in the waterlines caused by the road improvements were repaired. Boracay Water spent capital expenditures of ₱62 million in the first quarter of 2019 for pipelaying and expansion of used water services. Boracay Water's average effective tariff increased by 9% to ₱120.53 per cubic meter in line with the approval of its new rates by the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) Regulatory Office in 2017. However, the 25% decline in billed volume due to the island closure caused revenues to decrease by 17% to ₱150 million. Meanwhile, cost and expenses correspondingly declined by 11% to ₱69 million. With the significantly impaired revenue base, EBITDA declined by 23% to ₱82 million, translating to a 52% drop in net income to ₱23 million in the first quarter of 2019.

Lastly, Estate Water posted billed volume growth of 35% to 2.5 mcm in the first quarter of 2019, on the back of a 9% increase in billed connections coming from the brownfield Ayala Land developments it had taken over. However, capital expenditures spent mostly for the development of water and used water networks in its greenfield projects, slightly dropped by 1% to ₱102 million as it dealt with delays in the construction start for several developments. Revenues and other income increased by 113% to ₱319 million in the first quarter of 2019 due to new projects and new brownfield developments taken over. On the other hand, cost and expenses rose 70% to ₱155 million mainly due to an increase in direct costs, particularly desludging costs and contractual services for manpower augmentation during repair and rehabilitation works. The significant increase in revenues offset the increase in cost and expenses which resulted to a 180% increase in EBITDA to ₱163 million. Estate Water posted net income of ₱94 million in the first quarter of 2019, increasing by 171% from the previous year.

Manila Water Asia Pacific (MWAP)

The following discussion includes the consolidated results of Manila Water Asia Pacific, as well as the individual performance of the associates in Vietnam.

	For the periods ended March 31			
	2019	2018	Increase/ (Decrease)	%
Operating Highlights				
Billed volume (in million cubic meters)	162.5	139.7	22.8	16%
Financial Highlights (in thousand Pesos)				
Equity Share in Net Income of Associates	206,905	109,268	97,637	89%
Cost and expenses	23,550	44,177	(20,628)	-47%
EBITDA	179,705	63,367	116,338	184%
Net Income attributable to MWC	134,955	57,551	77,404	134%

On a consolidated MWAP level, equity share in net income of associates increased by 89% to ₱207 million, primarily due to the full quarter recognition of the acquisition of an 18.72% stake of East Water in Thailand and the additional income from PT STU in Indonesia. Cost and expenses decreased by 47% to ₱24 million, due to lower personnel and management and professional costs during the period. This also includes business development costs amounting to ₱9 million during the period.

	For the periods ended March 31			
	2019	2018	Increase/ (Decrease)	%
Thu Duc Water				
Billed volume (in million cubic meters)	26.5	26.7	(0.2)	-1%
Net Income (in million VND)	24,383	26,830	(2,447)	-9%
Net income at 49.00% contribution (in thousand Pesos)	61,039	65,297	(4,258)	-6%
Kenh Dong Water				
Billed volume (in million cubic meters)	14.1	14.5	(0.4)	-3%
Net Income (in million VND)	10,065	16,533	(6,468)	-39%
Net income at 47.35% contribution (in thousand Pesos)	29,236	36,759	(7,523)	-20%

Thu Duc Water sold a total of 26.5 mcm in the first quarter of 2019, dropping 1% from a billed volume level of 26.7 mcm the previous year due to lower reading days. Using Vietnamese Accounting Standards ("VAS"), revenues slightly declined by 0.4% to VND81 billion. Meanwhile, Thu Duc Water's cost and expenses increased by 8% to VND27 billion. This led to a decrease in EBITDA by 4% to VND54 billion. Further, net income decreased by 9% equivalent to VND24 billion. In peso terms, the PFRS-translated income reflected in the consolidated financial statements as equity share in net income of associates amounted to ₱61 million in the first quarter of 2019, equivalent to Manila Water's 49% stake in Thu Duc Water.

For Kenh Dong Water, billed volume slightly declined by 3% in the first quarter of 2019 to 14.1 mcm from the 14.5 mcm registered in the same period in 2018. This is due to lower raw water supply caused by the ongoing upgrade of the raw water canal. Using Vietnamese Accounting Standards (VAS), Kenh Dong Water posted revenues of VND55 billion and an EBITDA of VND29 billion. With higher direct costs, Kenh Dong's net income declined to VND10 billion, down 39% from the same period in 2018. 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 ₱29 million in the first quarter of 2019.

MWAP's investment in Saigon Water, the listed holding company in Vietnam, partly offset the positive results of Thu Duc and Kenh Dong with a net loss of ₱6 million in the first quarter of 2019.

MWAP's new associate in Thailand, East Water contributed ₱122 million in net income. Meanwhile, PT STU in Indonesia likewise contributed net income of ₱0.66 million.

BALANCE SHEET

The consolidated statement of financial position in the first quarter of 2019 saw the Group maintain a healthy balance sheet, with total assets held steady at ₱122.83 billion. Liabilities increased slightly by 0.26% to ₱69.09 billion primarily to fund expansion and new acquisitions. Cash and cash equivalents stood at ₱7.42 billion.

With respect to the Group's loans, debt to equity ratio stood at 1.16x, excluding service concession obligations, while net bank debt to equity was registered at 0.81x. Current ratio improved to 0.81x due to the refinancing of short-term debt used for the East Water acquisition, partly offset by the lower receivables due to the implementation of the Bill Waiver program. However, the annualized Return-on-Equity of the Group dropped to 9% on account of lower net income.

Under the Company's dividend policy, common shares are entitled to annual cash dividends equivalent to 35% of the prior year's net income, payable semi-annually. On February 26, 2019, the Company declared cash dividends for the first half of 2019, set at ₱0.4551 per common share and ₱0.04551 per preferred share, amounting to ₱1.12 billion.

CAPITAL EXPENDITURES

The Group ended the first quarter of 2019 with total capital expenditures of ₱1,722 million.

The Manila Concession spent a total of ₱1,338 million (inclusive of concession fee payments) for capital expenditures in the first quarter of 2019. Of the total amount, 79% was spent on wastewater expansion, network reliability, and water supply projects, while the balance of 21% was accounted for by concession fees paid to MWSS.

Meanwhile, total capital expenditures of the domestic subsidiaries amounted to P384 million. Of the total amount, P127 million was spent by Laguna Water for its water network expansion, while Boracay Water and Tagum Water disbursed P62 million and P35 million, respectively. Estate Water spent P102 million for its greenfield and brownfield projects, with the balance being taken on by the remaining subsidiaries for its various projects.

ANALYSIS OF MATERIAL CHANGES (+/- 5% OR MORE) IN THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Income Statement Items – For the period ended March 31, 2019 (Unaudited) vs. March 31, 2018 (Unaudited)
(Amounts in Thousands)

Revenue

	For the Three Months Ended March 31			
	2019	2018	Increase (Decrease)	%
Water, environmental charges, and sewer revenue	P4,595,587	P4,394,332	P201,255	5%
Other operating income	483,177	318,246	164,931	52%
	P5,078,764	P4,712,578	P366,186	8%

Revenue – 8% increase

Increase in revenues of P366.19 million is on account of higher billed volume and average tariff in several key business units but was offset by the voluntary, one-time Bill Waiver Program implemented by the Manila Concession.

Costs of Services

	For the Three Months Ended March 31			
	2019	2018	Increase (Decrease)	%
Depreciation and amortization	P578,211	P503,972	P74,239	15%
Power, light and water	349,489	307,010	42,459	14%
Salaries, wages and employee benefits	277,365	275,971	1,394	1%
Contractual services	143,580	110,895	32,685	29%
Repairs and maintenance	132,696	128,200	4,496	4%
Regulatory costs	59,037	70,754	(11,717)	(17%)
Management, technical and professional fees	56,385	56,561	(176)	(0%)
Wastewater costs	52,265	43,384	8,881	20%
Water treatment chemicals	44,086	25,851	18,235	71%
Collection fees	28,915	34,542	(5,627)	(16%)
Cost of water service connections	25,822	44,851	(19,029)	(42%)
Occupancy costs	2,266	2,329	(63)	(3%)
Other expenses	53,943	27,322	26,621	97%
	P1,804,040	P1,631,642	P172,398	11%

Depreciation and amortization – 15% increase

Increase of P74.24 million was on account of higher billed volume compared to previous year, as well as completed projects in line with the Group's capital expenditure plan.

Power, light and water – 614% increase

Increase of P42.46 million was driven by the higher power consumption and average power rates of the Group.

Contractual services – 29% increase

Increase of P32.69 million was due to higher contractual services from plant facilities and IT-related services of the Parent Company, and higher project-based personnel by the subsidiaries.

Regulatory costs – 17% decrease

Decrease of P11.72 million was due to lower regulatory fees of Obando Water.

Wastewater costs – 20% increase

Increase of P8.89 million was mostly due to increased septic sludge activities by Estate Water.

Water treatment chemicals – 71% increase

Increase of P18.24 million was due to higher chemical consumption of the Parent Company to treat source water.

Collection fees – 16% decrease

Decrease of P5.63 million was due to lower fees of Laguna Water and collection activities of the Manila Concession.

Cost of water service connections – 42% decrease

Decrease of P19.03 million was due to lower number of new water service connections of some business units.

Other expenses – 97% increase

Increase of P26.62 million was due to bulk water costs and water tankering services incurred by Estate Water for developments without available water resource, as well as additional expenses incurred by the Manila Concession related to the water supply shortage.

Other operating expenses – 76% increase

Increase of P569.53 million was mainly due to the MWSS-imposed penalty amounting to P534.05 million in relation to the water supply shortage in the East Zone.

Other Income (Expenses)

For the Three Months Ended March 31				
	2019	2018	Increase (Decrease)	%
Revenue from rehabilitation works	P1,419,911	P3,086,301	(P1,666,390)	(54%)
Cost of rehabilitation works	(1,419,911)	(3,086,301)	1,666,390	(54%)
Foreign currency differentials	64,919	2,321,642	(2,256,723)	(97%)
Foreign exchange (losses)	(53,305)	(2,278,304)	2,224,999	(98%)
Equity share in net income of associates	206,905	109,268	97,637	89%
Interest income	162,405	105,412	56,993	54%
Interest expense	(533,076)	(404,384)	(128,692)	32%
Loss on disposal of property and equipment	6,135	(25)	6,160	(24640%)
Other income	(281)	29	(310)	(1069%)
	(P146,298)	(P146,362)	P64	(0%)

Revenue from and cost of rehabilitation works – 54% decrease

Decrease of P1,667.39 million was mainly due to lower capital expenditures of the Group during the period.

Foreign currency differentials and foreign exchange (losses) - net – 73% decrease

Net decrease of P31.72 million was due to the higher recognized net unrealized foreign exchange gains as a result of higher Dollar investments of the Parent Company, as well as the depreciation of the Peso to the Dollar during the period.

Equity share in net income of associates – 89% increase

Increase in equity share in net income from associates was mainly due to the full impact in 2019 of the East Water acquisition done in March 2018.

Interest income – 54% increase

Increase of P56.99 million was on account of higher interest income from the Peso and Dollar investments of the Parent Company resulting from the increased volume of investments in cash equivalents, as well as higher interest income recognized by Tagum Water related to its concession financial receivable.

Interest expense – 32% increase

Increase of P128.69 million was on account of the incremental expense arising from additional loan drawdowns made by the Group for its operations and capital expenditures.

Provision for income tax – 17% increase

Increase of P79.77 million was due to higher taxable income of the Group, and provision for deferred taxes on the difference between units-of-production and straight line method of depreciation.

Balance Sheet Items – As of March 31, 2019 (Unaudited) vs. December 31, 2018 (Audited)
(Amounts in Thousands)

	March 31, 2019	December 31, 2018	Increase (Decrease)	%
ASSETS				
Current Assets				
Cash and cash equivalents	P7,415,086	P9,390,591	(1,975,505)	(21%)
Receivables - net	1,635,985	1,955,233	(319,248)	(16%)
Concession financial receivable - current portion	154,894	193,708	(38,812)	(20%)
Contract assets - current portion	678,586	398,448	280,138	70%
Inventories	227,182	205,923	21,259	10%
Other current assets	1,499,946	1,304,640	195,306	15%
Total Current Assets	11,611,679	13,448,541	(1,836,862)	(14%)
Noncurrent Assets				
Property, plant and equipment - net	3,794,002	3,508,215	285,787	8%
Service concession assets – net	83,775,198	82,529,566	1,245,632	4%
Concession financial receivable - net of current portion	885,564	853,335	32,229	4%
Contract assets - net of current portion	538,074	492,943	45,131	9%
Investments in associates	16,343,647	15,994,949	348,698	2%
Goodwill	136,566	136,566	1,296	—
Deferred tax assets - net	1,342,711	1,363,604	(20,893)	(2%)
Other noncurrent assets	4,401,410	4,205,597	194,517	5%
Total Noncurrent Assets	111,217,172	109,084,775	2,132,397	2%
	P122,828,851	P122,533,316	P295,535	0%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts and other payables	P8,698,283	P7,309,174	P1,389,109	11%
Short-term debt	—	8,596,539	(8,596,539)	(100%)
Current portion of:				
Long-term debt	5,495,411	5,525,372	(29,961)	(1%)
Service concession obligation	759,544	809,405	(49,861)	(6%)
Income tax payable	750,043	467,888	282,155	60%
Total Current Liabilities	15,703,281	22,708,378	(7,005,097)	60%
Noncurrent Liabilities				
Noncurrent portion of:				
Long-term debt	44,479,802	37,525,555	6,954,247	19%
Service concession obligation	7,276,836	7,119,121	157,715	2%
Pension liabilities – net	128,754	109,392	19,362	18%
Deferred tax liabilities – net	118,143	103,105	15,038	15%
Provisions	569,893	569,893	—	—
Other noncurrent liabilities	811,156	776,779	34,377	4%
Total Noncurrent Liabilities	53,384,584	46,203,845	7,180,739	16%
Total Liabilities	P69,087,865	P68,912,223	P175,642	0%

	March 31, 2019	December 31, 2018	Increase (Decrease)	%
Equity				
Attributable to equity holders of Manila Water Company,				
Capital stock:				
Common stock	P2,064,840	P2,064,840	P—	0%
Preferred stock	400,000	400,000	—	0%
	2,464,840	2,464,840	—	0%
Additional paid-in capital	4,518,048	4,518,048	—	0%
Subscriptions receivable	(414,241)	(458,453)	44,212	(10%)
Total paid-up capital	6,568,647	6,524,435	44,212	1%
Common stock options outstanding	57,023	51,743	5,280	10%
Retained earnings				
Appropriated	32,444,000	32,444,000	—	0%
Unappropriated	12,155,338	12,052,605	102,733	1%
Remeasurement loss on defined benefit plans	(57,483)	(57,483)	—	0%
Other equity reserves	54,107	54,107	—	0%
Cumulative translation adjustment	1,348,164	1,420,590	(72,426)	(5%)
	52,569,796	52,489,997	79,799	0%
Noncontrolling interests	1,171,190	1,131,097	40,093	4%
Total Equity	53,740,986	53,621,094	119,892	0%
	P122,828,851	P122,533,317	P295,534	0%

Cash and cash equivalents – 21% decrease

Decrease of P1,975.51 million was mainly attributable to the payment of principal and interest payments for the loans of the Group, and dividend payments.

Receivables - net – 16% decrease

Decrease of P319.25 million was mainly attributable to the lower receivables as a result of the one-time voluntary bill waiver implemented by the Parent Company, as well as collection of existing receivables by the Group.

Concession financial receivable - current portion – 20% decrease

Decrease of P38.81 million was mainly due to collections of Cebu Water's concession financial receivable.

Contract assets – current portion – 70% increase

Increase of P280.14 million was mainly due to higher unbilled receivables from Estate Water, Zamboanga Water, Tagum Water and MWTS in accordance with PFRS 15.

Inventories – 10% increase

Increase of P21.26 million was mainly due to higher purchase of chemicals inventory of the Parent Company to treat source water.

Other current assets – 15% increase

Increase of P195.31 million was mainly due to additional prepaid expenses, such as for business permits and real property taxes, made during the period.

Property, plant and equipment – 8% increase

Increase of P285.79 million was due to additions made by the Group during the period, offset by the corresponding depreciation and amortization expense.

Contract assets – net of current portion – 9% increase

Increase of P45.13 million was mainly due to higher unbilled receivables of Tagum Water and Zamboanga Water. This account is recognized in compliance with PFRS 15.

Other noncurrent assets – 5% increase

Increase of P194.52 million was mainly due to recognition of the right-of-use assets in accordance with the adoption of PFRS 16.

Accounts and other payables – 11% increase

Increase of P1,389.10 million due to additional trade payables during the quarter brought about by the operations and capital expenditure projects of the Group.

Short-term debt – 100% decrease

Decrease pertains to the availment of a five (5)-year term loan by MWTC, which replaced the short-term bridge loan used to finance the acquisition of East Water last year.

Service concession obligation – current - 6% increase

Increase of ₱49.86 million mainly driven by reclassification of the portion of the service concession obligation from noncurrent to current.

Income tax payable – 60% increase

Increase of ₱282.16 million mainly driven by the Group's accumulated income tax due for the fourth quarter of 2018 and for the first quarter of 2019, net of payments made to the Bureau of Internal Revenue.

Long-term debt – net of current portion – 19% increase

Increase of ₱6,954.25 million was mainly driven by the refinancing of the MWTC bridge loan used to finance the East Water acquisition.

Pension liabilities - net – 18% increase

Increase of ₱19.36 million was due to Group's recognition of pension expense during the period.

Deferred tax liabilities – net – 15% increase

Increase of ₱15.04 million was due to higher provision for deferred taxes coming from the differences between the amortization expense of Service concession assets per straight-line method and units of production method.

Cumulative translation adjustment – 5% decrease

Decrease of ₱72.43 million due to movements in exchange rates where the Peso was stronger against the Dollar during the period.

SUMMARY OF APPENDICES

- A. Board of Directors and Senior Management Team**
- B. Financial Risk Management Objectives and Policies**
- C. Manila Water Stock and Dividends Information**
- D. Summary of Corporate Disclosures During the 1st Quarter of 2019**
- E. Performance Indicators and Business Efficiency Measures**
- F. Average Tariff**

SIGNATURES

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 thereunto duly authorized.

Signature and Title:



MA. CECILIA T. CRUZABRA
Chief Finance Officer, Treasurer, Group
Director for Corporate Finance and
Strategy, and Compliance Officer 

May 2, 2019

PART II – OTHER INFORMATION

APPENDIX A

BOARD OF DIRECTORS AND SENIOR MANAGEMENT TEAM

The Board of Directors (the "Board") has eleven (11) members elected by the Parent 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.

The following are the members of the Board and corporate secretarial officers as of March 31, 2019:

Name	Position/Board Committee Membership
Fernando Zobel de Ayala	Chairman of the Board of Directors Chairman of the Executive Committee Member of the Remuneration Committee
Jaime Augusto Zobel de Ayala	Vice Chairman of the Board of Directors
Ferdinand M. dela Cruz	President, Chief Executive Officer and Chief Sustainability Officer Member of the Board of Directors Member of the Executive Committee
Oscar S. Reyes	Lead Independent Director Chairman of the Audit Committee Member of the Remuneration Committee Member of the Nomination Committee Member of the Board Risk Oversight Committee
Gerardo C. Ablaza, Jr.	Member of the Board of Directors Vice Chairman of the Executive Committee Member of the Audit Committee Member of the Board Risk Oversight Committee
Antonino T. Aquino	Member of the Board of Directors Member of the Executive Committee
Delfin L. Lazaro	Member of the Board of Directors
John Eric T. Francia	Member of the Board of Directors Member of the Executive Committee
Jaime C. Laya	Independent Director Chairman of Board Risk Oversight Committee Member of the Corporate Governance Committee Member of the Audit Committee Member of the Nomination Committee Member of the Related Party Transactions Committee
Sherisa P. Nuesa	Independent Director Chair of the Corporate Governance Committee Chair of the Related Party Transactions Committee Member of the Remuneration Committee
Jose L. Culsia, Jr.	Independent Director Chairman of the Nomination Committee Chairman of the Remuneration Committee Member of the Corporate Governance Committee Member of the Audit Committee Member of the Board Risk Oversight Committee Member of the Related Party Transactions Committee

Name	Position/Board Committee Membership
Solomon M. Hermosura	Corporate Secretary
Gerardo M. Lobo II	Assistant Corporate Secretary

Below are the Company's key executive officers as of March 31, 2019:

Name	Position
Ferdinand M. dela Cruz	President, Chief Executive Officer, and Chief Sustainability Officer
Ma. Cecilia T. Cruzabra	Chief Finance Officer, Treasurer, Compliance Officer, and Group Director for Corporate Finance and Strategy
Virgilio C. Rivera, Jr.	Chief Operating Officer for New Business Operations
Geodino V. Carpio	Chief Operating Officer for Manila Water Operations
Abelardo P. Basilio	Group Director for Strategic Asset Management and Data Protection Officer
Thomas T. Mattison	Group Director for Corporate Operations
Janine T. Carreon	Group Director for Corporate Human Resources
Esmeralda R. Quines	Group Director for East Zone Business Operations
Liwayway T. Sevalia	Group Director for Business and Technology Services, and Chief Information Officer
Maidy Lynne B. Quinto	Group Director for Corporate Project Management
Jocelyn Frances P. Sison	Chief Risk Officer
Xerxes Noel O. Ordanez	Chief Audit Executive

For more information about each of the members of the Board and the key officers, please visit the Manila Water website at www.manilawater.com.

APPENDIX B

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 liabilities as of March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
	Carrying Value	Fair Value Significant Unobservable Inputs (Level 3)	Carrying Value	Fair Value Significant Unobservable Inputs (Level 3)
(In Thousands)				
Financial assets at amortized cost				
Concession financial receivable	P1,040,458	P1,093,864	P1,047,042	P1,422,268
Other financial liabilities				
Short-term loan	P-	P-	P8,596,539	P8,596,539
Long-term debt	49,975,213	50,318,564	43,050,928	41,811,188
Service concession obligation	8,036,380	8,886,040	7,928,527	8,645,393
Customers' guaranty deposits and other deposits	364,937	365,891	334,643	223,991
	P58,376,530	P59,370,495	P59,910,637	P59,277,119

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:

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.

The discount rates used for PHP-denominated loans were 5.51% to 6.09% in 2019 and 5.22% to 7.53% in 2018 while the discount rates used for foreign currency-denominated loans ranged from 5.55% to 6.10% in 2019 and 5.31% to 7.42% in 2018.

Fair Value Hierarchy

There were no financial assets measured at fair value as of March 31, 2019 and December 31, 2018. During the periods ended March 31, 2019 and December 31, 2018, 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.

APPENDIX C

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of cash and cash equivalents, concession financial receivables, short-term debt, long-term debt and service concession obligations. The main purpose of the Group's financial instruments is to fund its operations and capital expenditures. The main risks arising from the use of financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group has other 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.

The Group's policy is to manage the interest payments using a mix of fixed and variable rate debts to minimize the Group's exposure to changes in interest rates primarily from its long-term debt. As of March 31, 2019, and December 31, 2018, the Group's mix of fixed interest and floating interest rate of long-term debt are 69.84% and 30.16% and 85.31% to 14.69%, respectively.

As of March 31, 2019, fixed interest rates of the Group's foreign currency denominated long-term debt is 1.39% to 1.48% and are from 4.42% to 9.28% for Peso denominated long term debt. Floating interest rates are based on 6-month LIBOR plus margin as of March 31, 2019 and December 31, 2018.

Foreign exchange risk

The Group's foreign exchange risk results primarily from movements of the PHP against the USD. Substantially all revenues are generated in PHP and majority of capital expenditures are also in PHP. Approximately 55.92% and 53.81% of debt as of March 31, 2019 and December 31, 2018, respectively, are denominated in foreign currency.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents are as follows:

	March 31, 2019		December 31, 2018	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
	(In Thousands)		(In Thousands)	
Assets				
Cash and cash equivalents:				
USD	USD11,326	P594,620	USD11,368	P597,751
CAD	CAD843	34,292	CAD806	31,218
THB	THB14,662	24,236	THB8,054	13,064
IDR	IDR284,792	1,050	IDR1,568,250	5,694
VND	VND3,541,060	8,090	VND750,698	1,729
SGD	SGD15	603	SGD25	968
JP¥	JP¥4,355	2,078	JP¥556	264
		P664,968		P650,688
Liabilities				
Accounts payable:				
JP¥	JP¥-	P-	JP¥75,861	P36,042
IDR	IDR1,290,284	4,756	IDR5,829,688	21,167
USD	USD147	7,709	USD153	8,068
THB	THB165	273	THB1,597	2,591
SGD	SGD2	84	SGD65	2,511

(Forward)

	March 31, 2019		December 31, 2018	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
VND	VND248,482	P568	VND318,613	P734
RMB	-	-	RMB6	47
MYR	-	-	-	3
Short-term debt:				
THB	-	-	THB5,300,000	8,596,539
Long-term debt:				
JP¥	JP¥28,283,909	13,494,253	JP¥28,402,974	13,494,253
THB	THB5,300,000	8,748,624	-	-
USD	USD108,006	5,670,308	USD107,842	5,670,308
CAD	CAD843	34,292	CAD873	33,334
Service concession obligations:				
USD	USD64,958	3,410,310	USD64,859	3,410,310
JP¥	JP¥568,381	271,175	JP¥527,061	250,407
French Franc (FRF)	FRF4	34	FRF4	35
		P31,542,386		P31,526,349
Net foreign currency-denominated liabilities		(P30,977,417)		(P30,875,661)

The spot exchange rates used were P52.5000 to US\$1, P0.4771 to JP¥1, P8.9832 to FRF1, P38.9190 to SGD1, P0.0023 to VND1, P0.0037 to IDR1, P1.6507 to THB1 and P40.6745 to CAD1 in 2019, and P52.5800 to US\$1, P0.4761 to JP¥1, P9.1692 to FRF1, P38.4706 to SGD1, P0.0023 to VND1, P0.0036 to IDR1, P1.6220 to THB1, P7.6773 to RMB1, P12.6558 to MYR1 and P39.7336 to CAD1 in 2018.

Under their respective concession agreements, however, the Parent Company and Boracay Water have a natural hedge on foreign exchange risks on their loans and concession fee payments through a recovery mechanism in their tariffs. Thus, the Group does not expect any movement of the USD, JPY, VND, SGD, AUD, FRF, IDR, MMK, CAD and THB against the Philippine Peso to have a significant effect on the Group's income before income tax.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Customer credit risk is managed by the Group's established policy, procedures and control relating to customer credit risk management. Credit risk for receivables from customers is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group has no significant concentration of credit risk. Outstanding customer receivables and contract assets are regularly monitored and customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e., by geographical region, and product type). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Generally, trade receivables are written-off when deemed unrecoverable and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The information about the credit risk exposure on the Group's receivables and contract assets using a provision matrix is shown in the next page.

		March 31, 2018					Expected Credit Loss	Total						
Current Standard Grade		Days Past Due												
		Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days									
(In thousands)														
Receivables														
Trade receivables:														
Manila (Outside East Zone)	P204,501	P47,108	P47,478	P66,096	P60,794	P132,858	P558,833							
East Zone	—	126,859	95,865	29,124	213,785	558,156	1,023,589							
Boracay	30,015	17,993	7,363	5,073	5,945	121,512	187,901							
Clark	35,452	609	67	18	180	6,399	42,725							
Laguna	11,051	44,743	21,233	12,105	69,909	339,283	517,324							
Others	124,854	—	—	—	—	—	124,854							
BWC	312,488	—	—	—	—	—	312,488							
Employees	25,447	—	—	—	—	423	25,870							
Interest from banks	21,865	—	—	—	—	—	21,865							
Others	158,877	—	—	—	—	53,613	212,490							
	924,548	237,312	171,804	112,416	370,613	1,211,244	3,027,937							
Concession financial receivables	1,025,859	—	—	—	—	14,599	1,040,458							
Contract assets	1,216,660	—	—	—	—	—	1,216,660							
	P3,167,067	P237,312	P171,804	P112,416	P370,613	P1,225,843	P5,285,055							
		December 31, 2018					Expected Credit Loss	Total						
Current Standard Grade		Days Past Due												
		Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days									
(In thousands)														
Receivables														
Trade receivables:														
Manila (Outside East Zone)	P186,742	P88,557	P18,500	P16,776	P91,230	P133,524	P535,329							
East Zone	139,304	333,175	90,918	33,514	231,696	553,977	1,382,584							
Boracay	33,243	12,015	7,014	4,062	6,479	122,081	184,894							
Clark	35,576	682	55	27	36	6,523	42,899							
Laguna	93,102	20,884	18,705	11,251	31,860	329,888	505,668							
Others	144,267	—	—	—	—	93,770	238,037							
BWC	388,411	—	—	—	—	—	388,411							
Employees	31,156	—	—	—	—	—	31,156							
Interest from banks	23,937	—	—	—	—	—	23,937							
Others	183,093	—	—	—	—	—	183,093							
	1,258,831	455,293	135,192	65,630	361,301	1,239,761	3,516,008							
Concession financial receivables	1,047,042	—	—	—	—	14,599	1,061,641							
Contract assets	891,391	—	—	—	—	—	891,391							
	P3,197,264	P455,293	P135,192	P65,630	P361,301	P1,254,360	P5,469,040							

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty limits are reviewed and approved by the BOD and are updated when necessary.

Cash and cash equivalents are placed in various banks. Material amounts are held by banks which belong to the top five (5) banks in the country. The rest are held by local banks that have good reputation and low probability of insolvency. These are considered to be low credit risk investments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and debentures. The Group's policy is to maintain a level of cash that is sufficient to fund its operating cash requirements for the next four (4) to six (6) months and any claim for refund of customers' guaranty deposits. Capital expenditures are funded through long-term debt, while operating expenses and working capital requirements are sufficiently funded through internal cash generation.

The Group's financial assets used for liquidity management based on their maturities are as follows:

March 31, 2019				
	Within 1 year	1-5 years	More than 5 years	Total – Gross
	(Amount in Thousands)			
Assets				
Cash and cash equivalents	P7,415,086	P–	P–	P7,415,086
Receivables:				
Customers	2,282,056	–	–	2,282,056
Employees	25,870	–	–	25,870
Interest from banks	21,865	–	–	21,865
ZCWD	9,327	–	–	9,327
Others	212,490	–	–	212,490
Concession financial receivable	193,372	735,398	1,620,446	2,549,216
	P10,160,066	P735,398	P1,620,446	P12,515,910
December 31, 2018				
	Within 1 year	1 to 5 years	More than 5 years	Total – Gross
	(Amounts in Thousands)			
Assets				
Cash and cash equivalents	P9,390,591	P–	P–	P9,390,591
Receivables:				
Customers	3,141,164	–	–	3,141,164
Employees	31,156	–	–	31,156
Interest from banks	23,937	–	–	23,937
ZCWD	10,450	–	–	10,450
Others	183,094	–	–	183,094
Concession financial receivable	193,706	739,220	1,664,053	2,596,979
	P12,974,098	P739,220	P1,664,053	P15,377,371

The Group's financial liabilities based on contractual undiscounted payments:

March 31, 2019				
	Within 1 year	1 to 5 years	More than 5 years	Total – Gross
	(Amounts in Thousands)			
Liabilities				
Accounts and other payables	P8,698,283	P–	P–	P8,698,283
Long-term debt*	7,550,932	37,713,985	14,664,153	59,926,360
Service concession obligations*	1,120,660	3,430,885	8,361,062	12,912,607
Customers' guaranty and other deposits	–	–	798,043	798,043
	P17,369,875	P41,144,870	P23,823,278	P82,338,023
*Includes contractual interest cash flows				
December 31, 2018				
	Within 1 year	1 to 5 years	More than 5 years	Total – Gross
	(Amounts in Thousands)			
Liabilities				
Accounts and other payables	P7,309,174	P–	P–	P7,309,174
Short-term loan*	8,598,539	–	–	8,598,539
Long-term debt*	7,409,511	31,091,261	14,498,774	52,909,547
Service concession obligation*	1,109,494	3,537,892	9,086,915	13,734,301
Customers' guaranty deposits and other deposits	–	–	776,779	776,779
	P24,426,718	P34,629,153	P24,362,468	P83,418,340
*Includes contractual interest cash flows				

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.

	March 31, 2019	December 31, 2018
	(Amounts in Thousands)	
Total liabilities	₱69,087,865	₱68,912,222
Less: Total service concession obligation	8,036,380	7,928,526
Total stockholders' equity	61,051,485	60,983,696
Total	₱114,792,473	₱114,604,791
Gearing ratio	53%	53%

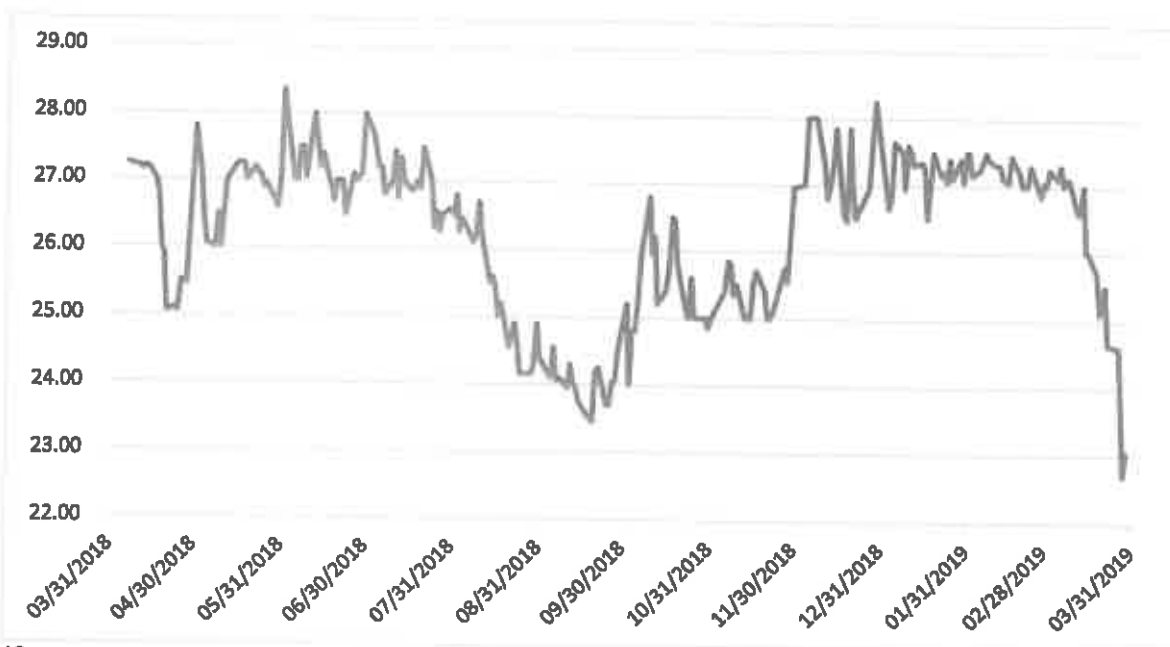
For purposes of computing its net debt, the Group includes the outstanding balance of its long-term debt (including current portion), accounts and other payables, less cash and cash equivalents. To compute its total capital, the Group uses the total stockholders' equity.

	March 31, 2019	December 31, 2018
	(Amounts in Thousands)	
Total liabilities	₱69,087,865	₱68,912,222
Less:		
Total service concession obligation	8,036,380	7,928,526
Cash and cash equivalents	7,415,086	9,390,591
	15,451,466	17,319,117
Net debt	53,636,399	51,593,104
Total stockholders' equity	53,740,985	53,621,093
Total net debt and stockholders' equity	₱107,377,386	₱105,214,199
Total net debt and equity ratio	50%	49%

APPENDIX D

MANILA WATER STOCK AND DIVIDENDS INFORMATION

Stock Chart (March 31, 2018 – March 31, 2019)



*Source: Bloomberg

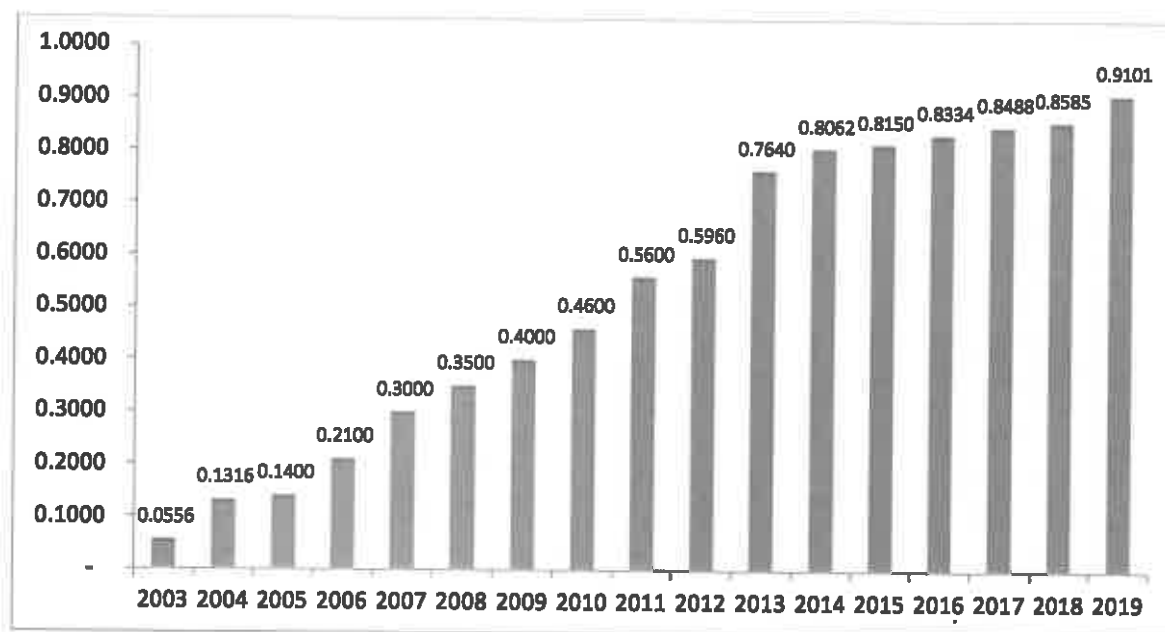
The Company was listed in the Philippine Stock Exchange on March 18, 2005 and its listed shares have since been actively traded therein. The high and low sale prices for each quarter that the Company's shares have been listed are as follows:

	High / Low Sales			
	2019		2018	
	High	Low	High	Low
1 st Quarter	P27.65	P22.70	P29.15	P25.70
2 nd Quarter	-	-	P28.35	P25.05
3 rd Quarter	-	-	P27.70	P23.45
4 th Quarter	-	-	P28.25	P24.00

For the first quarter of 2019, the highest sale price was P27.65 and lowest sale price was P22.70.

The price information as of the close of March 29, 2019 was P23.05.

Dividends Information



In February 26, 2019, the BOD declared the first semester 2019 cash dividends: (i) ₱0.4551 per share on the outstanding common shares, and (ii) ₱0.04551 per share on the outstanding participating preferred shares. The dividends were payable to stockholders of record as of March 14, 2019 and were paid on March 28, 2019.

APPENDIX E

SUMMARY OF CORPORATE DISCLOSURES DURING THE FIRST QUARTER OF 2019

As part of its commitment to promote the corporate values of transparency and accessibility of material information to its investors, the Parent Company fully complies with the reporting and disclosure requirements of the law as well as the relevant rules and regulations issued by the SEC and the PSE. The Parent Company adopts a policy of prompt and accurate disclosure of all information that may be material to the investing public. The Parent Company conducts quarterly investors' and analysts' briefings and regular meetings with shareholders and fund managers to keep them up to date on matters affecting the business of the Parent Company.

Below is a summary of the corporate disclosures during the 1st quarter of 2019.

Date	Topic
January 4, 2019	Foreign Ownership Report as of December 31, 2018
January 4, 2019	Report on the Number of Shareholders as of December 31, 2018
January 15, 2019	Public Ownership Report as of December 31, 2018
January 15, 2019	List of Top 100 Stockholders as of December 31, 2018
January 21, 2019	Joint Venture Agreement between Laguna AAWater Corporation and the Pagsanjan Water District
January 25, 2019	Notice to Proceed from the Municipality of Manaoag, Province of Pangasinan
January 28, 2019	Clarification of News Article
February 4, 2019	Joint Venture Agreement between the Tanauan Water District and the Consortium of Manila Water Company, Inc. and Manila Water Philippine Ventures, Inc.
February 6, 2019	Foreign Ownership Report as of January 31, 2019
February 6, 2019	Report on the Number of Shareholders as of January 31, 2019
February 14, 2019	Statement of Changes of Beneficial Ownership of Securities
February 20, 2019	Notice of Analysts'/Investors' Briefing
February 21, 2019	[Amended-1] Notice of Annual or Special Stockholders' Meeting
February 26, 2019	Results of Regular Meeting of the Board of Directors held on February 26, 2019
February 26, 2019	Unaudited Full Year 2018 Performance Results
February 26, 2019	Amendments to the Articles of Incorporation
February 27, 2019	Term-Loan Facility for Manila Water (Thailand) Co. Ltd.
March 1, 2019	2019 Audited Consolidated Financial Statements
March 6, 2019	Foreign Currency Differential Adjustment
March 7, 2019	Report on the Number of Shareholders as of February 28, 2019
March 7, 2019	Foreign Ownership Report as of February 28, 2019
March 11, 2019	Term-Loan Facility for Clark Water Corporation
March 14, 2019	Statement of Manila Water on the water supply situation in the East Zone
March 15, 2019	[Amended-2] Notice of Annual or Special Stockholders' Meeting
March 15, 2019	List of Stockholders
March 21, 2019	Clarification of News Article
March 22, 2019	Memorandum of Understanding between Manila Water Company, Inc. and Prime Metroline Infrastructure Holdings, Inc.
March 22, 2019	Clarification of News Article
March 25, 2019	[Amended-3] Notice of Annual or Special Stockholders' Meeting
March 26, 2019	Statement of Manila Water on the Voluntary Bill Waiver for Customers
March 26, 2019	Information Statement

For more details on these disclosures, please visit the Manila Water website at www.manilawater.com.

APPENDIX F

PERFORMANCE INDICATORS AND BUSINESS EFFICIENCY MEASURES As of March 31, 2019

Key Performance Indicators	Target**	Actual
Domestic Water Service Connections*	1,021,009 ²	1,009,474 ³
Continuity of Water Supply (24-hour supply)	98%	0.0%***
Pressure of Water Supply (minimum of 7 psi)	98%	99.45% of central distribution system @ 19.23 psi (average) 99.32% of currently-served areas @ 19.24 psi (average)
Water Quality at Plant Outlet (% compliance with PNSDW)	100%	100%
Water Quality in Distribution (% compliance with PNSDW)	95%	100%
Sampling (% compliance with PNSDW)	100%	112.2%
Sewerage Connections*	240,182 ²	140,554 ³
Sanitation (no. of septic tanks emptied)	96,560 ²	20,388 ³
Wastewater Effluent Quality (% compliance with DENR standards)	95%	100%
Response to customer service complaints (% of complaints resolved within 10 days)	95%	91.97%***
Response to billing complaints (% of complaints resolved within 10 days)	92%	95.32%
Response to request for new connections (% of requests responded to within 5 days)	100%	100%
Installation of new water service connections (no. of new water service connections installed within 7 days over the total no. of approved applications with paid connection fees) year-to-date ⁴	95%	97.68%
Response to disruptive mains failure (% of disruptive main failures repaired within 24 hours)	96%	100%

Business Efficiency Measures	Target	Actual
Billed Volume (mcm)	530	121.60
Revenue Collection Rate	98%	99.69%
Labor Cost (in million PhP)	max. of 2,051	445
Power Consumption (in million Kwh)	max. of 190	31.37
Total Controllable OPEX (in million PhP)	2,665	417
CAPEX (in million PhP)	11,640.77	1,337.71 ⁵
Non-Revenue Water % (YTD Average)	max. of 12%	12.85%

² Year-end targets

³ Year-to-date actual figures

⁴ excluding connections related to new pipeline projects

⁵ Year-to-date total CAPEX net of interest during construction and engineering and supervision, including Concession Fees.

*cumulative figures from 1997

**the targets stated hereunder are those on the 2018 Approved Business Plan.

***As of March 2019, decline in the performance was due to water deficit.

APPENDIX G

*AVERAGE TARIFF

	Mar. 31, 2018	Dec. 31, 2018	Mar. 31, 2019
Previous Basic	24.81	25.52	26.98
CPI	0.69	(0.69)	1.54
Rate Rebasing	—	2.15	—
Total Basic Water	25.50	26.98	28.52
FCDA	0.63	1.65	0.75
EC	5.23	5.73	5.85
TOTAL	31.36	34.36	35.12
VAT	3.76	4.12	4.21
TOTAL w/ VAT	35.12	38.48	39.33

**Pertains to the Parent Company only*

The weighted average tariff which is approved by MWSS represents for the indicative rate applied to the whole East Concession area. The percentage increase on the basic charge is applied universally across the Manila Water Standard Tariff Table.