17 September 2009

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Acquisition of 100% equity in AAA Water Corporation

Gentlemen:

In relation to its previous disclosure dated 21 July 2009, please be informed that Manila Water Company, Inc. (Manila Water) completed the acquisition of 100% equity in AAA Water Corporation (AAA). The acquisition was pursuant to the Share Purchase Agreements that Manila Water entered separately with sellers Asia Water Limited (AWL) and All Asia Development Corporation (AADC).

AWL sold its entire interest in AAA comprising 65% of the outstanding capital stock in AAA, while AADC sold the remaining 35%.

This paves the way for Manila Water to take-over control and management of AAA.

AAA owns 70% of Laguna AAA Water Corporation (Laguna AAA), a joint venture company with the Province of Laguna that has a 25-year concession, which started in 2007, for the provision of water supply services to the city of Sta. Rosa and the municipalities of Biñan and Cabuyao in Laguna province.

Laguna AAA currently serves around 120,000 customers (out of around 600,000 population which it expects to increase to around 1 million within fifteen years). Total capital expenditures for the period are estimated at Php2.5 billion, which shall be used for the expansion and improvement of water services in the concession area for the next ten (10) years.
As has been previously disclosed, the acquisition of AWL and AADC interests in AAA is not equal to or more than ten percent (10%) of Manila Water’s book value.

Please see attached press release for more details.

Thank you.

Sincerely,

Lizelle Zamora-Dimacuha
Legal and Corporate Governance Officer
Manila Water expands to Cabuyao, Sta Rosa and Biñan, forges landmark joint venture with Provincial Government of Laguna

Manila Water is expanding further south of Metro Manila to Laguna.

A milestone joint venture agreement (JVA) was entered into by Manila Water with the Provincial Government of Laguna (PGL) paving the way for a new joint venture company to develop and operate the water supply system of two Laguna municipalities and one city.

The new subsidiary company of Manila Water called the “Laguna Water Company, Incorporated” (Laguna Water), will be operating under a Concession Agreement (CA) framework patterned after Manila Water’s own CA with the Metropolitan Waterworks and Sewerage System (MWSS) when the latter entered into a Public-Private Partnership agreement in 1997.

Under the CA, Laguna Water will have a 25-year exclusive right, renewable for another 25 years, to service the water requirements of the entire Cabuyao, Sta Rosa City and Biñan as agent and contractor of the Provincial Government of Laguna (PGL). PGL will be the asset owner and franchisee.

The National Water Resources Board (NWRB), on the other hand, will set the tariff rates.

The Province of Laguna has been experiencing robust growth and development over the years as one of the most progressive destinations south of Metro Manila. Laguna, particularly Cabuyao Sta Rosa City and Biñan, is bustling with urban centers and technology parks, that have encouraged varied property development due to its strategic location as the gateway to the adjacent provinces of the CALABARZON areas. To support this growth, Laguna Water has earmarked a comprehensive PhP 2.5 Billion capital infrastructure program which will include pipeline replacements and construction of water treatment facilities for the next ten years.
Laguna Water president Virgilio C. Rivera said that under the joint venture, the authorized capital stock of the JV Company shall be PhP 500 million whereby Manila Water’s equity contribution shall be 70% while the Provincial Government of Laguna’s equity contribution shall be 30%. He also added that the JV Company shall design, build, operate and upgrade the water facilities of Cabuyao, Sta Rosa City and Biñan.

“We are happy and excited to have been given the opportunity to branch out to Laguna. Laguna has experienced sustained growth as the gateway to South Luzon with rapid development of commercial centers, modern techno parks and expanding infrastructure development. We are confident Laguna Water will provide these areas with the huge improvements similar to what Manila Water has been able to do in the East Zone of Metro Manila and Rizal Province,” says Rivera.

Manila Water for the past 12 years has blazed a trail of impressive achievements under a very successful Public-Private-Partnership arrangement with MWSS. Water coverage has greatly improved in the East Zone from only 26% in 1997 to more than 99% as of June 2009, with almost 6 million people now enjoying 24 by 7 water supply compared to only 3.1 million in 1997. Sewerage coverage in the East Concession area has likewise increased by more than 500% from only 3% at the start of the concession period to 16% at yearend 2008.