31 March 2009

PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: Noel B. del Castillo,
OIC, Disclosure Department

Clarification on News Article

We refer to your letter dated March 31, 2009 requesting for clarification on the news article entitled “Manila Water eyeing Laiban” in Manila Standard today. The article states that:

“Manila Water Co., the water utility unit of Ayala group, may forge a partnership with food and beverage conglomerate San Miguel Corp. to develop Laiban Dam in Tanay, Rizal as a future water source. “We’re still in discussion with the MWSS [Metropolitan Waterworks and Sewerage System]. We submitted our proposal, so did San Miguel. We’re hoping we could work together on this,” Manila Water president Jose Rene Almendras told reporters at a briefing yesterday.... Almendras said Manila Water and DMCI-MPIC Water Co. Inc. of Metro Pacific Investments Corp. and DMCI Holdings Inc. had committed to team up with MWSS to develop Laiban Dam as another sources of potable water for residents of Metro Manila and nearby areas covered by their concession agreement.... The two water companies are looking at a $1-billion budget for the water project, slightly lower than $1.2 billion proposed by San Miguel....”

We would like to confirm that as early as 2007, as part of our review of the business plan with MWSS, Manila Water had already indicated its willingness to participate in the development of a long-term water source for Metro Manila. Under our proposal, MWSS would be in charge of the development of the source while the two concessionaires will help finance the project by debt service through concession fee payments like other MWSS projects such as Umiray-Angat Transbasin project. Manila Water would like to continue to find a win-win arrangement with all concerned parties to finance Laiban at the lowest possible cost to ensure Metro Manila’s water supply security.

We trust that the foregoing clarifies the matter.

Respectfully yours,

Luis Juan B. Oreta
Chief Finance Officer and Treasurer
Company: MANILA WATER COMPANY, INC.
Attention: Mr. Luis Juan B. Oreta
   CFO and Treasurer
Subject: "Manila Water eyeing Laiban"
Sent: Tuesday, March 31, 2009

Gentlemen:

We write with respect to the attached news article entitled “Manila Water eyeing Laiban” published in the March 31, 2009 issue of the Manila Standard Today. The article reported, in part, that:

MANILA Water Co. Inc., the water utility unit of the Ayala group, may forge a partnership with food and beverage conglomerate San Miguel Corp. to develop Laiban Dam in Tanay Rizal as a future water source. "We're still in discussion with the MWSS (Metropolitan Waterworks and Sewerage System). We submitted our proposal, so did San Miguel. We're hoping we could work together on this," Manila Water president Jose Rene Almendras told reporters at a briefing yesterday. Almendras said Manila Water and DMCI-MPIC Water Co. Inc. of Metro Pacific Investments Corp. and DMCI Holdings Inc. had committed to team up with MWSS to develop Laiban Dam as another source of potable water for residents of Metro Manila and nearby areas covered by their concession agreement.... The two water companies are looking at a $1-billion budget for the water project, slightly lower than $1.2 billion proposed by San Miguel....

Please confirm, deny and/or clarify the above-quoted news article and provide additional information, if any, via ODiSy before 11:00 a.m. today, March 31, 2009, so that we may properly apprise the Trading Participants and the investing public of the same.

Very truly yours,

KRISTINA S. WY
Analyst, Disclosure Department

Noted by:

NOEL B. DEL CASTILLO
OIC, Disclosure Department
Manila Water eyeing Laiban

Water firm submits own proposal to MWSS, says tie-up with San Miguel to develop Tanay, Rizal dam possible

By Othel V. Campos

MANILA Water Co. Inc., the water utility unit of the Ayala group, may forge a partnership with food and beverage conglomerate San Miguel Corp. to develop Laiban Dam in Tanay, Rizal as a future water source.

"We're still in discussion with the MWSS [Metropolitan Waterworks and Sewerage System]. We submitted our proposal, so did San Miguel. We're hoping we could work together on this," Manila Water president Jose Rene Almendras told reporters at a briefing yesterday.

San Miguel in February offered to build the proposed P47.9-billion Laiban Dam project as part of the company's diversification strategy. It said wholly-owned unit San Miguel Bulk Water Co. Inc. made an unsolicited proposal to MWSS to develop Laiban Dam under a build-operate-transfer scheme.

Almendras said Manila Water and DMCI-MPIC Water Co. Inc. of Metro Pacific Investments Corp. and DMCI Holdings Inc. had committed to team up with MWSS to develop Laiban Dam as another source of potable water for residents of Metro Manila and nearby areas covered by their concession agreement. Manila Water supplies water to the eastern part of Metro Manila while DMCI-MPIC Water operates the west zone of the capital region.

"I believe having a concessionaire agreement is far better than a BoT proposal which was what I believe San Miguel is offering the MWSS. But if we can meet somewhere to work this project together, it will be good for everybody," said Almendras.

The two water companies are looking at a $1-billion budget for the water project, slightly lower than $1.2 billion proposed by San Miguel.

San Miguel has offered to build the Laiban Dam and headworks, raw water conveyance facilities, a treatment plant, a hydro power plant and pumping stations.

"The economy of the project is to do it combined. You cannot separate the water component from the power component. We are financially and technically capable of doing the project," said Almendras.

Mothballed for 27 years, the Laiban Dam is expected to solve a possible water shortage in Metro Manila.

President Gloria Macapagal Arroyo in 2007 gave the green light to revive the Laiban Dam project to address a potential water supply problem in Metro Manila and generate an additional 25 megawatts of hydro power.

Mrs. Arroyo gave a deadline of six years to complete the construction of the project starting in 2008.

Manila Water and DMCI-MPIC Water earlier gave lukewarm support to the proposed Laiban Dam project of San Miguel.