



DMCI HOLDINGS
I N C O R P O R A T E D

26 July 2007

PHILIPPINE STOCK EXCHANGE

Disclosure Department
4/F PSE Center
Exchange Road
Ortigas Center, Pasig City

Attention: **ATTY. PETE M. MALABANAN**
Head, Disclosure Department

Gentlemen:

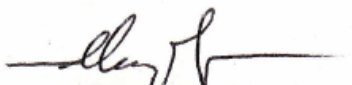
In reference to your email dated July 26, 2007, requesting for clarifications on the news article entitled "Water concessionaire seeks total control of Maynilad" published in the July 26, 2007 issue of the Business World. The article report in part that:

"The majority shareholder of west zone concessionaire, Maynilad Water Services, Inc., will acquire the stake of a minority shareholder via a shares swap, a company official said. Maynilad Chief Operating Officer Herberr M. Consunji said DMCI-MPIC Water Co., which jointly hold an 84% stake in Maynilad will acquire the 16% stake held by Deutsche Bank. The shares swap, he said, will allow the firm to raise funds for capital expenditures while at the same time giving DMCI-MPIC Water total control of Maynilad. Based on the plan, DMCI-MPIC Water will hold a capital call which will require DMCI Holdings, Inc. and Metro Pacific Investment Corp., its parent firms, to raise \$20 million each. "DMCI will raise the \$20 million," Mr. Consunji said, who is also a vice-president of DMCI Holdings, said. MPIC however, will let two other investors raise its \$20 million: United States-based Ashmore Fund and First Pacific Corp., which would as a result acquire a 20% stake in DMCI-MPIC. Ashmore will infuse an additional \$20 million into DMCI-MPIC Water, Mr. Consunji said. Following the capital call, Deutsche Bank will sell its 16% stake in Maynilad to the holding company in exchange for an 8% stake in DMCI-MPIC Water. "Because of Deutsche's stake in the holding firm and Ashmore's \$20 million, we will have to dilute our shareholdings," Mr. Consunji said. He said DMCI, which now holds a 42% stake in Maynilad, will end up with 41.2%...the plan would allow the holdings firm to have an extra \$20 million, which will be used for Maynilad's capital expense program....We're going to use Php5 billion for reconstructing pipelayings and other support services in Maynilad....We'll still not be able to exit rehabilitation...."

In response, DMCI Holdings, Inc. confirms that the shareholders of DMCI-MPIC Water Company (DMCI-MPIC Water), 84% owner of Maynilad Water Services, Inc. (Maynilad), are currently in discussion with Lyonnaise Asia Water Limited (LAWL) and/or its assignees, the minority shareholder that holds the remaining 16%, to acquire their shares in Maynilad in exchange for shares in DMCI-MPIC Water. This will consolidate 100% ownership of DMCI-MPIC Water in Maynilad. Details of the exchange are currently being negotiated and will be disclosed once documentation is final.

This further confirms that DMCI-MPIC Water is contemplating to increase its authorized capital stock to fund capital expenditures in Maynilad, as well as allow the entry of LAWL and other significant shareholders including the shareholders of MPIC and its associates.

Very truly yours,


Aldric G. Borlaza
Finance Officer