

# NOTICE OF THE TENDER OFFER TO COMMON SHAREHOLDERS OF THE COMPANY TO HOLDERS OF COMMON SHARES OF MANILA WATER COMPANY, INC.

All holders of shares of common shares of MANILA WATER COMPANY, INC. (the “**Common Shareholders**” and the “**Company**” or “**MWC**”, respectively) are hereby notified that on 8 April 2021, Trident Water Company Holdings, Inc. (the “**Bidder**”) filed a Tender Offer Report (SEC Form 19-1, including any and all of its annexes, exhibits and schedules) dated 8 April 2021 (the “**Tender Offer Report**”) with the Company, the Securities and Exchange Commission (“**SEC**”) and the Philippine Stock Exchange (“**PSE**”) in connection with its public tender offer (the “**Tender Offer**”) to acquire of up to 1,118,253,916 common shares of the Company (the “**Tender Offer Shares**”), representing approximately 54.16% of its outstanding common shares, from shareholders of the Company, excluding the 866,996,201 common shares held by Ayala Corporation and its nominees and the 4,000,000,000 preferred shares held by Philwater Holdings Company Inc. and its nominees (the “**Excluded Shares**”), at the tender offer price of Thirteen Pesos (₱13.00) per common share (the “**Tender Offer Price**”) subject to the Terms and Conditions of the Tender Offer as stated in the Tender Offer Report (the “**Terms and Conditions of the Tender Offer**”).

## Background on the Tender Offer

MWC holds the exclusive right to provide water and used water services to the Service Area East of the Metropolitan Waterworks and Sewerage System (MWSS) under a Concession Agreement (“**CA**”) dated 21 February 1997. On 31 March 2021, MWSS and MWC signed a Revised Concession Agreement (“**Revised CA**”) amending the **CA**. The following are the key features of the Revised CA:

1. The Revised CA confirms the continuation of the concession until July 31, 2037. The Revised CA largely adopts the provisions of the New Clark City - Joint Venture Agreement (NCC-JVA) for the development of water and wastewater infrastructure in New Clark City.
2. Consistent with the NCC-JVA, the Revised CA removes recovery of the Corporate Income Taxes and adjustment for foreign currency differential (FCDA). To mitigate the impact of tariff increases on customers, the Revised CA lowers the inflation factor to 2/3 of the Consumer Price Index adjustment and imposes caps on increases in standard rates for water (1.3x the previous standard rate) and wastewater (1.5x the previous standard rate). Instead of a market-driven appropriate discount rate, MWC shall now be limited to a 12% fixed nominal discount rate.
3. The rate rebasing mechanism under the original CA is retained. Thus, the rates for water and sewerage services provided by MWC shall be set at a level that will permit it to recover over the term of the concession expenditures efficiently and prudently incurred and to earn a reasonable rate of return.
4. To align with the government’s program to assist the disadvantaged sector and to contribute to the recovery of the economy post-COVID 19, the Revised CA includes a tariff freeze until December 31, 2022.
5. Finally, the Undertaking Letter of the Republic is retained but has been amended to exclude the non-interference clause. It now applies only to contracts and obligations existing at the time of execution of the Revised CA.

A copy of the Revised CA is posted on the MWC website.

As of 31 March 2021, MWC has an authorized capital stock of Three Billion Five Hundred Million Pesos (₱3,500,000,000.00) divided into (i) Three Billion One Hundred Million (3,100,000,000) common shares with a par value of One Pesos (₱1.00) per share, and (ii) Four Billion (4,000,000,000) participating preferred shares with a par value of Ten Centavos (₱0.10) per share. Out of the authorized capital stock, a total of (i) Two Billion Sixty Four Million Eight Hundred Thirty Nine Thousand Six Hundred Seventeen (2,064,839,617) common shares and (ii) Four Billion (4,000,000,000) preferred shares are outstanding and fully paid-up. The common and preferred shares have the same voting rights. Three Hundred Million (300,000,000) unissued common shares of the Company (the “**Carved-Out Shares**”) are reserved or allocated for issuance in one or more transactions or offerings, (a) for properties or assets needed for the business of the Company, or (b) for cash to acquire properties or assets needed for the business of the Company. The issuance of all or any part of the Carved-Out Shares is not subject to any pre-emptive right by any shareholder and does not require the approval of stockholders.

On 31 January 2020 the Board of Directors of MWC approved the amendment of the Company’s Articles of Incorporation, by increasing the authorized capital stock to Four Billion Four Hundred Million Pesos (₱4,400,000,000), divided into: (i) Four Billion (4,000,000,000) common shares with par value of One Pesos (₱1.00) per share, and (ii) Four Billion (4,000,000,000) participating preferred shares with a par value of Ten Centavos (₱0.10) per share (the “**Increase in Authorized Capital Stock**”). The amendment also increased the Carved-Out Shares to Nine Hundred Million (900,000,000) unissued common shares. On 2 July 2020 the SEC approved this amendment of the MWC Articles of Incorporation to increase the number of the Carved-Out shares to 900 million common shares. MWC has a pending request with the SEC for an additional period of 6 months from its filing on 8 October 2020 to file its application for the increase of its authorized capital stock.

On 1 February 2020, Prime Metroline Holdings, Inc. (now known as Prime Strategic Holdings Inc.), on behalf of its wholly owned subsidiary Trident Water Company Holdings, Inc., which was yet to be incorporated (the “**Bidder**”), signed a subscription agreement with MWC (the “**Subscription Agreement**”) for Eight Hundred Twenty Million (820,000,000) common shares (the “**Subscription**”) in MWC at a subscription price of ₱13 per share. The Subscription represents approximately Eleven and 91/100 percent (11.91%) of the resulting total issued and outstanding capital stock of MWC (and Twenty Four and 96/100 (24.96%) of the economic rights in MWC) after said Subscription. The Subscription Agreement includes a grant by Philwater Holdings Company Inc. (“PHC”) to the Bidder of proxy rights over such number of preferred shares in MWC to enable the Bidder to achieve fifty-one percent (51%) voting interest in MWC. The Subscription Agreement is subject to several conditions to closing.

On 3 March 2020, the Securities and Exchange Commission approved the incorporation of the Bidder.

On 25 August 2020, the Philippine Competition Commission issued a decision interposing no objection to the transaction under the Subscription Agreement.

In an amendment to the Subscription Agreement dated 15 February 2021, the Parties amended the payment terms of the subscription to 50% or ₱5,330,000,000 on Closing and the 50% or ₱5,330,000,000 balance upon call by the board of directors of MWC.

On 15 February 2021 the Bidder agreed to buy 2,691,268,205 preferred shares from PHC under a Share Purchase Agreement payable over five (5) years. Pending full payment of the purchase price PHC agrees to issue a proxy over the subject preferred shares in favor of the Bidder. This purchase of 2,691,268,205 preferred shares, in addition to its subscription to 820,000,000 common shares, will give the Bidder a total 51% voting shares in MWC.

The Bidder has acquired 50,000,000 common shares of MWC from the market. Its parent company Prime Strategic Holdings Inc. has also acquired through another company 29,589,500 common shares of MWC from the market.

As required under a mandatory tender offer, the Bidder is prepared and offers to acquire up to 1,118,253,916 common shares of MWC (the “**Tender Offer Shares**”), representing approximately 54.16% of the current outstanding common shares of MWC, through a tender offer to all shareholders of the Company excluding the 866,996,201 common shares held by Ayala Corporation and its nominees and the 4,000,000,000 preferred shares held by Philwater Holdings Company Inc. and its nominees (the “**Excluded Shares**”).

The transaction which will result in the acquisition by the Bidder of 51% voting shares in MWC triggers a mandatory tender offer under Section 19 of the Securities Regulation Code (“**SRC**”) and the 2015 Implementing Rules and Regulations (“**SRC IRR**”).

The tender offer shall be subject to the terms and conditions of the tender offer (the “**Terms and Conditions of the Tender Offer**”) attached as **Exhibit A** and made an integral part of the Tender Offer Report.

After the completion of the Tender Offer, the Bidder is considering the following plans:

- i. The Bidder shall cause the election of its representatives to the Company’s Board of Directors and appointment of its nominees as key officers and members of management;
- ii. This Tender Offer will not result in the delisting of the Shares from the PSE; and
- iii. The Company will continue to be subject to the disclosure requirements of SRC Rule 17.

## The Tender Offer

Subject to the Terms and Conditions of the Tender Offer, the Bidder is conducting the Tender Offer for the Tender Offer Shares, at the Tender Offer Price, which is payable in check in accordance with the procedures set forth in the Tender Offer Report.

The Tender Offer Price does not include customary selling charges amounting to 0.621% of the total transaction value<sup>1</sup> (excluding broker’s selling commission and taxes thereon) which shall be for a tendering shareholder’s account. After deducting customary selling charges from a tendering shareholder’s account, the net Tender Offer Price will be ₱12.9193 per share. Other fees such as lodgment fee and EQ trade transfer fee (as applicable) are also for the account of the Tendering Shareholder.

<sup>1</sup>The customary selling charges, which amount to 0.621% of the total transaction value (excluding broker’s selling commissions and taxes thereon which may be passed on by the broker), include:

Type of Fees	% of Value of the Transaction
Stock Transaction Tax (STT)	0.600%
Securities Clearing Corporation of the Philippines (SCCP)	0.010%
Stock Investment Protection Fund (SIPF)	0.001%
Securities and Exchange Commission (SEC)	0.005%
Philippines Stock Exchange, Inc. (PSE)	0.005%

The Tendering Shareholder and the Bidder shall each be responsible for any selling or buying broker’s commissions and/or their own broker’s commissions, costs, charges, transfer taxes, and other expenses, fees, and duties incurred in connection with the tender of the Tender Offer Shares, provided that the stock transaction tax payable on the transfer of the Tender Offer Shares shall be for the account solely of the Tendering Shareholder. The selling broker’s commission and/or any taxes thereon shall be payable by the Tendering Shareholder. Any and all costs, charges, transfer taxes, expenses, fees, and duties that shall be for the account of the Tendering Shareholder shall be deducted by the Tender Offer Agent from the total price payable to such Tendering Shareholder.

The maximum aggregate purchase price of the Tender Offer Shares that may be payable by the Bidder is approximately ₱14,537,300,908. The Bank of the Philippines Islands (BPI) has confirmed that the resources available to the Bidder are sufficient to satisfy full acceptance of the Tender Offer Shares.

The Tender Offer shall start at 9:00 a.m. on 27 April 2021 and end at 12:00 p.m. on 25 May 2021 (the “**Tender Offer Period**”). The Bidder may extend the Tender Offer Period with prior approval from the SEC and notice to the PSE.

The Tender Offer Shares are intended to be crossed at the PSE on or about 31 May 2021 (the “**Cross Date**”), subject to regulatory approvals.

The sale and purchase of the accepted Tender Offer Shares shall be settled on 3 June 2021 (the “**Settlement Date**”), subject to any extension of the Tender Offer Period with the approval of the SEC.

Any change in the Cross Date shall be announced by the Bidder in 2 newspapers of general circulation in the Philippines.

Without prejudice to the right of the Bidder (subject to prior approval by the SEC) to extend the Tender Offer Period, should any of the business days during the period from **27 April 2021**, the commencement of the Tender Offer Period, and **25 May 2021**, the end of the Tender Offer Period, inclusive, be officially declared as non-working holidays after the filing of the Tender Offer Report, the period shall be extended by the number of business days corresponding to those which were declared as non-working holidays. For purposes hereof, a “business day” shall mean any day other than a Saturday, Sunday, or a non-working holiday on which banks are required to be open for business in Makati City, Philippines.

For inquiries on the Tender Offer, please contact the Tender Offer Agent at the contact details set forth below.

## BPI Securities Corporation

11/F Ayala North Exchange Tower 1  
Ayala Ave. cor. Salcedo & Amorsolo Sts.,  
San Lorenzo, Makati City, Philippines 1229  
Ms. Buena M. Bascuguin / Ms. Diana Pampolino  
(632) 82466112 / (632) 82466111 / (632) 82466110 / (632) 82465191  
Email address: bpisecuritiessettlements@bpi.com.ph

Application Forms together with all documentary requirements must be received by the Tender Offer Agent not later than **12:00 p.m. on 25 May 2021**.

For inquiries about the number of Common Shares of a shareholder in the Company, please contact the Company’s Stock and Transfer Agent at the contact details set forth below:

## BPI Stock Transfer Office

BPI Stock Transfer Office, 3rd Floor BPI Buendia Center  
372 Senator Gil Puyat Avenue, Makati City, 1209  
Ms. Janie Mae P. Elideros  
8580-4693 to 95  
stocktransferoffice@bpi.com.ph

Tendering Shareholders who hold stock certificates and who wish to offer all or a portion of their Common Shares for acceptance and sale to the Bidder should, within the Tender Offer Period: (i) present their original stock certificates to the Stock Transfer Agent at its office as stated herein for authentication by the Stock Transfer Agent, and (ii) upon due authentication by the Stock Transfer Agent, submit their original stock certificates duly endorsed in blank and the duly accomplished Application to Tender Shares (the “**Application**”), together with all the requirements stated therein, to the Tender Offer Agent at its address as stated above.

On the other hand, Tendering Shareholders whose shares are lodged with the Philippine Depository Trust Corporation (“**PDTC**”) and who wish to participate in the Tender Offer should instruct their brokers (“**Participating Brokers**”) to accomplish and submit, on their behalf, the Application Form together with all requirements stated therein and instruct their Participating Broker to electronically transfer their Common Shares which they intend to tender to the Tender Offer Agent for receipt by the Tender Offer Agent prior to **12:00 p.m. on 25 May 2021**.

The Bidder or Tender Offer Agent reserves the right to require any Tendering Shareholder (or any person acting on its behalf, including any Participating Broker) to present or submit additional documents for purposes of, among others, enabling the Bidder or Tender Offer Agent to determine the validity, eligibility, and acceptability of any Tendered Shares. Defective applications (e.g., with discrepancy between the specimen signatures on file and the endorsement) must be corrected within the Tender Offer Period to avoid being rejected by the Bidder. **Hence, Tendering Shareholders are strongly urged against tendering at the last minute to allow sufficient time to correct any deficiency in their application (or any document submitted in support thereof). Tendering Shareholders are also urged to indicate their telephone numbers in their respective Application Forms to allow the Tender Offer Agent to inform them immediately of any deficiency in their applications.**

Acceptance of any or all of the Tendered Shares by the Bidder for purchase pursuant to the Tender Offer is subject to the fulfillment (or waiver, in the Bidder’s sole discretion) of all conditions set forth in the Tender Offer Report, including in particular the Terms and Conditions of the Tender Offer.

The Bidder has the right to withdraw the Tender Offer at any time prior to the Settlement Date if any of the Terms and Conditions of the Tender Offer are not met to its satisfaction, provided that written notice of the withdrawal of the Tender Offer shall be sent to all Tendering Shareholders on or before Settlement Date.

Any or all Tendered Shares may be withdrawn by the relevant Tendering Shareholder at any time during the Tender Offer Period by submitting a written request for the withdrawal of the relevant Tendered Shares, together with a copy of the Tendering Shareholder’s Copy of the Application issued by the Tender Offer Agent. The last day to withdraw tendered Tender Offer Shares shall be 12:00 p.m. on 25 May 2021.

For a withdrawal to be effective, the written request of withdrawal must be timely received by the Tender Offer Agent at the address stated above. The written request for the withdrawal of any Tendered Shares must specify: (a) the name of the Tendering Shareholder, and (b) the number of Tendered Shares to be withdrawn. If the stock certificates evidencing the Tendered Shares have been delivered to the Tender Offer Agent, the serial number of such certificates must likewise be indicated in the written request for withdrawal. The Bidder has the right, in its sole discretion, to determine the validity of the written request for withdrawal.

Any Tendered Shares that are withdrawn in accordance herewith shall be returned in the same form they were received to the PDTC Participant within twenty (20) business days from the end of the Tender Offer Period. The cost of returning the Tender Offer Shares shall be borne by the shareholder making the withdrawal.

**Tendering Shareholders are advised to read the Application Form, the Tender Offer Report (including in particular the Terms and Conditions of the Tender Offer appended as Exhibit A thereof) as filed by the Bidder with the SEC, PSE and the Company. For queries, please contact the Tender Offer Agent at the contact details set forth below.** Copies of the Application Form and the Tender Offer Report may also be obtained by Common Shareholders, free of charge, from the Tender Offer Agent

The Tender Offer Agent

## BPI Securities Corporation

11/F Ayala North Exchange Tower 1  
Ayala Ave. cor. Salcedo & Amorsolo Sts.,  
San Lorenzo, Makati City, Philippines 1229  
Ms. Buena M. Bascuguin / Ms. Diana Pampolino  
(632) 82466112 / (632) 82466111 / (632) 82466110 / (632) 82465191  
Email address: bpisecuritiessettlements@bpi.com.ph

Yours truly,

The Board of Directors

**TRIDENT WATER COMPANY HOLDINGS, INC.**