July 31, 2008

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

Attention: Atty. Pete M. Malabanan
Head, Disclosure Department

Dear Sir:


Sincerely,

Jewel C. Fernandez-Austria
Legal and Investment Officer
Manila Water announces 1st half profits

Manila Water posted a 1st semester net income of P1.35 billion, 21% higher than the same period last year. This is largely the result of the company's capital investment program of P25 billion which has allowed it to expand and improve its delivery of water and wastewater services within the East Zone.

"Through the years, our continued focus on the aggressive implementation of our capital investment plan helped us expand our customer base and service coverage, improve operating efficiencies and manage our risks. We are just realizing the benefits of our investment programs", explains Manila Water president Antonino T. Aquino.

Revenues grew to P4.3 billion by the end of the 2nd quarter of 2008 from P3.5 billion in the same period last year. For the first two quarters of 2008, Manila Water connected an additional 25,000 new water service connections coming largely from its expansion areas in Rodriguez and Antipolo. This contributed to the 6% increase in water billed volume, this year, compared to the same period last year.

The company also managed to improve operational efficiencies, particularly through system loss reduction and operating cost management. Despite inflation pressures, overall operating costs grew by 3.6% only; while system losses decreased further to 20.2%, a reduction of 5 percentage points from the previous year, and currently, one of the lowest in the region.

Manila Water has been successful in bringing down its system losses since taking over the operation in the East Zone of Metro Manila. The company has brought down its level of non-revenue water by 43 percentage points from a high of 63% ten years ago. Recently, Manila Water announced that it won a contract in Vietnam for the management of non-revenue water with the Saigon Water Company.

The company's business model is anchored on its strategy of successfully aligning its business and social/ environmental objectives. Manila Water was recently recognized by FinanceAsia magazine as one of the best managed companies in the Philippines and one of the top 10 greenest companies in the Asian region.