February 18, 2011

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

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

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

Gentlemen:

Manila Water announces today its financial and operating highlights for 2010. Please refer to the enclosed report and press release.

Sincerely,

[Signature]

Jhoel P. Raquedan
Head, Legal and Corporate Governance Department
Manila Water’s 24/7 Service Ensures Growth despite El Niño

Manila Water has reported a net income of P3.99 billion (unaudited) for 2010 as a result of steady growth in water sales volume. The company’s net income was further boosted by a one-time downward adjustment on its depreciation expense.

2010 for Manila Water was characterized by the arrival of the El Niño phenomenon, which resulted in a drastic reduction in water allocation for Metro Manila’s requirements. In order to combat the impact of lower water supply, the company further improved network efficiency.

By the end of the year, the level of water losses in the East Zone further dropped from 15.8% to 11.0%, the lowest on record, thus allowing Manila Water to sustain its delivery of 24/7 potable water service to its customers and continue the connection of additional customers to its rapidly expanding network.

As a result, billed volume for the year grew by 3.5% year-on-year to 409.8 million cubic meters (mcm). To date, more than 99% of East Zone customers benefit from 24 hour water availability at an average pressure of 18 psi.

Manila Water’s ability to ensure reliable service is a direct consequence of the investments that the company has implemented over the past 13 years. In 2010 alone, Manila Water invested a total of P9.6 billion to further improve the reliability and expand the coverage of its water and wastewater networks.

To support its capex requirements, Manila Water secured a $150 million loan facility from four major international banks which is guaranteed by the Nippon Export and Investment Insurance in the 2nd half of 2010. The company’s total debt (excluding concession obligation) to equity ratio was placed at 1.03x.

Looking forward, the company aims to invest more than P10 billion p.a. for the next two years. Key items for implementation are the development of new water sources, foremost of which is the tapping of Laguna de Bay as an additional source of raw water supply, network reliability improvements, as well as the building of several sewage treatment plants to further improve sanitation coverage in the East Zone.

Manila Water will also complement the East Zone’s growth with initiatives to expand its business outside of Metro Manila. It currently has concessions in Laguna and Boracay, as well as an ongoing management contract in Ho Chi Minh, Vietnam. The company has also recently disclosed its bid for a management contract for non-revenue water reduction and water supply improvement in Bangalore, India. In 2010, revenues from outside the East Zone totaled P290 million.
<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL HIGHLIGHTS (in million Pesos)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenues</td>
<td>11,047</td>
<td>9,533</td>
</tr>
<tr>
<td>Operating Costs &amp; Expenses</td>
<td>3,412</td>
<td>2,764</td>
</tr>
<tr>
<td>EBITDA</td>
<td>7,634</td>
<td>6,817</td>
</tr>
<tr>
<td>Net Income</td>
<td>3,987</td>
<td>3,231</td>
</tr>
<tr>
<td><strong>OPERATIONAL HIGHLIGHTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billed water volume (in million cubic meters)</td>
<td>409.8</td>
<td>396.0</td>
</tr>
<tr>
<td>NRW (%)</td>
<td>11.0</td>
<td>15.8</td>
</tr>
</tbody>
</table>