Meeting of the Board of Directors

Dear Sir:

Please be informed that at the regular meeting of the board of directors (Board) of Manila Water Company, Inc. (Manila Water) today, the Board considered and approved the following:

1. **Declaration of Cash Dividends / Amendment of Dividend Policy**

   The Board declared the following first semester 2007 cash dividends: (i) ₱0.15 per share on the outstanding common shares, and (ii) ₱0.015 per share on the outstanding participating preferred shares. The dividends are payable to stockholders of record as of March 1, 2007, to be paid on March 22, 2007.

   The Board also approved the amendment of Manila Water’s dividend policy, from the existing pay-out ratio of 25% to 30% of the previous year’s net income. We enclose a press release in this regard.

2. **2006 Audited Financial Statements / Appointment of External Auditor**

   The Board approved Manila Water’s 2006 Audited Financial Statements. The Board also appointed SyCip, Gorres, Velayo & Co. as Manila Water’s external auditors for the ensuing year.

Best regards.

Sincerely,

(Sgd.)

Jewel C. Fernandez-Austria

Legal and Investment Officer
Manila Water Board approves Dividend Payments, New Dividend Policy

Manila Water’s Board of Directors approved today the increase in the company’s dividend payout ratio to 30%, from only 25% in previous years. As a result of the new dividend policy, dividend per share for 2007 will increase to P0.30 per common share for the whole year from P0.21 in the previous year. This translates to around 3% in annual dividend yield at current stock price level.

“Manila Water’s continuous improvements in operating efficiencies translate to solid financial performance which in turn allows us to provide healthy returns to our shareholders and to continue with our major investments for service improvements and expansion,” Manila Water President Antonino T. Aquino said. “In 2006, the Company invested P4.8 billion bringing total investments to P23 billion over the past nine years,” Aquino added.

The Company’s ending cash level in 2006 also supported the prepayment of the $47 million outstanding balance on its FCDU loan from a syndicate of local banks in January 2007. This should result in savings in interest expenses and mitigates tariff increases due to foreign exchange differential adjustments. Earlier this month, Manila Water announced that its net income for 2006 reached P2.4 billion, 19% higher compared to its 2005 earnings.

The company declares cash dividends twice a year, in March and in September. The Manila Water Board approved the initial cash dividends amounting to P0.15 per common share payable on March 22, 2007 for shareholders on record as of March 1, 2007.