August 25, 2005

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

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. (MWC) today, the Board considered and approved the following:

1. **Environmental Loans/Funding**

   The Board authorized MWC to obtain environmental loans of up to US$2 Million, at terms better than commercial rates, and under such other terms, conditions and security as may be acceptable to the parties. The proceeds of the loans shall be used for the following purposes: (i) watershed protection for La Mesa Dam; (ii) Wawa/ Ipo Dam development; and (iii) other environmental protection projects of MWC.

2. **Creation of Separate Corporate Vehicle as May be Needed for Various Expansion Projects**

   The Board authorized MWC to establish/organize a corporate vehicle as may be necessary for purposes of investing in foreign and local water supply and sewerage projects outside of MWC’s East Zone concession area. Such projects include water supply and sewerage services projects in key cities in the Philippines as well as management contracts in India and, possibly, other Asian countries.

3. **Declaration of Cash Dividends**

   The Board declared the following second semester 2005 cash dividends: (i) ₱0.07 per share on the outstanding Common shares; and (ii) ₱0.007 per share on the outstanding Participating Preferred Shares. The said dividends are payable to stockholders of record as of September 8, 2005, to be paid on September 30, 2005.
We attach a press release in this regard.

4. **Election of Deputy Corporate Secretary**

The Board elected Atty. Solomon M. Hermosura as MWC Deputy Corporate Secretary, to hold office as such until his successor is duly elected and qualified.

Best regards.

Sincerely,

(Sgd.)
Sherisa P. Nuesa
Chief Finance Officer and Treasurer
MANILA WATER DECLARES CASH DIVIDENDS FOR SECOND SEMESTER

Barely five months after its listing with the Philippine Stock Exchange, Manila Water Company today declared cash dividends in the amount of P0.07 per common share. Stockholders of record as of September 8, 2005 will be entitled to receive the dividends, which are expected to be paid on September 30, 2005.

The cash dividends will benefit investors who became new stockholders when the company went public in March this year. The new stockholders will be receiving dividends for the first time, and this was made possible because of the company’s strong financial and operating performance last year which resulted in significant earnings. For the first semester of this year, the company posted a net income of P986 million, up 52 percent from P651 million in the same period last year.

The declaration of cash dividends follows the company’s announcement of its new dividend policy in its annual stockholders’ meeting held in May this year. The policy effectively increased the pay-out ratio to stockholders from 20% to 25% of the company’s previous year’s net income. The first half of the annual dividends is payable in March and the second half in September.

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