19 January 2009

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

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

Clarification on News Articles

We have received numerous queries regarding articles in the major dailies reporting on the supposed decision of Metropolitan Waterworks and Sewerage System (MWSS) to freeze tariff hikes this year. We wish to clarify that discussions are still ongoing between Manila Water Company and the MWSS Regulatory Office regarding the implementation of tariff adjustments and the proposal of the Company for the extension of its concession period.

Last year, we partially implemented the rate rebasing plan (as approved by MWSS and the Regulatory Office) that includes a P187-billion investment package over a 15-year period. However, in view of the financial challenges that the country is currently facing, we understand the need to mitigate the impact of these investments on the water rates of our customers. Thus, in exchange for a more gradual implementation of the rate rebasing adjustments, we have proposed and are pushing for the extension of the concession period to allow the concessionaires a longer period to recover their investments.

Overall, any deferment of rate increases should not adversely affect the company's expected returns, since the Concession Agreement (CA) guarantees full recovery of its investments, with a reasonable rate of return, over the concession period. Thus, the MWSS position on the deferment of tariff hikes in 2009 is still consistent with our proposal.

We believe however that the annual inflation-based adjustment and the foreign currency loss recovery mechanism should be implemented in accordance with the contractual terms of the CA. Manila Water Company intends to pursue these rights which are clearly granted under the CA.

Respectfully yours,

Glorina P. de Castro
Compliance Officer