20 June 2007

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

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

Euro Loan Facility

Dear Sir:

Manila Water Company, Inc. today entered into a EUR60 Million guaranteed term loan from European Investment Bank with a term of ten years. The loan was arranged by ING Bank, with the Development Bank of Singapore and Sumitomo Mitsui Banking Corporation acting as co-arrangers. The loan will be used to fund the company’s capital investment programs within the East Zone of Metro Manila.

We enclose a copy of a press release regarding the foregoing.

Best regards.

Sincerely,

(Sgd.)

Jewel C. Fernandez-Austria
Legal and Investment Officer
Manila Water signs Euro 60 million loan agreement with EIB

Manila Water Company announced today that it signed an agreement with the European Investment Bank (EIB) for a Euro 60 million-loan facility. The Luxembourg-based EIB is the financing arm of the European Union which focuses on cooperation and development programs to Asian countries, like the Philippines.

The EIB loan will help finance Manila Water’s P30 Billion Capex program to improve and expand water and wastewater services in the next 5 years. A large part of the funds will be used to extend the water network to the high growth areas of the eastern part of Metro Manila, particularly in Antipolo, San Mateo, Rodriguez, Cainta, Taytay and Angono, as well as to fund projects needed to ensure the reliability of water supply in Metro Manila.

The EIB Director for Asia and Latin America, Francisco de Paula Coelho, emphasized the importance of EIB financing for the water sector. “The EIB financing will help improve the quality of the water supply service in the East Zone of Manila as well as the management of the existing water resources by upgrading and extending the existing facilities and by reducing losses”.

Manila Water President Antonino T. Aquino said, “Manila Water is looking forward to this new partnership with EIB. The loan will enable continuous expansion of water services to previously unserved communities in the East Zone and help improve the quality of life in these communities.”

The loan has a tenor of 10 years, and is available in either US dollars or Yen. It is arranged by ING Bank, with Development Bank of Singapore (DBS) and Sumitomo Mitsui Banking Corporation (SMBC) acting as co-arrangers. “We are extremely pleased to have assisted Manila Water in this financing, which allows the company to access long-term, cost-effective financing through the cooperation of EIB”, said ING Country Manager Manuel Salak.

For the past 9 years, Manila Water has invested a total of P23 billion on various capital investment programs within the East Zone of Metro Manila. These capex programs had resulted in significant improvements in water service, particularly the reduction of system losses from 63% to 26%, and the improvement of water availability (now, at 24-hour uninterrupted service) in as much as 98% of the areas covered in the central distribution system. Water supply projects are currently ongoing, to ensure the reliability water services within the East Zone, and to expand the network reach to the other towns of Rizal, including the farthest town of Jalajala.