20 October 2008

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Atty. Pete M. Malabanan
             Head, Disclosure Department

Manila Water Peso Bond

Dear Sir/Madam:

Please see attached press release.

Best regards.

Sincerely,

Jewel C. Fernandez-Austria
Head, Legal and Corporate Governance
Manila Water P3B Bond Oversubscribed

Manila Water Company announced today that its ₱3.0 billion, 8.25% Fixed Rate Bonds due in 2013 were significantly oversubscribed. The company said that it chose to exercise its option to increase the offer size to the maximum of ₱4.0 billion in order to cover strong investor demand during the public offer period of Manila Water bonds that closed on October 17, 2008.

According to its President, Antonino T. Aquino, “We are gratified by the investors’ response to our first bond offer. Manila Water is privileged to be the first Philippine company to prove that credit continues to be available to well-rated local companies despite the global financial crisis.”

BPI Capital Corporation and ING Bank N.V. were engaged to act as Joint Lead Managers and Bookrunners for Manila Water Company’s fixed rate bond issue, with BDO Capital & Investment Corporation participating as an underwriter. The 5-year fixed rate bonds were launched on October 13, 2008 with a coupon rate of 8.25%.

Manila Water Company was formed in 1997 (through a consortium led by the Ayala Group) to address the need for improved water services in Metro Manila. The company holds the concession rights to operate the Metropolitan Waterworks and Sewerage System (MWSS) East Concession until 2022. Since taking over the concession area, Manila Water improved water service coverage from 58% to 99% of the service population and increased water availability in its service area from 16 hours/day to 24 hours/day. Water sales increased from 440 to 1,040 million liters per day while system losses dropped from 63% to 20%.

“As the global financial market undergoes a period of volatility, we are seeing investors’ flight to quality. Manila Water is engaged in a basic and necessary service to the public and is backed by strong shareholder groups. This Manila Water fixed rate bond issue is a high quality investment alternative with an attractive yield for both retail and institutional investors, especially at this time when it looks like interest rates are headed lower as central banks start easing monetary policy,” says Teodoro Limcaoco, President of BPI Capital Corporation.

Consuelo Garcia, Country Manager of ING Bank, adds: “The local market is still very liquid. Approximately ₱516 billion is currently invested in Special Deposit Accounts (SDA) with the BSP as of mid-September. With the Manila Water bonds issue having the highest rating of “PRS Aaa” and a substantial yield pick up over the SDA rate, the bonds were an alternative for investors with excess liquidity.”

BDO Capital & Investment Corporation’s President, Eduardo V. Francisco stated: “We were very pleased to have been able to participate in this maiden public debt issue of Manila Water. Our local investor clients gobbled up the Manila Water bonds, viewing them as high grade investment securities providing acceptable returns given the current uncertainties prevailing in the markets today.”