October 26, 2011

SECURITIES AND EXCHANGE COMMISSION
Attention:  Director Justina F. Callangan
            Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention:  Ms. Janet A. Encarnacion
            Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORP.
Attention:  Mr. Cesar B. Crisol
            President and Chief Operating Officer

RE:  Redemption of P4 Billion Bonds Due 2013

Gentlemen:

We write in relation to Manila Water Company Inc.'s ("Manila Water") early redemption of its P4,000,000,000 Peso Fixed Rate Bonds due 2013 (the "Bonds").

We confirm the full payment of the Manila Water Bonds on October 25, 2011, which payment was effected through the Philippine Depository and Trust Corp., the appointed registrar and paying agent for the Bonds ("Paying Agent"). Attached herewith are the copies of the Notice to Bondholders dated September 2, 2011 on the early redemption of the Manila Water Bonds and the certifications of the Paying Agent and Rizal Commercial Banking Trust, the trustee for the Bonds.

Very truly yours,

LIZELLE ZAMORA-DIMACUHA
Legal and Corporate Governance Manager
September 2, 2011

To the Bondholders of the Manila Water Company, Inc.
Under the Trust Agreement dated October 9, 2008

Through: Rizal Commercial Banking Corporation - Trust and Investments Division
as Trustee to the Bondholders
9th Floor, Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue, Makati City 0727
Philippines

Ladies and Gentlemen:

Exercise of Optional Redemption on October 23, 2011
on the PhP4,000,000,000 Bonds of Manila Water Company, Inc. Due 2013

Reference is made to the Trust Agreement dated October 9, 2008 (the “Trust Agreement”), by and among Manila Water Company, Inc. (“Manila Water”) as Issuer and Rizal Commercial Banking Corporation - Trust and Investments Division as Trustee to the Bondholders. Unless the context indicates otherwise, terms used herein and not otherwise defined shall have the same meaning ascribed to them in the Trust Agreement.

We are writing to you in your capacity as Bondholder under the Trust Agreement to inform you that Manila Water, pursuant to a resolution of the Executive Committee dated September 2, 2011, will exercise the Optional Redemption option on the Bonds in accordance with Section 5 (b) of the Terms and Conditions of the Bonds contained in Annex A of the Trust Agreement on October 23, 2011 (the “Optional Redemption Date”). As the Optional Redemption Date falls on a non-business day, payment of the relevant amount to each Bondholder will be made available by the Paying Agent, Philippine Depository & Trust Corp. (PDTC), on the next business day, October 24, 2011.

The amount payable to each Bondholder on record as of October 19, 2011 (the “Record Date”) in respect of such redemption shall be calculated as the sum of (i) one hundred two percent (102%) of such principal amount (or PhP1.02 per PhP1.00 principal amount of the Bonds held) and (ii) accrued interest on such Bonds up to the Optional Redemption Date. Transfers of the Bonds in the Register of Bondholders shall not be allowed beginning on the Record Date, and trading of the Bonds on the Philippine Dealing & Exchange Corp. (PDEX) shall cease on the Record Date. Upon payment on October 24, 2011, the Listing of the Bonds on the PDEX shall terminate.

The Bondholders are not required to take any action in order to receive the redemption amount in respect of their Bonds but are urged to update their payment details if their nominated settlement account in the Register of Bondholders maintained by the PDTC has changed since the last coupon payment. For this purpose, the Bondholders may coordinate with their respective Selling Agents to ensure that the Register of Bondholders is updated with current information.

Should you have any inquiries or concerns, please do not hesitate to contact the Investor Relations Group of Manila Water at telephone numbers (632) 917-5900 local 1414 or through e-mail address ir@manilawater.com.

This notice is irrevocable and binding upon Manila Water to effect the redemption on the Optional Redemption Date.

MANILA WATER COMPANY, INC.

By:

[Signature]

Name: Luis Juan B. Oreta
Title: Chief Finance Officer and Treasurer
CERTIFICATION

I, Ma. Clara Q. De Veyra, of legal age, Filipino and with office address at the 37th Floor Enterprise Center Tower I, Ayala Avenue, Makati City, after being duly sworn in accordance with the law, hereby certify as follows:

1. I am a Director, Transactions Services of the Philippine Depository & Trust Corp. ("PDTC"), a corporation duly organized and existing under the laws of the Philippines.

2. I have the authority to issue and deliver this Certification for and on PDTC’s behalf.

3. That PDTC is a specialized entity duly licensed by the Securities and Exchange Commission and qualified by the Monetary Board, with capacity to act as and perform the responsibilities of a registrar and paying agent of different types of bank or corporate issues.

4. That in a Paying Agency and Registry Agreement dated 4 August 2008, PDTC was appointed as the registrar and paying agent for Manila Water Company, Inc. (MWC) fixed rate bonds due 2013 (the Bonds).

5. That in a written notice dated 2 September 2011, MWC advised PDTC that it shall be exercising its Optional Redemption option on the Bonds in full.

6. That in its exercise of the redemption option, MWC has credited payment for the Bonds to its Payment Account with PDTC for further transmission to the Bondholders, and in accordance with the Terms and Conditions of the Bonds and its pertinent records, PDTC has effected on behalf of MWC, payment for the amounts due in respect of the redemption to the account of the relevant Cash Settlement Banks, for further crediting to the accounts designated by the Bondholders.

Ma. Clara Q. De Veyra
Director, Transactions Services

OCT 25 2011

SUBSCRIBED AND SWORN TO before me in the City of Makati this ___ day of October 2011, who is personally known to me, exhibited to me the following government-issued ID:

<table>
<thead>
<tr>
<th>Name</th>
<th>Issued by/Validity</th>
<th>Government ID No.</th>
</tr>
</thead>
</table>

Doc. No. 474 Page No. 75 Book No. XXXX Series of 2011.

MA. ESMERALDA R. CUNANAN
Notary Public

Until December 31, 2011
MCLE Compliance No. III - 0011439 / 4-7-2010
PFR No. 2666527 / 1-1-2011 / Makati City
IBP Lifetime Member Roll No.05413
CERTIFICATION

The Rizal Commercial Banking Corporation, through its Trust and Investments Group, a private commercial bank organized under the laws of the Philippines and duly licensed to engage in trust, fiduciary and investment management business, with offices at 9th Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City, represented herein by its First Vice President, Raoul V. Santos, and Assistant Portfolio Manager, Virmarie B. Dionela, hereby certifies as follows:

1. That in a Trust Indenture dated 09 October 2008 (the “Trust Agreement”), Manila Water Company, Inc. (“Manila Water” or the “Issuer”), the Issuer has appointed Rizal Commercial Banking Corporation - Trust and Investments Group (hereafter the “Trustee”) as the Trustee of the Bondholders for the 8.25% p.a. Fixed Rate Bonds due 2013 issued by Manila Water last 23 October 2008 in the aggregate principal amount of Pesos: Four Billion and 0/100 (PhP4,000,000,000.00) (the “Bonds”).

2. That in relation to the exercise of its right to Optional Redemption, the Issuer has complied with the terms and conditions of the Trust Agreement and its Annexes, and performed its obligations, undertakings, and covenants under the Bonds, as set forth below:

   a. Under Condition 5 (b) of the Terms and Conditions of the Bonds (Annex “A” of the Trust Agreement), the Issuer can only redeem in whole, the relevant outstanding Bonds on the twelfth Coupon Payment Date. Based on the Interest Payment Schedule (Annex “D” of the Trust Agreement), the twelfth Interest Payment Date is October 23, 2011 thus the Issuer’s exercise of its right to Optional Redemption is timely made.

   b. Condition 5 (b) of the Terms and Conditions of the Bonds requires the Issuer to give not less than thirty (30) days nor more than sixty (60) days prior written notice of the Issuer’s intention to redeem the Bonds. Pursuant to Condition 21 (b) of the Terms and Conditions of the Bonds, notice to the Bondholders has already been served by way of registered mail and one-time publication of the said notice in Manila Bulletin’s September 8, 2011 issue.

   c. As provided under Condition 5 (b) of the Terms and Conditions of the Bonds, the amounts payable to Bondholders in respect of the Optional Redemption has been calculated based on the principal amount of the Bonds being redeemed, as the sum of (i) one hundred two percent (102%) of such principal amount; and (ii) accrued interest on such Bonds on the Optional Redemption Date.

3. That this Certification is issued to the Philippine Dealing & Exchange Corp. (“PDE&x”), where the Bonds are listed and traded in the secondary market, and further to the termination of the listing of the Bonds.

IN WITNESS WHEREOF, I have affixed my signature on this ____ day of ____, 2011 in the City of Makati, Philippines.

Rizal Commercial Banking Corporation
Trust and Investments Group

By:

Virmarie B. Dionela
Assistant Portfolio Manager

Raoul V. Santos
First Vice President
SUBSCRIBED AND SWORN to before me, a Notary Public for and in the above-named locality, personally appeared the following with their respective community tax certificates and competent evidence of identity, to wit:

<table>
<thead>
<tr>
<th>Name</th>
<th>CTC No.</th>
<th>Date/Place Issued</th>
<th>Competent Evidence of Identity (Type of I.D./ I.D. No.)</th>
<th>Issued on/ Valid Until</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rizal Commercial Banking Corporation</td>
<td>00072859</td>
<td>01.05.2011 / Makati</td>
<td>Driver's License No.N11-84-026895</td>
<td>11.03.11 Makati City</td>
</tr>
<tr>
<td>Raoul V. Santos</td>
<td>01276507</td>
<td>01.06.2011 / Manila</td>
<td>TIN 258-377-019</td>
<td>Issued 02.18.2009</td>
</tr>
<tr>
<td>Virmarie B. Dionela</td>
<td>01276506</td>
<td>01.06.2011 / Manila</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

known to me and to me known to be the same persons who executed the foregoing instrument, and acknowledged to me that the same are their free and voluntary act and deed as well as those of the corporations that they respectively represent.

WITNESS MY HAND AND SEAL

ATTY. CATALINO VICENTE L. ARABIT  
Notary Public  
Appointment No M-86 (2011-2012)  
Until 31 December 2012  
PTR NO 2087962, 01/05/11, Makati City  
IBP NO 845073, 01/06/11, Makati City  
ROLL NO 40145  
7th Floor, Yuengco Tower 1, RCBC Plaza  
Ayala Avenue, Makati City