May 20, 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 CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Gentlemen:

Please be informed that once again, Manila Water Company, Inc. ("Manila Water") has been given an issuer rating of PRS Aaa (corp.) by Philippine Rating Services Corporation ("PhilRatings") while the P4.0 billion bond issue of Manila Water that will mature in 2013 was also rated PRS Aaa. These pieces of information, among others, are reflected in the PhilRatings Press Release dated May 20, 2011, transmitted to and received by Manila Water on May 20, 2011. For more details, a copy of the PhilRatings Press Release is hereto attached for your reference.

Sincerely,

[Signature]
Luzelle Zamora-Dimacuha
Legal and Corporate Governance Manager
Manila Water Maintains PRS Aaa (corp.) Issuer Rating and PRS Aaa Issue Rating for its P4.0 Billion Bond Issue

Philippine Rating Services Corporation (PhilRatings) has maintained its existing PRS Aaa (corp.) issuer rating for Manila Water Company, Inc. (Manila Water), as well as its existing PRS Aaa issue rating for Manila Water’s outstanding P4.0 billion bond issue. The bonds will mature in 2013.

A PRS Aaa (corp.) rating is defined as: “A company rated PRS Aaa (corp.) has a very strong capacity to meet its financial commitments relative to that of other Philippine corporations.” For the issue rating, a PRS Aaa-rated debt security is defined as: “Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The obligor’s capacity to meet its financial commitment on the obligation is extremely strong.”

The ratings assigned reflect the following key considerations: improvements in operational efficiencies; proactive management and competent technical staff with a proven track record; aggressive efforts to expand service areas with a current focus in the East Zone; as well as the company’s sustained profit performance and liquidity position.

PhilRatings’ ratings are based on available information and projections at the time that the rating review is on-going. PhilRatings shall continuously monitor developments relating to Manila Water and may change the ratings at any time, should circumstances warrant a change.

Improvements in the company’s operational efficiencies led to a wider water and wastewater service coverage area, broader network distribution and lower system losses or non-revenue water (NRW). NRW improved further from 15.8% in 2009 to 11% in 2010 while sewerage coverage also improved from 16% in 2008 to 23% in 2010.

The management and staff of Manila Water are viewed as proactive as demonstrated by steps and initiatives that have already been taken or are being implemented given a forecasted shortage of water supply by 2015 as predicted by the Metropolitan Waterworks and Sewerage System (MWSS). For the medium term and by 2012, the company is looking at tapping Laguna de Bay as an alternative water source which can generate 50 to 150 million liters per day (MLD) of water. The company has also taken concrete steps to strengthen or prepare its facilities against possible earthquakes and floods.

Manila Water is expanding its service area beyond the East Zone, domestically (i.e. Laguna, Boracay, Cebu) and internationally (i.e. Vietnam, India). These ventures would provide opportunities for growth in the coming years. Further expansion is also seen in the short to medium-term, particularly in the province of Rizal.

Manila Water continues to show sustained profit performance and a healthy liquidity position. Total revenues in 2010 amounted to P11 billion, a 16% growth from 2009’s P9.5 billion while net income increased from P3.2 billion to P4 billion. The company’s ability to generate significant amounts of cash on an annual basis have led to a cash and short term investments balance of about P3.9 billion as of end-2010, compared to current portion of long-term debt of P1.2 billion.