March 10, 2008

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

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

Manila Water Supports Poverty Alleviation Program

Dear Sir:

In keeping with Manila Water’s commitment to heed the government’s pro-poor policy to ensure the affordability of water, Manila Water agreed to implement a special tariff scheme for low income households, starting March 10, 2008.

Low-income residents, whose monthly consumption is 10 cubic meter or less per month, will now pay only P71 per month, instead of P88. More than 80,000 low-income households will benefit from this reduction. Any revenue impact from this new scheme is expected to be offset by projected efficiency gains.

In addition, we are also implementing a Foreign Currency Differential Adjustment (FCDA) in April. The continued strength of the peso against the US dollar resulted in a downward tariff adjustment of P0.30 per cubic meter. The FCDA is a “pass-through” mechanism which allows Manila Water to recover its foreign currency losses (or pass on foreign currency gains), resulting from payments of concession loans and foreign currency-denominated borrowings, which were used to fund its service expansion and improvement. Thus, the tariff adjustment has no impact on the projected net income of the company.

Sincerely,

Jowell C. Fernandez-Austria
Legal and Investment Officer

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