March 13, 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

Reduction of Tariff

Dear Sir:

Further to our disclosure on March 10, 2008, Manila Water Company will implement an average of P0.34 per cubic meter reduction in the Foreign Currency Differential Adjustment (FCDA) because of the continuing strength of the peso against other currencies. The downward adjustment of the FCDA was approved by MWSS and its Regulatory Office.

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,

[Signature]
Jewel C. Fernandez-Austria
Legal and Investment Officer
NOTICE
REDUCED WATER RATES
FOR MANILA WATER CUSTOMERS

IMPACT OF RATE REDUCTION

On March 10, 2008, a 20% reduction in water rates was given to low-income households consuming 10 cubic meters or less. This means a decrease of P17 in their monthly bills from P88 to P71.

Effective April 1, 2008, water rates for all customers will be further reduced when Manila Water starts implementing an average of P0.34 per cubic meter reduction in the Foreign Currency Differential Adjustment (FCDA).

REGULATORY APPROVAL

The reduction in FCDA is due to the strengthening of the peso versus other currencies. This was approved by the METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS) thru Board Resolution No. 2008-040 dated 11 March 2008, confirming MWSS Regulatory Office Resolution No. 08-006-CA dated 11 March 2008.

FCDA is a tariff mechanism that was formulated to recover or account for future foreign exchange losses or gains arising from the payment of Manila Water of foreign exchange denominated concession fees to the MWSS as well as loans required for its service expansion and improvement.

SERVICE IMPROVEMENT PLANS

Manila Water Company continues to undertake service improvement and rehabilitation programs to further improve service levels in areas with 100% coverage which include the southeastern part of Quezon City, Mandaluyong City, San Juan, Marikina City, Pasig City, Pateros, Manila (San Andres and Sta. Ana only) and Makati City (east of South Super Highway). It also continues to embark on aggressive service expansion programs to reach the fringe areas of Taguig, Antipolo, San Mateo, Rodriguez, Cainta, Taytay and Angono, in Rizal Province. Manila Water has also started providing water supply to the towns of Baras, Binangonan, Teresa and Jalajala, also in Rizal.

Likewise, as part of the Company’s mandate, Manila Water is further expanding its wastewater operations and sanitation services all over the East Concession area to promote health and safety of its customers as well as ensure the protection of the environment. Manila Water has also started construction of combined drainage and sewer systems for selected areas within its concession.

To ensure the sustainability and reliability of water services in the East Zone, Manila Water is also exploring potential new water sources as well as implementing programs for service continuity in the event of calamities and other natural disasters.