15 March 2006

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

Attention: Ms. Jurisita M. Quintos
Senior Vice President

Reduction of Tariff

Dear Madame:

Manila Water Company will reduce its tariff rates currently being charged to its customers effective April 1, 2006. This follows the downward adjustment of the Foreign Currency Differential Adjustment (FCDA) from 37 centavos to 9 centavos per cubic meter, which was confirmed by the MWSS Regulatory Office. The FCDA is a mechanism which allows the concessionaires to recover their foreign currency losses due to payments of concession loans and foreign currency denominated borrowings.

Despite a decline in the tariff, there is no negative effect on the company’s net profits for the year because the FCDA is merely a pass-through mechanism to account for changes in foreign exchange rate and thus reflects foreign exchange losses or gains.

Please see attached press release in relation to the foregoing.

Best regards.

Sincerely,

(Sgd.)
Jewel C. Fernandez-Austria
Manila Water reduces tariff rates

Manila Water Company announced today that in the light of the recent appreciation of the peso, it is reducing its tariff rates currently being charged to its customers in the East zone of Metro Manila. The downward adjustment of the Foreign Currency Differential Adjustment (“FCDA”) from 37 centavos to 9 centavos per cubic meter was confirmed by the MWSS Regulatory Office. The reduced tariff rates will be effective starting April 1, 2006.

This means an average household in the East zone consuming about 30 cubic meters of water per month will have a reduction of around five pesos in their average monthly water bill.

According to Manila Water President Antonino T. Aquino, “The improved outlook for the country, which translated into an appreciation of the Philippine currency, is a welcome development for the company. In our case, the impact is directly felt by our customers through a reduction in their monthly water rates.”

The FCDA is a mechanism which allows the concessionaires to recover their foreign currency losses due to payments of concession loans and foreign denominated borrowings.

Despite a decline in the tariff, Aquino explains that there is no negative effect on the company’s net profits for the year because the FCDA is merely a pass-through mechanism to account for changes in foreign exchange rate and thus reflects foreign exchange losses or gains.

The Company also announced its intention to borrow up to P 1 billion, as additional funding for its capital investment program. Aquino adds, “Borrowing in local currency will
enable us to better manage our foreign currency risk exposure, as a way to ease any effect of a future currency fluctuation on our customers.”

    Manila Water provides water and sewerage service to over five million people in the cities of Makati, Pasig, Mandaluyong, Marikina, most parts of Quezon City, the Sta. Ana and San Andres districts of Manila, and the municipalities of San Juan, Taguig and Pateros. It also covers cities and municipalities in the Rizal province, further east of Metro Manila.