16 March 2007

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

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

Reduction of Tariff

Dear Sir:

Manila Water Company will reduce its tariff rates by 16 centavos per cubic meter currently being charged to its customers effective April 1, 2007. The downward adjustment of the FCDA from 12 centavos to 28 centavos per cubic meter was approved by MWSS Regulatory Office (RO). This will redound to a reduction of P3.00 in the monthly bills of non-sewered residential customers consuming 30 cubic meters per month. The reduction is due to the continuing strength of the peso versus other currencies, coupled with proper management of borrowings by the Company.

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 will be no negative effect on the company's net profits for the year because the FCDA is merely a recovery of foreign exchange losses.

Please see attached press release in relation to the foregoing.

Best regards.

Sincerely,

(Sgd.)
Jewel C. Fernandez-Austria
**Water rates to go down effective April 1 due to stronger peso**

Manila Water will implement lower water rates effective April 1, 2007 due to the continuing improvement of the peso versus other currencies and the proper management of borrowings by the Company to fund its expansion projects. The reduction in the Foreign Currency Differential Adjustment (FCDA) component of the water bill will be from -P0.12 per cubic meter to -P0.28 per cubic meter or P0.16 per cubic meter. The FCDA is based on an exchange rate of P48.38 per US Dollar.

This translates to a reduction of 3 pesos in the monthly bills for non-sewered residential customers consuming 30 cubic meters per month. The new FCDA was approved by the Metropolitan Waterworks and Sewerage System Regulatory Office based on Resolution No. 07-001-CA and confirmed by the MWSS Board Resolution No. 2007-062 dated March 16, 2007.

Manila Water is nearing completion of its P2 Billion Antipolo Water Supply Project which will benefit an additional 1 million people. At the same time, the Company will continue to implement its aggressive service expansion programs to reach the fringe areas of Taguig, Antipolo, San Mateo, Rodriguez, Cainta, Taytay and Angono, in Rizal Province. Water supply projects have already commenced in the towns of Baras, Binangonan and Jalajala, also in Rizal. Further service improvement and rehabilitation projects are also being undertaken in areas with 100% water 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).

To help protect and preserve the environment, Manila Water is likewise expanding its wastewater operations and sanitation services all over the East Concession area and is currently building septage treatment plants in San Mateo, Rizal, Pinugay in Antipolo and Food Terminal Complex in Taguig.
FCDA is a tariff mechanism that is adjusted upwards to recover losses if the peso depreciates and downwards if the peso appreciates against other currencies. Manila Water has to continue paying for the foreign exchange denominated concession fees to the MWSS, as well as loans required for its service expansion and improvement.
NOTICE TO
MANILA WATER CUSTOMERS

The continuing strength of the peso versus other currencies and the proper management of borrowings by the Company have resulted in a reduction in the Foreign Currency Differential Adjustment (FCDA) by 16 centavos per cubic meter from - P0.12 per cubic meter to - P0.28 per cubic meter, effective April 1, 2007. FCDA is based on an exchange rate of P48.38 per US Dollar.

The reduction in FCDA was approved by the Metropolitan Waterworks and Sewerage System Regulatory Office in its Resolution No. 07-001-CA dated 14 March 2007 as confirmed by the MWSS Board Resolution No. 2007-062 dated 16 March 2007.

FCDA is a tariff mechanism that is adjusted upwards to recover losses if the peso depreciates and downwards if the peso appreciates against other currencies. Manila Water has to continue paying for the foreign exchange denominated concession fees to the MWSS, as well as loans required for its service expansion and improvement.

Manila Water Company continues to embark on an aggressive service expansion program to reach the fringe areas of Taguig, Antipolo, San Mateo, Rodriguez, Cainta, Taytay and Angono, in Rizal Province. Water supply projects have already commenced in the towns of Baras, Binangonan and Jalajala, also in Rizal. Further service improvement and rehabilitation programs are also being undertaken in areas with 100% water 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).

Likewise, as part of the Company’s mandate, Manila Water is expanding its wastewater operations and sanitation services all over the East Concession area to ensure the protection of the environment.