15 June 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:

Starting January of this year, Manila Water Company has been reducing its rates because of the appreciation of the Peso. The Company’s Foreign Currency Differential Adjustment (FCDA) was at negative 12 centavos in January and in April, this was adjusted to negative 28 centavos. Effective July 1, 2007, Manila Water Company will further reduce its FCDA to negative 37 centavos 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 (RO).

The 37 centavo negative FCDA will redound to a P2.00 reduction in the monthly bills of non-sewered residential customers consuming 30 cubic meters per month. Families consuming 100 cubic meters per month will have an P11.00 reduction in their monthly bills. Commercial customers consuming around 1,000 cubic meters per month will have a monthly reduction of about P189.00 in their water bills and sewered commercial customers consuming the same 1,000 cubic meters per month will have a P275.00 reduction in their monthly bills. The reduction is due to the continuing economic growth and strength of the peso versus other currencies, as well as the 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.

Best regards.

Sincerely,

(Sgd.)
Jewel C. Fernandez-Austria
Legal and Investment Officer

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Manila Water to reduce rates anew

Manila Water Company will further reduce its tariff rates effective July 1, 2007 as a result of the continued strengthening of the peso against the US dollar.

The Foreign Currency Differential Adjustment (FCDA) component of the water bills will be reduced by an average of 9 centavos per cubic meter from -28 centavos to -37 centavos per cubic meter. It is equivalent to -2.36% of the basic charge or about 0.6% reduction in the total water bill.

The FCDA is a mechanism which allows water concessionaires like Manila Water to recover their foreign currency losses due to payments of concession fees and foreign currency-denominated borrowings. FCDA is adjusted quarterly, which either goes up or down, depending on the strength of the peso. Since January 2006, the FCDA has gone down six times largely because of the appreciation of the peso versus the US dollar.

The adjustment in FCDA will translate to a reduction of about 2 pesos in the monthly bills of ordinary non-sewered households in the East Zone consuming an average of 30 cubic meters per month. Families consuming 100 cu.m. per month will have an 11-peso reduction in their monthly bills. However, big consumers such as commercial customers consuming around 1,000 cubic meters monthly will have a monthly reduction of about P189 in their water bills. Sewered commercial customers, however, consuming the same 1,000 cubic meters per month will have a P275 reduction in their monthly bills.
Over the past nine years, Manila Water has improved its operating efficiency by investing over P23 Billion on service improvement and expansion programs. System losses have been reduced to 26% from a high of 63% in 1997, while making water available 24 hours a day from 26% in 1997 to 98% in its central distribution system. Manila Water’s distribution network is now being expanded to include towns of San Mateo, Rodriguez, Antipolo, Cainta, Taytay, and Angono, all in Rizal Province. Manila Water has also started supplying water to other towns of Rizal which include Baras, Binangonan and Jalajala. Additional water supply projects are now underway to provide water services to Teresa, also in Rizal.

Water recovered from the reduction in the system’s loss has enabled the company to supply water to previously unserved areas, with the volume of potable water delivered to its nearly 5.5 million residents in the East Zone more than doubled from 440mld to more than 1,000 mld.

Recently, Manila Water also completed the construction of its P2-Billion Antipolo Water Supply Project (AWSP) which will benefit nearly 1,000,000 residents of Antipolo, once fully operational. AWSP is touted as the single biggest water infrastructure project in recent years.

With marked service improvement in water supply distribution, Manila Water, in parallel, also completed major wastewater facilities as part of its mandate of providing wastewater and sanitation services all over the East Zone. The South Septage Treatment Plant located in Taguig was inaugurated by President Gloria Macapagal-Arroyo who hailed it as an important project that will greatly help improve the environment through effective wastewater management. The North Septage Treatment Plant has also been completed and is set to be inaugurated this month.

Manila Water currently provides water and wastewater services to about 5.5 million in the East Zone which covers Manila (San Andres and Sta. Ana only), the southeastern part of
Quezon City, Makati City (east of South Super Highway), Mandaluyong City, San Juan, Marikina City, Pasig City, Pateros, Taguig – all in Metro Manila and the entire Rizal Province.

Manila Water is currently exploring potential new water sources to ensure the sustainability and reliability of water services in the east concession area, as well as implementing programs for service continuity in the event of calamities and other natural disasters.

For more information, please contact:

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Continuing economic growth and strengthening of the peso versus other currencies as well as the proper management of borrowings by the Company have resulted to a further reduction in the Foreign Currency Differential Adjustment (FCDA) by P0.09 centavos per cubic meter from -P0.28 per cubic meter to -P0.37 per cubic meter, effective July 1, 2007. FCDA is based on an exchange rate of P46.814 per US Dollar.

The further reduction in FCDA was approved by the METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM thru Board Resolution No. 2007-112 dated 14 June 2007, confirming MWSS Regulatory Office Resolution No. 07-006-CA dated 13 June 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. Manila Water has also started providing water supply to the towns of Baras, Binangonan and Jalajala, also in Rizal. Currently, water supply projects have already commenced in the town of Teresa, 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. Manila Water has recently completed the construction of two major septage treatment plants in Taguig and San Mateo.

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