June 16, 2009

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Manila Water Tariff Adjustment for 2009

Gentlemen:

The MWSS Board of Trustees and its Regulatory Office recently approved the Foreign Currency Differential Adjustment (“FCDA”) for the 3rd quarter of 2009, applicable to all Manila Water customers effective July 2, 2009, from Php 0.22 to Php 0.21 per cubic meter. This slight reduction in water rates was due to the relatively stronger Philippine peso versus other foreign currencies in recent weeks, compared to the previous quarter.

In line with the government’s program to protect low-income households, residential customers consuming 10 cubic meters or less a month, will still be exempted from paying the FCDA.

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, such tariff adjustments have no real significant impact on the projected net income of the Manila Water Company.

Please see attached publication for more details.

Sincerely,

Lizelle Zamora-Dimacuha
Legal and Compliance Officer
NOTICE TO
MANILA WATER CUSTOMERS

Effective July 2, 2009, water rates for Manila Water customers will slightly decrease when the Foreign Currency Differential Adjustment (FCDA) component of the water bill is adjusted from P0.22 to P0.21 per cubic meter. This was the result of the strengthening of peso versus other foreign currencies based on the exchange rate of US$1:PhP49.186 to US$1:PhP48.217.

In line with the government’s program to protect low-income households, residential customers consuming 10 cubic meters or less a month shall continue to be exempted from paying FCDA.

REGULATORY APPROVAL

The adjustment in FCDA was approved by the METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS) thru Board Resolution No. 2009-111 dated June 11, 2009; confirming MWSS Regulatory Office Resolution No. 09-006-CA dated June 5, 2009.

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 currency denominated concession fees to the MWSS as well as loans 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% water coverage which include the southeastern part of Quezon City, Mandaluyong City, San Juan City, 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 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 further increase its sewer coverage.

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.