June 18, 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

**Tariff Adjustment**

Dear Sir:

Effective July 3, 2008, water rates for Manila Water customers will be adjusted due to the continuing weakening of the peso versus other foreign currencies. The Foreign Currency Differential Adjustment (FCDA) component of the water bill will be adjusted from -P0.34 to -P0.13 per cubic meter.

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,

Glorina P. De Castro
Compliance Officer
NOTICE TO
MANILA WATER CUSTOMERS

Effective July 3, 2008, water rates for Manila Water customers will be adjusted due to the continuing weakening of the peso versus other foreign currencies. The Foreign Currency Differential Adjustment (FCDA) component of the water bill will be adjusted from −P0.34 to −P0.13 per cubic meter. This will effectively increase the FCDA by P0.21 per cubic meter. This was the result of the depreciation of the peso based on the exchange rate of US$1:PhP40.67 to US$1:PhP42.90.

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

REGULATORY APPROVAL

The adjustment in FCDA was approved by the METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS) thru Board Resolution No. 2008-114 dated June 17, 2008, confirming MWSS Regulatory Office Resolution No. 08-012-CA dated June 12, 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 Jala, 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.