September 2, 2005

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

Foreign Currency Differential Adjustment

Dear Sir:

Manila Water was informed today that, on September 1, 2005, the Metropolitan Waterworks and Sewerage System (MWSS) Regulatory Office approved an increase in the Foreign Currency Differential Adjustment (FCDA) from P 0.38 to P 0.46 per cubic meter, effective September 18, 2005. In view of MWSS’ socialized tariff structure, the increase in the water bill will be around only 4 centavos per day for an average residential customer consuming 30 cubic meters per month.

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. We attach a notice that will be published in the newspapers regarding the increase in FCDA.

Best regards.

Sincerely,

(Sgd.)
Jewel C. Fernandez-Austria
Legal and Investment Officer
NOTICE TO
MANILA WATER CUSTOMERS
AND THE PUBLIC

The Foreign Currency Differential Adjustment (FCDA) will increase from P 0.38 per cubic meter to P 0.46 effective September 18, 2005 based on exchange rate of P 54.34 per US Dollar. In view of MWSS socialized tariff structure, the increase in water bill will only be about 4 centavos per day for average residential customer consuming 30 cubic meters per month.

FCDA is a tariff mechanism used by utility companies 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.

The increase in FCDA was approved by the Metropolitan Waterworks and Sewerage System Regulatory Office in its Resolution No. 05-003-CA dated 1 September 2005 as confirmed by the MWSS Board Resolution No. 2005-186 dated 1 September 2005.

Manila Water Company, the East Zone concessionaire covers the following areas: Manila (San Andres and Sta. Ana only), Quezon City (east of San Juan River, West Avenue, EDSA, Congressional and Mindanao Ave., Districts of Tandang Sora, Pasong Tamo and Matandang Balara), Makati City (east of South Super Highway), Mandaluyong City, San Juan, Marikina City, Pasig City, Pateros, Taguig – all in Metro Manila; Rizal Province.