September 15, 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 October 1, 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 -P0.13 to P0.18 per cubic meter. The net effect on customers will be an average increase of P0.31 per cubic meter or 1.6%. In line with the government’s program to support low-income households, residential customers consuming 10 cubic meters or less a month will be exempt from the adjustment.

This was the result of the depreciation of the peso based on the exchange rate of US$1:P42.90 to US$1:P44.88. However, if the peso appreciates in value, the FCDA will be adjusted downward, effectively reducing the price of water.

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,

Jewel C. Fernandez-Austria
Head, Legal and Corporate Governance