September 17, 2009

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. 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:

Effective October 2, 2009, water rates for Manila Water customers will be adjusted due to the appreciation of the Japanese yen vs. the Philippine peso. The Foreign Currency Differential Adjustment (FCDA) component of the water bill will be adjusted from 1% to 1.89% of the basic charge or P0.21 to P0.40 per cubic meter, an increase of P0.19 per cubic meter.

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

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.

For more details please see attached Notice to Manila Water Customers.

Thank you.

Sincerely,

[Signature]
Lizelle Zamora-Dimacuha
Legal and Corporate Governance Officer
NOTICE TO
MANILA WATER CUSTOMERS

Effective October 2, 2009, water rates for Manila Water customers will be adjusted due to the appreciation of the Japanese Yen over the Philippine Peso. The Foreign Currency Differential Adjustment (FCDA) component of the water bill will be adjusted from 1% to 1.89% of the basic charge or P0.21 to P0.40 per cubic meter, an increase of P0.19 per cubic meter.

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 the said adjustment.

REGULATORY APPROVAL

The adjustment in FCDA was approved by the METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS) thru Board Resolution No. 2009-189 dated September 17, 2009; confirming MWSS Regulatory Office Resolution No. 09-010-CA dated September 4, 2009.

FCDA is a tariff mechanism that was formulated to recover or account for 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 PROGRAMS

In support of the government’s programs to protect the environment, Manila Water continues to intensify its wastewater and sanitation services by way of innovative combined drainage and sewer systems. These programs will greatly contribute to the clean-up of the three river systems of San Juan, Marikina and Pasig to prevent further pollution of water bodies.

Manila Water also continues to explore potential new water sources and undertakes reliability programs to ensure service continuity as well as mitigate impacts of calamities and other natural calamities.

Continuing rehabilitation programs are undertaken to further enhance service levels in areas with 24/7 water supply which include Mandaluyong, Pasig, San Juan, Marikina, Pateros, Makati, southeastern part of Quezon City, and San Andres and Sta. Ana in Manila. With 100% coverage in these areas, aggressive service expansion programs are underway in Taguig, Antipolo, San Mateo, Rodriguez, Cainta, Taytay, and Angono. Manila Water has also started providing water supply to the towns of Baras, Binangonan, and Jalajala in Rizal Province.