September 19, 2007

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

Attention: Atty. Pete M. Malabanan
Head, Disclosure Department

Foreign Currency Differential Adjustment

Dear Sir:

The Foreign Currency Differential Adjustment (FCDA) is a mechanism which allows Manila Water to recover its foreign currency losses due to payments of concession loans and foreign currency denominated borrowings for its service expansion and improvement. The FCDA is merely a recovery of foreign exchange losses, hence it has no impact on Manila Water’s net profits.

Effective October 5, 2007, Manila Water will be implementing a minimal increase in water rates as a result of a P0.14 per cubic meter increase in the FCDA. The upward adjustment of the FCDA was approved by MWSS and its Regulatory Office. In view of MWSS’s socialized tariff structure, the increase in the water bill will be around only 59 centavos per month for an average residential customer consuming 10 cubic meters per month.

Best regards.

Sincerely,

Jewel C. Fernandez-Austria
Legal and Investment Officer

Manila Water Company, Inc.
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