September 21, 2006

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

Foreign Currency Differential Adjustment

Dear Sir:

The Foreign Currency Differential Adjustment (FCDA) will decrease from P 0.24 per cubic meter to P 0.16 per cubic meter effective October 7, 2006, based on an exchange rate of P 51.36 per US dollar. 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. Pursuant to MWSS’s socialized tariff structure, the decrease in the water bill will be around P1.40 centavos per month for an average residential customer consuming 30 cubic meters per month.

Best regards.

Sincerely,

(Sgd.)
Glorina N. Padua-de Castro
Department Head, Treasury and Investor Relations
Compliance Officer
NOTICE TO
MANILA WATER CUSTOMERS
AND THE PUBLIC

The Foreign Currency Differential Adjustment (FCDA) will decrease from P 0.24 per cubic meter to P 0.16 per cubic meter effective fifteen (15) days after publication in general circulation newspapers. FCDA is based on the exchange rate of P 51.36 per US Dollar.

The FCDA was approved by the Metropolitan Waterworks and Sewerage System Regulatory Office in its Resolution No. 06-007-CA dated September 13, 2006 as confirmed by the MWSS Board Resolution No. 2006-205 dated September 14, 2006.

Manila Water continues to embark on service improvement and expansion programs, laying about 1440 kilometers of pipelines to date. Owing to its operating efficiency, Manila Water has reduced system losses from 63% to 30.2% while making water available 24 hours a day to 97% in the East Zone of Metro Manila. It has also more than doubled the volume of potable water delivered to its nearly 5.3 million residents in the East Zone from 440mld to 938mld by the middle of this year.

The first phase of the Antipolo Water Supply Project will be operational by the end of 2006 benefiting an initial 7,000 households, but ultimately, will provide water service to 150,000 households or nearly 800,000 residents in Antipolo.

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.