December 15, 2006

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

Tariff Adjustment

Dear Sir:

Effective January 1, 2007, Manila Water Company, Inc. will implement a 6.4% Consumer Price Index (CPI) adjustment and a Foreign Currency Differential Adjustment (FCDA) of –0.73% of Basic Charge, as recommended by the Metropolitan Waterworks and Sewerage System Regulatory Office in its Resolution No. 06-13-CA dated December 12, 2006, and as confirmed by the MWSS Board Resolution No. 2006-268 dated December 12, 2006.

Pursuant to the MWSS’s socialized tariff structure, residential customers who are consuming an average of one cubic meter per day or 30 cubic meters per month will have an increase in their water bill of P0.42 centavos per day. For low-income residential customers consuming 10 cubic meters per month, the increase will be P0.09 centavos per day.

The new rates include the annual adjustment due to the CPI as of July 2006, based on official information from the National Statistics Office. However, due to the continuing strength of the peso versus other currencies, coupled with proper management of borrowings by the company, there will also be a reduction in FCDA that will mitigate the increase. 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.

Best regards.

Sincerely,

(Sgd.)

Jewel C. Fernandez-Austria
Legal and Investment Officer