August 10, 2009

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina 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

Gentlemen:

Manila Water announces today its first semester results for 2009. Please refer to the enclosed press release.

Sincerely,

[Signature]
Lizelle Zamora-Dimaculina
Legal and Compliance Officer
Manila Water reports higher earnings as expansion drive continues

Manila Water reported a 16% increase in its first half net earnings year-on-year, to P1.5 billion, resulting from a stable growth in core revenues and better tax and operating efficiency.

Water sales volumes amounted to 194.4 million cubic meters (“mcm”), slightly lower than the same period last year. Quarterly sales volume, however, has improved by 7% from 93.8 mcm in Q1 2009 to 100.63 mcm in Q2 of the same year.

“Due to the economic slowdown, consumption by commercial and industrial customers in the East Zone has been weak compared to the same period last year. Nevertheless, water sales were buoyed by an increase in the company’s residential customer base as Manila Water continued to aggressively expand in Rizal province and Taguig City,” according to Manila Water president and COO Rene D. Almendras.

As of June 2009, the company has already connected approximately 29,000 new service connections to the network. These have helped Manila Water increase its service coverage by almost 50,000 households to 1.06 million households, 99% of whom are now benefiting from 24-hour water availability.

Complementing the company’s expansion initiatives were efforts to minimize operating costs especially major items like manpower and electricity. Network efficiency also continues to improve as Manila Water’s non-revenue water level has been reduced by approximately four percentage points to the current level of 16.4% from 20.2% in the first quarter. Operating costs as of June 2009 grew by only 5% versus the same period last year. As a result, EBITDA improved by 6% to P3.3 billion from P3.1 billion last year. EBITDA margin continues to remain strong at 71%.

With the renewal of its concession, Manila Water is committed to spend around P10 billion in capex investments over the next 12 months. The amount will be used to further improve and expand both the water and wastewater networks in the East Zone.

Among the company’s major projects will be the implementation of the Three River Master Plan. Estimated to cost around P50 billion, the project will increase sewerage coverage to 100% of the catchment areas of the Pasig, San Juan and Marikina rivers.

Manila Water also continues to search for new projects outside of the East Zone. Recently, the company has announced the signing of a share purchase agreement covering the acquisition of a concession in Laguna covering the city of Sta. Rosa and the municipalities of Biñan and Cabuyao. Along with its Boracay project, the Laguna acquisition is in line with the company’s strategy of further building the business by leveraging on its extensive experience and track record in the East Zone.
Financial Highlights

*In million Pesos*

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<thead>
<tr>
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<th>Q2 2009</th>
<th>Q2 2008</th>
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<tbody>
<tr>
<td>Total revenues</td>
<td>4,642</td>
<td>4,384</td>
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<td>Total costs and expenses</td>
<td>1,339</td>
<td>1,276</td>
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<tr>
<td>EBITDA</td>
<td>3,303</td>
<td>3,108</td>
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<td>Net income after tax</td>
<td>1,465</td>
<td>1,262</td>
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Operating Highlights

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<thead>
<tr>
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<th>Q2 2009</th>
<th>Q2 2008</th>
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<tbody>
<tr>
<td>Water sales (mcm)</td>
<td>194.4</td>
<td>194.8</td>
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<tr>
<td>Non-revenue water</td>
<td>16.4%</td>
<td>20.2%</td>
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<tr>
<td>Households served</td>
<td>1,060,602</td>
<td>1,010,096</td>
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