January 2, 2008

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

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

Dear Sir:

In connection with the tariff increase that was approved by the MWSS Regulatory Office last Dec. 15, 2007, we wish to inform you of the implementing mechanism that will be implemented from January to March 2008.

The details are explained in the attached press release.

Thank you.

Very truly yours,

ATTY. GLORINA P. DE CASTRO
Compliance Officer
Press Release

Joint Statement by MWSS-Regulatory Office and Manila Water

**Manila Water to further stagger 2008 water rate increase for residential customers**

Manila Water will implement a staggered rate increase beginning January 2008 to residential customers. The staggered rate increase plan was proposed by the Company and was approved by the Metropolitan Waterworks and Sewerage System Regulatory Office currently headed by Government Corporate Counsel Alberto C. Agra, OIC-Chief Regulator in order to lessen the impact to residential and low-income customers which comprise 90 percent of Manila Water’s customer base.

The implementation of the rate increase will be further staggered as far as residential customers are concerned for the first three months of 2008. So for residential customers consuming about 30 cubic meters per month or one cubic meter per day, instead of the full P2.08, the rate increase will be staggered to P0.69 increase beginning January or only a third of the published rate. An additional P 0.69 will be then be added for February and another P 0.70 for March bill. The full increase will be implemented by April 2008.

Manila Water is voluntarily undertaking this additional mitigating scheme in support of President Gloria Macapagal-Arroyo’s pro-poor policy and to further lessen the impact of the new rates to its east zone customers.

Manila Water’s new water tariff starting January 2008 was approved by the Metropolitan Waterworks and Sewerage System (MWSS) after undergoing a thorough and transparent Rate Rebasings exercise. Rate Rebasings is a process done by the MWSS, the Regulatory Office and Manila Water every five years to review the service improvement plan needed to provide efficient water and wastewater services to customers, and evaluate the required capital investment to
implement the plan. This is the second time the MWSS and Manila Water have undertaken this exercise, the first one being in 2002.

The 2008 rebasing allowed for an average tariff increase of P5 per cubic meter which is the first of a series of increases thru 2012. This tariff is also the result of the P187 billion capital investment and opex program that Manila Water will implement in the next 15 years.

Manila Water’s P187 billion service improvement plan for the next 15 years aims to provide 24-hour water supply to customers, mitigate effects of natural calamities, expand water and wastewater services to the farthest areas in the East Zone of Metro Manila, and ensure that sufficient water supply is available to meet the demand of an increasing population particularly in Taguig, parts of Rizal and parts of Bulacan.

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For further inquiries, please call Alberto C. Agra, Government Corporate Counsel Officer-in-charge, Chief Regulator, MWSS Regulatory Office at 0917-5353823

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