December 17, 2007

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:

Please see attached press release and tariff table which contains the new water rates to be implemented starting January 1, 2008 and some basic information on the rate rebasing exercise.

Sincerely,

[Signature]

Sherisa P. Nuesa
Chief Finance Officer and Treasurer
Manila Water to implement new rates in 2008

Manila Water, concessionaire for water and wastewater services in the East Zone of Metro Manila and parts of the Rizal Province, will implement a new water tariff starting January 2008 as approved by the Metropolitan Waterworks and Sewerage System (MWSS) after undergoing a thorough Rate Rebasing exercise.

As a result of this review, the average tariff will increase by P5 per cubic meter. 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. Due to the socialized tariff structure, the effect on a typical household will only be as follows. Residential customers consuming 15 cubic meters per month will pay an additional P0.56 per day, or an equivalent increase in monthly bill from P125 to P141. On the other hand, customers consuming an average of 1 cubic meter a day or 30 cubic meters a month will pay P62 more per month, from P333 to P395, or roughly P2.08 increase per day. Majority of our customers are in this bracket.

The MWSS has also resolved to spread out the tariff adjustment over a period of five years beginning 2008 until 2012. The indicative price increase for the remaining four years from 2009 to 2012 will be P0.65 per day in 2009 and P0.63 per day for the remaining three years for typical residential customers consuming 15 cubic meters per month. For households consuming 30 cubic meters per month, the indicative price increase will be P1.88 per day in 2009 and P1.77 per day for the remaining three years.

Rate Rebasing 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.

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.
NOTICE TO MANILA WATER CUSTOMERS AND THE PUBLIC
WATER TARIFF FOR THE EAST ZONE

Effective January 1, 2008, Manila Water Company will implement a 28.47% Rate Rebasing Adjustment as recommended by the Metropolitan Waterworks and Sewerage System Regulatory Office in its Resolution No. 07-025-CA dated December 12, 2007 as confirmed by the MWSS Board Resolution No.2007-278 dated December 14, 2007.

Manila Water Company, the East Zone concessionaire, serves the following areas:
- Manila (San Juan, Mandaluyong, Valenzuela, and Quezon City);
- Antipolo in Rizal Province;
- Districts of Taguig, Parañaque, and Pasay in Metro Manila.

MANILA WATER COMPANY, INC.
WATER TARIFF FOR THE EAST ZONE
Effective January 1, 2008

1. WATER CHARGE (peso per cubic meter)

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Amount (Peso/conn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/2&quot; or 13mm</td>
<td>1.50</td>
</tr>
<tr>
<td>3/4&quot;</td>
<td>2.40</td>
</tr>
<tr>
<td>1&quot; or 25mm</td>
<td>3.00</td>
</tr>
<tr>
<td>1&quot; or 25mm</td>
<td>4.00</td>
</tr>
<tr>
<td>2&quot; or 50mm</td>
<td>5.00</td>
</tr>
</tbody>
</table>

2. A. BASIC

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Amount (Peso/conn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First 10 cu.m.</td>
<td>1.00 /Cu.m.</td>
</tr>
<tr>
<td>Next 100 cu.m.</td>
<td>1.50 /Cu.m.</td>
</tr>
<tr>
<td>Next 500 cu.m.</td>
<td>2.00 /Cu.m.</td>
</tr>
<tr>
<td>Next 200 cu.m.</td>
<td>2.50 /Cu.m.</td>
</tr>
<tr>
<td>Over 200 cu.m.</td>
<td>3.00 /Cu.m.</td>
</tr>
</tbody>
</table>

3. MAINTENANCE SERVICE CHARGE (MSC)

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Amount (Peso/conn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/2&quot; or 13mm</td>
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<td>1&quot; or 25mm</td>
<td>4.00</td>
</tr>
<tr>
<td>2&quot; or 50mm</td>
<td>5.00</td>
</tr>
</tbody>
</table>

4. VALUE-ADDED TAX (VAT) 12% for the Charges 1, 2 and 3

The MONTHLY BILL IS THE SUM OF 1, 2, 3 AND 4.

Approved By:

ALBERTO C. AGRIA
Assistant Manager

LORENZENO J. JAMORA
Manager

ANTONIO T. TANIO
President

For further inquiries, please call our Customer Care Hotline 1627 or log on to www.manilawater.com

WHAT EAST CONCESSION CUSTOMERS SHOULD KNOW

Rate Rebasing is a process done every five years by the MWSS and Manila Water to update the service improvement plan for customers and evaluate the required capital investment.

The year-long thorough review was done by the MWSS, the Regulatory Office and its consultants in a very professional and transparent manner.

How will customers benefit from the Service Improvement Plan?

Consistent with the government's goal to provide efficient water and wastewater services, Manila Water proposed a service improvement plan which is anchored on two components:

- Reliability - to ensure 24-hour water supply for Metro Manila and parts of Rizal, mitigate effects of natural calamities and improve the reliability of Angat
- Expansion - to deliver water and wastewater services to currently unserved areas and ensure sufficient water supply to cater to the additional 2 million population in parts of Rizal, Taguig and Bulacan in the next five years

Environmental programs such as intensified wastewater services, disaster preparedness and watershed management are also part of Manila Water’s service improvement plan.

With these projects, drinking water will be made available 24 hours a day to all customers, including vital service institutions such as schools, hospitals, markets, orphanages and city jail.

Improved overall health and sanitation conditions, especially in poor communities, will also result from Manila Water’s more aggressive wastewater services. 100% desludging of septic tanks will be done once in 7 years.

Manila Water will also implement a major wastewater expansion program starting off with the Marikina River basin.

Manila Water will spend a total of P187 billion in the next 15 years to carry out these projects.

What will be the Tariff Adjustment?

Although the overall average all-in rate increase will be P5 per cubic meter, due to the socialized tariff structure, the effect on majority of our customers will be as follows:

- Residential customers consuming about 15 cubic meters a month will pay an additional P0.56 per day, or an equivalent increase from P125 to P141 monthly water bill.

- Residential customers consuming about 30 cubic meters a month or an average of 1 cubic meter per day will have an increase of P62 per month from P333 to P395, or a P2.08 increase per day.

Majority of our customers are in this bracket.

The tariff increase in 2008 is the first of a series of adjustments in the next five years.