September 19, 2008

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

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

Dear Sir:

Please be informed that Manila Water filed an Amended Registration Statement with the Securities and Exchange Commission in relation to its peso bond issuance, to provide for an additional P1 billion allocation for oversubscription. As part of the submission to the SEC, Manila Water included the full impact of the new accounting interpretation standards IFRIC (International Financial Reporting Interpretations Committee) 12.

Please refer to the enclosed press release.

Sincerely,

Jewel C. Fernandez-Austria
Head, Legal and Corporate Governance
Manila Water Files Requirements for Maiden P3 Billion Bond Offer

Manila Water recently filed with the Securities and Exchange Commission (SEC) the requirements for its maiden Peso bond offer this year. The SEC’s approval will hopefully result in the bond flotation by early fourth quarter. The bond offer of P3 billion, with an allowance for oversubscription of an additional P1 billion and a term of 5 years, will support the company’s investment plans for the expansion of the company’s water and wastewater networks.

"Issuing the bond within the next few months will be beneficial to Manila Water as this is a good opportunity to tap the current liquidity in the local market. Domestic benchmark rates at present are still attractive despite recent economic developments. In addition, the issuance will be beneficial to customers since borrowing from domestic sources will help minimize foreign exchange differential adjustments," according to Manila Water president Antonino T. Aquino.

As part of the submission to the SEC, Manila Water has also included the full impact of the new accounting interpretation standards for service concessions known as IFRIC 12. Earlier, Manila Water had already included the partial effect of IFRIC 12 in its 1st semester report for 2008.

The implementation of IFRIC 12 adjustments will result in a more conservative balance sheet, which will now recognize the company’s future concession fee obligations to the Metropolitan Waterworks and Sewerage System (MWSS). The net effect on Manila Water is an overall increase in its assets and liabilities, and a one-time reduction in retained earnings, amounting to P1.1 billion (or roughly 7% of Stockholders Equity) to account for prior years’ adjustments. Despite the adjustments, the company’s balance sheet continues to be strong. The company’s total debt to equity ratio, post-IFRIC 12, is at 52:48.

The new rules will also require additional amortization charges resulting in an adjusted net income for the first half of 2008 of P1.26 billion. The previously reported net income for the same period (which already includes a partial adoption of IFRIC 12) was P1.35 billion. Nevertheless, the company’s core income, cash flows and dividends remain essentially unchanged.