1. For the quarterly period ended **June 30, 2008**

2. Commission identification number **A1996-11593**

3. BIR Tax Identification **005-038-428**

4. Exact name of issuer as specified in its charter **MANILA WATER COMPANY, INC.**

5. Province, country or other jurisdiction of incorporation or organization **Quezon City, Philippines**

6. Industry Classification Code: [SEC Use Only]

7. Address of issuer’s principal office Postal Code

   **2F MWSS Admin. Bldg., 489 Katipunan Road, Balara, Quezon City 1105**

8. Issuer’s telephone number, including area code

   **(02)926-7999 local 8131 / (02) 981-8130**

9. Former name, former address and former fiscal year, if changed since last report

   **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC):

    Common Shares, par value P1.00 each – 2,016,858,968

    Registrant has no other registered securities either in the form of shares, debt or otherwise.

11. Are any of Registrant’s securities listed on a Stock Exchange?

    Yes [X]  No [ ]

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

        Yes [X]  No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.

        Yes [X]  No [ ]

---

1 2,004,475,466 Outstanding Common Shares
   968,500 Listed Treasury Shares
   9,805,002 Listing was approved in principle for Stock Options
   1,610,000 ESOWN 2007

2,016,858,968
## BALANCE SHEETS (In Thousands)  
### ASSETS  
#### Current Assets  
- **Cash and cash equivalents**:  
  - June 30, 2008: 1,330,552  
  - Dec. 31, 2007: 1,536,621  
- **Short-term cash investments**:  
  - June 30, 2008: 648,002  
  - Dec. 31, 2007: 1,387,911  
- **Receivables net**:  
  - June 30, 2008: 398,412  
  - Dec. 31, 2007: 371,588  
- **Materials and supplies net**:  
  - June 30, 2008: 13,338  
  - Dec. 31, 2007: 41,334  
- **Other current assets**:  
  - June 30, 2008: 746,532  
  - Dec. 31, 2007: 784,633  
- **Total Current Assets**:  
  - June 30, 2008: 3,136,836  
  - Dec. 31, 2007: 4,122,087  
#### Non-current Assets  
- **Property, plant and equipment net**:  
  - June 30, 2008: 1,120,893  
  - Dec. 31, 2007: 944,710  
- **Concession Assets**:  
  - June 30, 2008: 22,287,457  
  - Dec. 31, 2007: 18,497,474  
- **Deferred tax assets-net**:  
  - June 30, 2008: 222,755  
  - Dec. 31, 2007: 223,153  
- **Available-for-sale financial assets**:  
  - June 30, 2008: 568,005  
  - Dec. 31, 2007: 597,676  
- **Other noncurrent assets-net**:  
  - June 30, 2008: 49,768  
  - Dec. 31, 2007: 49,754  
- **Total Noncurrent Assets**:  
  - June 30, 2008: 24,248,878  
  - Dec. 31, 2007: 20,312,767  
- **Total Assets**:  
  - June 30, 2008: 27,385,714  
  - Dec. 31, 2007: 24,434,854  
### LIABILITIES AND STOCKHOLDERS' EQUITY  
#### Current Liabilities  
- **Accounts and other payables**:  
  - June 30, 2008: 2,274,904  
  - Dec. 31, 2007: 3,118,500  
- **Income tax payables**:  
  - June 30, 2008: 267,502  
  - Dec. 31, 2007: 222,744  
- **Payable to stockholders**:  
  - June 30, 2008: 113,301  
  - Dec. 31, 2007: 125,426  
- **Current portion of long-term debt**:  
  - June 30, 2008: 122,788  
  - Dec. 31, 2007: 241,318  
- **Total Current Liabilities**:  
  - June 30, 2008: 2,778,495  
  - Dec. 31, 2007: 3,707,988  
#### Non-current Liabilities  
- **Long-term debt - net of current portion**:  
  - June 30, 2008: 5,448,448  
  - Dec. 31, 2007: 5,995,256  
- **Intangible liabilities from concession agreements**:  
  - June 30, 2008: 3,524,454  
  - Dec. 31, 2007: -  
- **Customers guaranty and other deposits**:  
  - June 30, 2008: 984,219  
  - Dec. 31, 2007: 796,182  
- **Pension liabilities**:  
  - June 30, 2008: 253,385  
  - Dec. 31, 2007: 205,116  
- **Deferred credits**:  
  - June 30, 2008: 366,325  
  - Dec. 31, 2007: 366,325  
- **Total Noncurrent Liabilities**:  
  - June 30, 2008: 10,576,831  
  - Dec. 31, 2007: 7,362,879  
- **Total Liabilities**:  
  - June 30, 2008: 13,355,326  
  - Dec. 31, 2007: 11,070,867  
#### Stockholders' Equity  
- **Capital stock**:  
  - June 30, 2008: 2,869,187  
  - Dec. 31, 2007: 2,862,245  
- **Additional paid-in capital**:  
  - June 30, 2008: 3,253,282  
  - Dec. 31, 2007: 3,234,454  
- **Common stock options outstanding**:  
  - June 30, 2008: 1,845  
  - Dec. 31, 2007: 7,969  
- **Cumulative translation adjustment**:  
  - June 30, 2008: (3,088)  
  - Dec. 31, 2007: 4,710  
- **Retained earnings**:  
  - June 30, 2008: 8,412,922  
  - Dec. 31, 2007: 7,758,369  
- **Treasury stock**:  
  - June 30, 2008: (503,760)  
  - Dec. 31, 2007: (503,760)  
- **Total Stockholders' Equity**:  
  - June 30, 2008: 14,030,388  
  - Dec. 31, 2007: 13,363,987  
- **Total Liabilities & Stockholders' Equity**:  
  - June 30, 2008: 27,385,714  
  - Dec. 31, 2007: 24,434,854
MANILA WATER COMPANY, INC.

STATEMENTS OF INCOME (UNAUDITED)
(In Thousands, except Earnings per Share)

<table>
<thead>
<tr>
<th>QUARTER</th>
<th>April-June 2008</th>
<th>April-June 2007</th>
<th>June 30, 2008 Unaudited</th>
<th>June 30, 2007 Unaudited</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td>1,877,159</td>
<td>1,571,547</td>
<td>3,559,474</td>
<td>2,999,865</td>
</tr>
<tr>
<td>Environmental charges</td>
<td>223,057</td>
<td>160,635</td>
<td>417,656</td>
<td>306,837</td>
</tr>
<tr>
<td>Sewer</td>
<td>93,362</td>
<td>84,972</td>
<td>181,853</td>
<td>165,647</td>
</tr>
<tr>
<td>Interest</td>
<td>31,727</td>
<td>35,375</td>
<td>69,691</td>
<td>80,207</td>
</tr>
<tr>
<td>Others</td>
<td>(28,688)</td>
<td>100,572</td>
<td>20,386</td>
<td>76,641</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>2,196,617</td>
<td>1,953,101</td>
<td>4,249,060</td>
<td>3,629,197</td>
</tr>
<tr>
<td><strong>OPERATING COSTS AND EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>445,896</td>
<td>352,539</td>
<td>842,726</td>
<td>662,514</td>
</tr>
<tr>
<td>Salaries, wages &amp; employee benefits</td>
<td>263,169</td>
<td>225,391</td>
<td>484,003</td>
<td>433,044</td>
</tr>
<tr>
<td>Power, light and water</td>
<td>124,758</td>
<td>108,401</td>
<td>234,301</td>
<td>220,336</td>
</tr>
<tr>
<td>Management, technical &amp; prof. fees</td>
<td>61,891</td>
<td>68,521</td>
<td>110,766</td>
<td>128,652</td>
</tr>
<tr>
<td>Provision for probable losses</td>
<td>23,159</td>
<td>36,284</td>
<td>42,817</td>
<td>69,508</td>
</tr>
<tr>
<td>Interest</td>
<td>96,978</td>
<td>(46,470)</td>
<td>207,695</td>
<td>78,213</td>
</tr>
<tr>
<td>Regulatory</td>
<td>45,255</td>
<td>44,066</td>
<td>90,511</td>
<td>88,132</td>
</tr>
<tr>
<td>Foreign currency differentials</td>
<td>159,378</td>
<td>99,320</td>
<td>167,988</td>
<td>32,880</td>
</tr>
<tr>
<td>Water treatment chemicals</td>
<td>6,621</td>
<td>11,263</td>
<td>19,480</td>
<td>21,776</td>
</tr>
<tr>
<td>Collection fees</td>
<td>27,859</td>
<td>21,139</td>
<td>51,629</td>
<td>39,724</td>
</tr>
<tr>
<td>Taxes and licenses</td>
<td>19,615</td>
<td>52,032</td>
<td>39,883</td>
<td>64,296</td>
</tr>
<tr>
<td>Repair and maintenance</td>
<td>13,440</td>
<td>40,035</td>
<td>24,032</td>
<td>15,793</td>
</tr>
<tr>
<td>Occupancy</td>
<td>14,045</td>
<td>14,153</td>
<td>28,092</td>
<td>27,006</td>
</tr>
<tr>
<td>Transportation and travel</td>
<td>3,916</td>
<td>15,349</td>
<td>14,846</td>
<td>17,287</td>
</tr>
<tr>
<td>Insurance</td>
<td>5,863</td>
<td>5,513</td>
<td>12,332</td>
<td>11,747</td>
</tr>
<tr>
<td>Septic Sludge Disposal</td>
<td>6,907</td>
<td>11,444</td>
<td>12,503</td>
<td>18,117</td>
</tr>
<tr>
<td>Premium on performance bonds</td>
<td>1,519</td>
<td>4,231</td>
<td>3,506</td>
<td>8,886</td>
</tr>
<tr>
<td>Advertising</td>
<td>5,753</td>
<td>3,879</td>
<td>12,027</td>
<td>8,927</td>
</tr>
<tr>
<td>Business meetings and representation</td>
<td>24,005</td>
<td>11,404</td>
<td>30,952</td>
<td>24,001</td>
</tr>
<tr>
<td>Postage, telephone and telegram</td>
<td>2,343</td>
<td>5,491</td>
<td>9,049</td>
<td>6,051</td>
</tr>
<tr>
<td>Others</td>
<td>(71,230)</td>
<td>4,889</td>
<td>(18,006)</td>
<td>49,507</td>
</tr>
<tr>
<td><strong>Total Operating Costs and Expenses</strong></td>
<td>1,281,140</td>
<td>1,088,874</td>
<td>2,421,132</td>
<td>2,026,397</td>
</tr>
<tr>
<td><strong>NET INCOME BEFORE TAX</strong></td>
<td>915,477</td>
<td>864,227</td>
<td>1,827,928</td>
<td>1,602,800</td>
</tr>
<tr>
<td>Provision for income tax</td>
<td>189,742</td>
<td>255,481</td>
<td>477,566</td>
<td>485,092</td>
</tr>
<tr>
<td><strong>NET INCOME AFTER TAX</strong></td>
<td>P 725,735</td>
<td>608,746</td>
<td>1,350,362</td>
<td>1,117,708</td>
</tr>
<tr>
<td><strong>ANNUALIZED EARNINGS PER SHARE (DILUTED)</strong></td>
<td>1.19</td>
<td>0.97</td>
<td>1.19</td>
<td>0.97</td>
</tr>
</tbody>
</table>
# Statements of Changes in Stockholders’ Equity (Unaudited)

<table>
<thead>
<tr>
<th>(In Thousand)</th>
<th>June 30, 2008 (Unaudited)</th>
<th>June 30, 2007 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Stock</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred Stock - P0.10 par value, 10% cumulative, voting participating, non-redeemable and non-convertible</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized and issued - 4,000,000,000 shares in 2005, 10% cumulative, voting participating, non-redeemable and nonconvertible</td>
<td>400,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Preferred Stock - P1 par value, 8% cumulative, non-voting, non-participating, non-convertible redeemable over 5 years</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Balance at the beginning of the year</td>
<td>900,000</td>
<td>900,000</td>
</tr>
<tr>
<td><strong>Common Stock</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized - 3,100,000,000 shares in 2005 and 2004</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued - 2,005,443,965 shares in 2005</td>
<td>2,005,444</td>
<td>2,005,444</td>
</tr>
<tr>
<td>Balance at the beginning of the year</td>
<td>2,005,444</td>
<td>2,005,444</td>
</tr>
<tr>
<td><strong>Subscription Receivable-Common Stock</strong></td>
<td>(48,999)</td>
<td>(32,766)</td>
</tr>
<tr>
<td><strong>Subscribed Common Stock</strong></td>
<td>12,741</td>
<td>11,330</td>
</tr>
<tr>
<td><strong>Additional Paid-In Capital</strong></td>
<td>2,869,186</td>
<td>2,884,008</td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>3,234,455</td>
<td>3,177,058</td>
</tr>
<tr>
<td><strong>Common Stock Options Outstanding</strong></td>
<td>1,845</td>
<td>12,470</td>
</tr>
<tr>
<td><strong>Cumulative Translation Adjustment</strong></td>
<td>(3,087)</td>
<td>3,936</td>
</tr>
<tr>
<td><strong>Retained Earnings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>7,758,369</td>
<td>6,115,908</td>
</tr>
<tr>
<td>Net Income</td>
<td>1,350,363</td>
<td>1,117,708</td>
</tr>
<tr>
<td>Prior Year’s Adjustment</td>
<td>(273,141)</td>
<td>(362,287)</td>
</tr>
<tr>
<td>Dividends declared</td>
<td>(422,669)</td>
<td>(422,669)</td>
</tr>
<tr>
<td>Balance at end of the period</td>
<td>8,412,922</td>
<td>6,871,329</td>
</tr>
<tr>
<td><strong>Treasury Shares - At Cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of year</td>
<td>(503,760)</td>
<td>(304,122)</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td>(503,760)</td>
<td>(304,122)</td>
</tr>
<tr>
<td><strong>Total Stockholders’ Equity</strong></td>
<td>14,030,388</td>
<td>12,644,679</td>
</tr>
</tbody>
</table>
### MANILA WATER COMPANY, INC.

#### STATEMENTS OF CASH FLOWS (UNAUDITED) (In Thousands)  
**June 30, 2008** | **June 30, 2007**
--- | ---
**CASH FLOWS FROM OPERATING ACTIVITIES**
- Net Income | 1,827,928 | 1,117,708
- Adjustments to reconcile net income to operating income before changes in working capital:
  - Depreciation and amortization | 842,726 | 662,514
  - Provision for probable losses | 42,817 | 69,508
  - Interest Expense-net of amount capitalized | 207,695 | 78,205
  - Shared based payment | 10,278 |
  - Interest Income | 69,691 | (80,207)
- Operating income before changes in working capital | 3,001,135 | 1,847,728
- Changes in operating assets and liabilities:
  - Decrease(increase) in Receivables | (196,542) | (136,808)
  - Materials and supplies | 27,996 | (7,920)
  - Other current assets | (190) | (356,939)
- Increase(Decrease) in:
  - Accounts and other payables | 166,764 | 474,850
  - Income Taxes paid | (453,653) |
  - Payables to stockholders | (6,126) | 60,924
- Net Cash provided by operating activities | 2,539,384 | 1,881,835

#### CASH FLOW FROM INVESTING ACTIVITIES
- Interest received | 74,985 | 80,207
- Proceeds from sale of:
  - Termination of available-for-sale financial assets | 21,397 |
- Additions to:
  - Property, plant and equipment-net | (1,734,365) | (1,686,334)
  - Concession Assets | (224,254) | (249,158)
  - Short-term cash investments | 738,606 |
  - Other noncurrent assets | (40,614) | 36,645
- Net cash used in investing activities | (1,164,245) | (1,818,640)

#### CASH FLOW FROM FINANCING ACTIVITIES
- Increase (Decrease) in Customers guaranty & other deposits | 188,234 | 40,453
- Loan Payments | (1,065,650) | (2,392,115)
- Payments of dividends | (421,937) | (361,672)
- Interest Paid | (288,797) | (307,147)
- Proceeds from issuance of shares | 6,942 | 9,020
- Net Cash provided by financing activities | (1,581,208) | (3,011,461)

#### NET INCREASE IN CASH AND CASH EQUIVALENTS
| | 206,069 | 2,948,266 |

#### CASH & CASH EQUIVALENTS, BEGINNING OF YEAR
| | 1,536,621 | 6,455,207 |

#### CASH AND CASH EQUIVALENTS, END OF YEAR
| | 1,330,552 | 3,506,941 |
The interim financial statements as of June 30, 2008 include all adjustments, which are normal and recurring, necessary to present fairly the results for the period shown. The results for the interim periods are not necessarily indicative of results for the full year.

The accompanying financial statements have been prepared under the historical cost convention method and in accordance with accounting principles generally accepted in the Philippines. Accounting principles and policies applied for the quarter ended June 30, 2008 are the same as those applied in the preceding calendar year.

### Ageing of Accounts Receivable

<table>
<thead>
<tr>
<th></th>
<th>Up to 6 Months</th>
<th>Over 6 months to one year</th>
<th>Past due</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Receivables</td>
<td>516</td>
<td>129</td>
<td>415</td>
<td>1060</td>
</tr>
<tr>
<td>Total</td>
<td>516</td>
<td>129</td>
<td>415</td>
<td>1060</td>
</tr>
</tbody>
</table>

The Company does not have seasonality or cyclicality in the interim operation.

Aside from the normal water and wastewater CAPEX disbursements, the Company did not acquire assets or incur liabilities that are material in amount for the quarter ended June 30, 2008.

Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any change in estimates will be recorded in the financial statements as they become reasonably determinable.

The Company is not covered by segment reporting required under SFAS 31. Although the Company has several offices around the concession area (East Zone Service Area), the purpose of which is to bring services (service applications, meter reading and billing) nearer to the customers, these business offices do not maintain separate books of accounts. The Concession Agreement grants the Company the right to manage, operate, repair, decommission, and refurbish the MWSS facilities in the East Zone. Legal title to these facilities remains with the MWSS. New assets, on the other hand, acquired by the Company during the term of the concession shall remain with the Company until the expiration date, at which time all rights, title, and interest in such assets automatically vest in MWSS.

There were no known material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

The Company has not been subjected and is not subject to any bankruptcy, receivership or similar proceedings. It has not been subject of any material reclassification, purchase or sale of any significant amount of assets not in the ordinary course of business.

The Company is contingently liable for lawsuits or claims filed by third parties (substantially labor-related) which are either pending decision by the courts or are under negotiation, the outcomes of which are not presently determinable. The Company has been advised
by its legal counsel that it is possible, but not probable, that the action will succeed and accordingly, no provisions for probable losses on these cases were recognized.

**Item 2: Management Discussion and Analysis**

First semester revenues hit the P4 billion mark, up by 17% from last year’s P3.6 billion. This revenue growth was driven by a 6% growth in billed volume and 17% increase in effective tariff.

Costs and expenses were 21% higher than last year’s comparable level brought about by higher provision for depreciation. interest on loans were also charged to operations as projects are completed. The increase however was offset by lower provision for bad debts (from 2% to 1% of sales). Other costs such as power, chemicals were also efficiently managed and showed minimal increase from last year’s level. This improved net income margin to 32% which closed at P1.35 billion, 21% better than last year.

The adoption of the new Accounting reporting requirement (IFRIC 12) resulted in the increase in assets and liabilities. Concession assets increased by P3.9 billion and liabilities from Concession Agreement registered at P3.8 billion. Capitalization of completed projects also caused the increase. Total assets now stood at P27.3 billion.

Current and debt-to equity ratio were at 1.03:1 and 50:50. These were at 1.3:1 and 55:45 in December 2007.

The Company’s top five Key Performance Indicators are discussed below:

**Billed Volume and Collection**

First Semester billed volume totaled 195 million cubic meters (mcm), 6% up compared with the same period last year’s 183 mcm.. Collection efficiency is at 99% while day’s accounts receivable of the first semester was at 17 days.

**Total Connections**

New service connections of 24,0111 brought the Company’s total water service connections to 663,496 as of June 2008..

**Non-Revenue Water**

System loss remained below the 25% regulatory benchmark and improved further to 20.23% from the year-ago level of 23.8% with supply management and increase in service connections.

**Water Quality**

The Company continues to exceed the DOH bacteriological compliance standard of 95%. For a number of years now, compliance has been maintained at 100%. An average of 993 water samples per month were collected from the customers’ tap, schools, hospitals, and public places. The number of samples increased from an average of 930 per month during the same period last year. The water samples are bacteriologically examined to
ensure safety and potability and to detect the presence of chemical substance that may affect the quality for domestic use.

**Sanitation**

The Company’s accelerated desludging program has already served a total of 107,000 households or 30,706 septic tanks for the first semester of this year. A total of 40,723 septic tanks are targeted to be served by the Company’s free scheduled desludging program for the year.

**a. Discussion and analysis of Material Event/s and uncertainties.**

a. There were no known trends, demands commitments, events or uncertainties that have material impact on the Company’s liquidity.

b. There were no known events that would trigger the Company to record contingent financial obligation that would cause a material effect.

c. There were no off-balance sheet transactions, arrangements, obligations created during the reporting period.

d. The Company expects P=7.2 billion capital expenditures in 2008 for the rehabilitation and construction of facilities to improve water and sewer services in the East Zone Service Area. These will be funded from internal funds generation and proceeds of loan drawdowns.

e. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Company’s net sales/revenues/income from operations.

f. There were no significant changes in income or loss arising from the non operating activities of the Company.

g. Causes for any material change  
(Increase or decrease of 5% or more in the financial statements)

**Balance Sheet items**

**(June 30, 2008 vs December 31, 2007)**

- **Cash and cash equivalents** - decreased from P=1.537B to P=1.330B (13% or P=206M)
  The decrease was due to disbursements for capital expenditures, and loan repayment.

- **Short-term cash investments** – decrease from P=1.388B to P=648M (53% or P=740M)
  The decrease resulted from termination of investments in money market instruments to prepay the loans.

- **Materials and supplies** - decreased from P=41M to P=13M (68% or P=28M)
  The change was mainly due to higher usage of water treatment chemicals.

- **Prepayments & other current assets** - decreased from P=785M to P=747M (5% or P=38M)
  The decrease was due to amortization of prepaid health insurance and regulatory costs.
Accounts and other payables - decreased from ₱3.119B to ₱2.275B (27% or ₱844M)
The change in account balance was due to decrease in trade payables.

Income tax payable - increased from ₱223M to ₱268M (20% or ₱45M)
The increase resulted from the increase in taxable income, but the effective tax rate was still below the 35% corporate tax rate.

Customers’ guaranty and other deposits - increased from ₱796M to 984M (24% or ₱188M)
New water service connections in expansion areas resulted in the increase in guaranty deposits.

Income Statement Items
(June 30, 2008 vs. June 30, 2007)

Water/sewer and environmental revenues -20% or ₱686M increase from ₱3,473B to ₱4.159B
The increase in revenues was due to a combination of improvement in billed volume (sales) and implementation of rate rebasing adjustments.

Interest income – 13% or ₱10M decrease from 80.2M to ₱69.7M
The decrease was due to lower interest yields on money market instruments, combined with a lower cash level owing to loans servicing and capex disbursements.

Operating costs & expenses -21% or ₱419M increase from ₱2,03B to ₱2.41B
accounted for mainly by increases/decreases of the following accounts:

Salaries and wages - 12% or ₱51M increase from ₱433.04M to ₱484.0M
This was due to annual increases in basic pay, other employees’ benefits, performance-based incentives and rewards.

Depreciation and amortization -27% or ₱180.22M increase from ₱662.51M to ₱842.72M
The increase was the direct impact of completed projects for the first semester of 2008.

Provision for doubtful accounts - 38% or ₱26.69M decrease from ₱69.5M to ₱42.8M
The decrease in bad debts provision was due to the improving collection efficiency and adequate reserves from previous years’ provisioning.

Water treatment chemicals – 11% or ₱2.3M decrease from ₱21.8M to ₱19.5M
The decrease was due to higher requirement for aluminum sulfate because of the low raw water quality.

Repair and maintenance - 52% or ₱8.2M increase from ₱15.79M to ₱24.02M
The increase was due to cost incurred for the repair and maintenance of facilities, technical equipments and vehicles.

Collection fees –30% or ₱11.93M increase from ₱39.7M to ₱51.63M
The increase was due to the 12% increase in customer base. New connections increased by 24,000 year-on-year.

Postage, telephone and telegram - 50% or ₱3M increase from ₱6.05M to ₱9.05M
The increase was brought about by the additional equipment /employees’ communication subsidies to ensure prompt response to customer complaints.
**Premium on performance bonds** - 61% or ₱5.4M decrease from ₱8.9M to ₱3.5M
The decrease was due to a lower premium rate.

**Others** - 375% or ₱67.51M decrease from ₱49.51M to (₱18.01M)
The decrease was due to the adjustment of provisions for various services and miscellaneous expenses.

**Earnings per Share**

Earnings per share is computed by deducting the annual 10% dividend coupon on participating preferred shares from the annualized Net Income and dividing the difference by the total number of shares. The number of shares used for this computation is 2,416,858,965, which is the number of the Company’s outstanding shares (common and participating preferred shares).

There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.
PART II-OTHER INFORMATION

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Signature and Title:  

FLORINDA T. MAPA  
Manager, Financial Accounting Dept.

Signature and Title:  

SHERISA P. NUESA  
Chief Finance Officer

Date: August 14, 2008