June 26, 2013

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina F. Callangan
            Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
            Head, Disclosure Department

Re: Philippine Rating Services Corporation gives Manila Water a Corporate Credit Rating of PRS Aaa (corp.)

Gentlemen:

Please be informed that Manila Water Company, Inc. has been given a Corporate Credit Rating of PRS Aaa (corp.) by the Philippine Rating Services Corporation ("Philratings").

For more information, please refer to the attached copy of the Philratings Press Release.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary
Manila Water Receives Top Corporate Credit Rating

Philippine Rating Services Corporation (PhilRatings) assigned a Corporate Credit Rating of **PRS Aaa (corp.)** to Manila Water Company, Inc. (“Manila Water” or the “Company”). Companies rated **PRS Aaa (corp.)** have a very strong capacity to meet their financial obligations relative to other Philippine corporations. It is the highest rating assigned by PhilRatings.

The rating takes into consideration the following factors: Manila Water’s strong liquidity position and financial flexibility; adequate capitalization; proactive management, sustained profit performance, and competent technical staff with a proven track record and the company’s aggressive efforts to expand its service areas. PhilRatings also considered the delays being experienced by the company in its Rate Rebasing Exercise with the Metropolitan Waterworks and Sewerage System (MWSS).

PhilRatings’ ratings are based on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments relating to Manila Water and may change the rating at any time, should circumstances warrant a change. A corporate credit rating is an over-all measure of creditworthiness for a one-year period prospectively and is not tied to a particular debt issue.

Manila Water provides water and wastewater services for the East Zone of the MWSS franchise area. The East Zone encompasses Makati, Mandaluyong, Pasig, Pateros, San Juan, Taguig, Marikina, and most parts of Manila and Quezon City, as well as the following towns of Rizal: Angono, Antipolo, Baras, Binangonan, Cardona, Jala-Jala, Morong, Pililia, Rodriguez, San Mateo, Tanay, Taytay and Teresa. The Company has also expanded its reach beyond the East Zone and has subsidiaries with projects in Laguna, Pampanga, Boracay and Cebu. It also has ventures outside the country, particularly in Vietnam.
Since it first began operations in 1997, the Company has been able to consistently meet and surpass its regulatory and financial targets. Its management has also been very proactive in dealing with issues relating to the water industry, such as the development of new water sources, as well as the management of non-revenue water (NRW) levels. Manila Water’s NRW was at 11.40% as of March 2013.

The Company increased its net income by 28%, from P4.2 billion in 2011 to P5.4 billion in 2012. Its net profit margin also improved from 36% in 2011 to 37% in 2012.

Manila Water keeps comfortable levels of cash and cash equivalents on hand. This amounted to P5.5 billion in 2012 and further increased to P6.3 billion as of the end of the first quarter of 2013, providing an adequate buffer to support its current debt. The Company’s EBITDA interest cover\(^1\) was also high at 6.66x in 2012 while its Debt service coverage ratio\(^1\) remained more than adequate at 1.77x.

The Company remains adequately capitalized, with debt to equity\(^1\) (DE) level improving from 1.02x in 2011 to 0.89x in 2012. The trend continued as of the end of the first quarter of 2013 as its DE level improved further to a relatively conservative 0.81x.

The Company is currently undergoing its third Rate Rebasing period as the Concessionaire for the East Zone. Rate Rebasing occurs every five years after 1997, when the Company was awarded the concession. Manila Water submitted the requirements for the exercise in the first quarter of 2012 but, to date, the process has yet to be concluded. Expectations are for the rate rebasing to be completed between July to October 2013. PhilRatings shall monitor developments in relation to this, with a focus on the impact on the Company’s assumed rate structure in the coming years.

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\(^1\) Kindly note that all ratios presented in this press release are based on the internal computations and analysis of PhilRatings.