



**Aigües de Barcelona**

**REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSED CAPITAL REDUCTION REFERRED TO IN POINT TWO OF THE AGENDA OF THE EXTRAORDINARY GENERAL MEETING CONVENED FOR 12 JANUARY 2010, AT THE FIRST NOTICE OF MEETING, AND FOR THE FOLLOWING DAY, THE 13<sup>TH</sup>, AT THE SECOND NOTICE OF MEETING.**

The agreement to request the delisting of the company's shares from the Barcelona, Madrid and Bilbao Stock Markets which is proposed to the General Meeting requires the formulation of a Tender Offer, pursuant to the provisions of Article 34 of the *Ley del Mercado de Valores* (Spanish Stock Market Act) and, therefore, it is also proposed to the General Meeting that it should agree on the formulation of this Tender Offer for the company's own shares. Consequently, the company shall acquire a number of shares which, taking into account the commitments taken on by the shareholders which jointly control the company, the Suez Environnement Group and the Criteria CaixaCorp Group, shall not exceed 10% of the share capital.

The Board of Directors considers that it is convenient, and the joint control shareholders have expressed themselves along these lines, that the treasury shares that the Tender Offer generates should be redeemed as soon as possible by means of the corresponding capital reduction. For this reason, it is proposed to agree on a capital reduction, for the account of unrestricted reserves, for the amount corresponding to the capital represented by the shares which are validly tendered in the tender offer which the company has agreed to formulate and up to the maximum of 14,964,171 euros, which is the maximum figure to which the capital represented by the shares at which the Tender Offer is aimed can amount, through the redemption of the shares acquired as treasury shares as a result of this offer; authorizing the Board of Directors and its Chairman so that, in view of the result of the Tender Offer, they may determine the capital reduction figure and adapt the drafting of Articles 5 and 6 of the Articles of Association to the result of this offer.

With the aim of expediting the redemption of the shares as soon as possible, and in view of the sufficiency of unrestricted reserves, it is proposed that the capital reduction should be carried out for the account of these unrestricted reserves. Consequently, and pursuant to the provisions of Article 167.3 of the *Ley de Sociedades Anónimas* (Spanish Public Limited Companies Act) an unavailable reserve should be created for the amount of the face value of the redeemed shares which will only be available in accordance with the requirements established for the capital reduction. The execution of the capital reduction shall be carried out within the three months following the end of the Tender Offer.

Barcelona, 30 November 2009.- The Secretary of the Board of Directors, Mr. Alejandro García-Bragado Dalmau.



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**PROPOSED NEW DRAFTING OF ARTICLES 5 AND 6 OF THE ARTICLES OF ASSOCIATION AS A RESULT OF THE CAPITAL REDUCTION REFERRED TO IN POINT TWO OF THE AGENDA OF THE EXTRAORDINARY GENERAL MEETING CONVENED FOR 12 JANUARY 2010, AT THE FIRST NOTICE OF MEETING, AND FOR THE FOLLOWING DAY, THE 13<sup>TH</sup>, AT THE SECOND NOTICE OF MEETING.**

On proposing to the General Meeting the capital reduction agreement for the amount corresponding to the sum represented by the shares which are validly tendered in the tender offer referred to in point one of the Agenda and up to the maximum of 14,964,171 euros, authorizing either the Board of Directors or its Chairman to determine the above-mentioned figure in view of the result of the offer, at present it is not possible to proceed to give the new drafting to Articles 5 and 6 of the Articles of Association, as a result of the capital reduction which is agreed on, as the determination of its amount is pending, based on an objective fact which is the number of shares which are validly tendered in the tender offer. For this reason, it is proposed to delegate to the Board and to its Chairman the establishment of the capital reduction figure and the consequent modification of Articles 5 and 6 of the Articles of Association, which shall only vary in that the amount of capital which currently appears in Article 5 will be reduced by the amount of the reduction and in that the number of shares which make up the capital, which currently appears in Article 6 of the Articles of Association will also be reduced by the number of shares which, on being validly tendered in the tender offer, are redeemed in the capital reduction.

Barcelona, 30 November 2009.- The Secretary of the Board of Directors, Mr. Alejandro García-Bragado Dalmau.