



**CORPORATE
GOVERNANCE REPORT 2006**



Agbar Group

Annual Corporate Governance Report

2006



Agbar Group

LISTED PUBLIC LIMITED COMPANIES

ISSUER IDENTIFICATION DATA

Tax ID Number: A08000234

Company Name

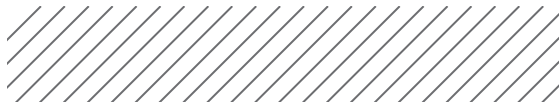
SOCIEDAD GENERAL DE AGUAS DE BARCELONA, S.A.

Registered Office:

AVENIDA DIAGONAL, 211

BARCELONA 08018

SPAIN



Annual Corporate Governance Report

ANNUAL CORPORATE GOVERNANCE REPORT MODEL FOR LISTED PUBLIC LIMITED COMPANIES

For a better understanding of the model and its subsequent completion, read the instructions at the end of this report.

_ A OWNERSHIP STRUCTURE

_ A.1 Complete the following table on the company's share capital:

LAST DATE OF AMENDMENT	SHARE CAPITAL (€)	NUMBER OF SHARES
20-11-2006	149,965,688.00	149,965,688

If different types of shares exist, specify this in the following table:

TYPE	NUMBER OF SHARES	PAR VALUE PER UNIT
------	------------------	--------------------

_ A.2 Specify the direct and indirect holders of significant shares in your company at the closing date of the financial year, excluding the Directors:

NAME OR COMPANY NAME OF THE SHAREHOLDER	NUMBER OF DIRECT SHARES	NUMBER OF INDIRECT SHARES (*)	TOTAL % OF SHARE CAPITAL
HISUSA HOLDING DE INFRAESTRUCTURAS Y SERVICIOS URBANOS, S.A.	71,789,843	0	47.871
SUEZ, S.A.	0	74,012,552	49.353
MR. AMANCIO ORTEGA GAONA	0	7,514,302	5.011

(*) Through:

NAME OR COMPANY NAME OF THE DIRECT OWNER OF THE STAKE	NUMBER OF DIRECT SHARES	% OF SHARE CAPITAL
HISUSA HOLDING DE INFRAESTRUCTURAS Y SERVICIOS URBANOS, S.A.	71,789,843	47.871
SUEZ ENVIRONNEMENT ESPAÑA, S.L.	2,222,709	1.482
PONTEGADEA INVERSIONES, S.L.	7,514,302	5.011
Total:	81,526,854	

Specify the most significant movements to take place during the year in the shareholding structure:

A.3 Complete the following tables regarding Directors of the company's Board of Directors who hold shares in the company:

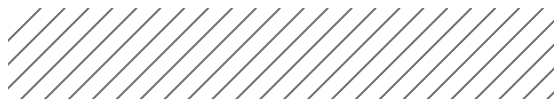
NAME OR COMPANY NAME OF THE BOARD DIRECTOR	DATE OF FIRST APPOINTMENT	DATE OF LAST APPOINTMENT	NUMBER OF DIRECT SHARES	NUMBER OF INDIRECT SHARES	TOTAL % OF SHARE CAPITAL
MR. JORDI MERCADER MIRÓ	30-05-2003	30-05-2003	404	0	0.000
MR. ENRIQUE COROMINAS VILA	25-05-1994	21-05-2004	500	0	0.000
MR. JUAN ROSELL LASTORTRAS	11-07-2002	30-05-2003	100	5,000	0.003
NUEVA COMPAÑÍA DE INVERSIONES, S.A.	12-11-2004	20-05-2005	102	9,982,127	6.656

(*) Through:

NAME OR COMPANY NAME OF THE DIRECT OWNER OF THE STAKE	NUMBER OF DIRECT SHARES
TORREAL, S.A.	9,982,127
CIVISLAR, S.A.	5,000
Total:	9,987,127
Total % of share capital held by the Board of Directors	6.659

Complete the following tables indicating those Directors of the company's board of Directors who own rights over company shares:

NAME OR COMPANY NAME OF THE BOARD DIRECTOR	NUMBER OF DIRECT OPTION RIGHTS	NUMBER OF INDIRECT OPTION RIGHTS	NUMBER OF EQUIVALENT SHARES	TOTAL % OF SHARE CAPITAL



_ A.4 Specify, if appropriate, the family, commercial, contractual or corporate relationships between the significant shareholders known by the company, unless these are scarcely relevant or derived from ordinary business or trade:

NAMES OR RELATED COMPANY NAMES	TYPE OF RELATIONSHIP	BRIEF DESCRIPTION
Suez, S.A.	Corporate	At the end of December 2006 and beginning of January 2007, Caja de Ahorros y Pensiones de Barcelona, "la Caixa", sold the totality of its 1.5% participation in the share capital of Suez, S.A.

_ A.5 Specify, if appropriate, the commercial, contractual or corporate relationships between the significant shareholders and the company, unless these are scarcely relevant or derived from ordinary business or trade:

NAMES OR RELATED COMPANY NAMES	TYPE OF RELATIONSHIP	BRIEF DESCRIPTION
--------------------------------	----------------------	-------------------

_ A.6 Specify the parasocial agreements signed between shareholders that have been communicated to the company:

PARTIES INTERVENING IN PARASOCIAL AGREEMENT	% OF AFFECTED SHARE CAPITAL	BRIEF DESCRIPTION OF THE AGREEMENT
SUEZ, S.A.	47.190	Signing of a parasocial agreement regarding the participation of Caja de Ahorros y Pensiones de Barcelona and Suez, S.A. (49% & 51%, respectively) in Hisusa Holding de Infraestructuras y Servicios Urbanos, S.A., which holds ownership of 47.19% of the share capital of Sociedad General de Aguas de Barcelona, S.A., communicated as a relevant fact to CNMV (Spanish Stock Market Commission) on 19 July 2006.
CAJA DE AHORROS Y PENSIONES DE BARCELONA "LA CAIXA"	47.190	Signing of the above-mentioned parasocial agreement

Specify, if appropriate, concerted actions between the company's shareholders that are known by the company:

PARTIES INTERVENING IN CONCERTED ACTION	% OF AFFECTED SHARE CAPITAL	BRIEF DESCRIPTION OF CONCERTED ACTION
---	-----------------------------	---------------------------------------

Specify expressly if any amendment or breach of said concerted agreements or actions has taken place during the year.

A.7 Specify if any individual or legal entity exists who exercises or has the power to exercise control over the company in accordance with Article 4 of the Stock Market Act:

NAME OR COMPANY NAME

OBSERVATIONS

A.8 Complete the following tables regarding the company's treasury stock:

At the close of the financial year:

NUMBER OF DIRECT SHARES	NUMBER OF INDIRECT SHARES (*)	TOTAL % OF SHARE CAPITAL
323,981	0	0.216

(*) Through:

NAME OR COMPANY NAME OF THE DIRECT OWNER OF THE STAKE	NUMBER OF DIRECT SHARES
---	-------------------------

Total:

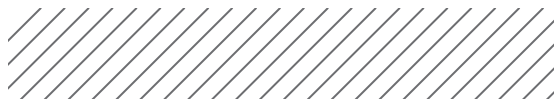
Specify the significant variations that have taken place during the year, according to the provisions of Royal Decree 377/1991:

DATE	NUMBER OF DIRECT SHARES	NUMBER OF INDIRECT SHARES	TOTAL % OF SHARE CAPITAL
------	-------------------------	---------------------------	--------------------------

Results obtained in the financial year from treasury stock operations
(in thousands of euros)

0





_ A.9 Detail the conditions and deadline(s) for authorisation(s) by the Board of Directors's to execute acquisitions or transfers of own shares described in section A.8.

The Company's General Shareholder's Meeting held on 19 May 2006 agreed on the following:

"Too authorise the Board of Directors so that it can, whether by itself or through its delegates or attorneys, directly in the name of the company or indirectly through a dominated company, buy derivately shares of the company under the form of purchase or exchange or any other form permitted by law, up to a maximum amount of 7,424,460 shares at a price or value not exceeding in more than 15% nor less than 15% the closing price of the day before. This authorisation will be valid for a maximum period of 18 months starting at the adoption of this agreement, with the remaining requirements in Section 75 of the Company Law and will cease effect in the areas not used of the authorisation granted on this matter by the General Meeting of Shareholders on May 20, 2005.

Nevertheless, with regard to the purchase of shares issued according to the capital increase agreed upon on May 25, 2001, in order to cover the company for the Option Plan of May 2001 (regardless of whether they remain redeemable) in the purchase according to the right of option granted by the subscribing company (to be given to the employees purchase which is expressly authorised or remaining with regard to the options still current), the purchasing price for which the company can buy these shares will be the one agreed upon in the option, which is the issuing price, regardless of whether it exceeds the 15% margins explained in the previous paragraph."

_ A.10 Specify, if appropriate, the legal and statutory restrictions pertaining to exercising voting rights, as well as legal restrictions for acquisition or transfer of participations in the share capital:

Each share gives the right to one vote.

Pursuant to section 15 of the Articles of Association, the shareholders entitled to attend the General Meeting of Shareholders are those who, individually or together with others, hold a minimum of three hundred shares registered in the Registers of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores or the organization which replaces it, five days before the Meeting is held.

B COMPANY ADMINISTRATIVE STRUCTURE

B.1 Board of Directors

B.1.1 Specify the maximum and minimum number of Directors foreseen in the articles:

Maximum number of Directors	25
Minimum number of Directors	6

B.1.2 Complete the following table with the Directors:

NAME OR COMPANY NAME OF THE DIRECTOR	REPRESENTATIVE	POST ON THE BOARD	DATE OF FIRST APPOINTMENT	DATE OF LAST APPOINTMENT	ELECTION PROCEDURE
Mr. Jordi Mercader Miró		Chairman- Managing Director	30-05-2003	30-05-2003	General Meeting
Mr. Gérard Mestrallet		First Vice- Chairman	29-10-1997	30-05-2003	General Meeting
Mr. Manuel Raventós Negra		Second Vice- Chairman	29-03-1990	21-05-2004	General Meeting
Mr. Enrique Corominas Vila		Director	25-05-1994	21-05-2004	General Meeting
Mr. Jean-Louis Chaussade		Director	19-06-1996	19-05-2006	General Meeting
Mr. Feliciano Fuster Jaume		Director	16-02-1994	30-05-2003	General Meeting
Mr. Bernard Guirkingier		Director	30-05-2003	30-05-2003	General Meeting
Mr. Miguel Noguer Planas		Director	30-05-2003	30-05-2003	General Meeting
Mr. Jean-Pierre Hansen		Director	21-05-2004	21-05-2004	General Meeting
Mr. Gérard Lamarche		Director	19-05-2006	19-05-2006	General Meeting
Mr. Juan Rosell Lastortras		Director	11-07-2002	30-05-2003	General Meeting
Mr. Juan Antonio Samaranch Torelló		Director	17-05-1988	30-05-2003	General Meeting
Nueva Compañía De Inversiones, S.A.	Mr. Juan Abelló Gallo	Director	12-11-2004	20-05-2005	General Meeting
Total Number of Directors					13

Indicate any Directors that have left the Board of Directors during the period:

NAME OR COMPANY NAME OF THE DIRECTOR	TERMINATION DATE
Mr. Ricardo Fornesa Ribó	31 - 01 - 2006
Mr. Philippe Brongniart	19 - 05 - 2006

_ B.1.3 Complete the following tables on the Directors of the Board and their different positions:

EXECUTIVE DIRECTORS		
NAME OR COMPANY NAME OF THE DIRECTOR	COMMITTEE THAT PROPOSED APPOINTMENT	POSITION IN THE COMPANY'S ORGANIGRAM
Mr. Jordi Mercader Miró	Appointment and Remuneration Committee	Chairman-Managing Director

EXTERNAL PROPRIETARY DIRECTORS		
NAME OR COMPANY NAME OF THE DIRECTOR	COMMITTEE THAT PROPOSED APPOINTMENT	NAME OR COMPANY NAME OF THE SIGNIFICANT SHAREHOLDER REPRESENTED OR WHO PROPOSED APPOINTMENT
Mr. Gérard Mestrallet	Appointment and Remuneration Committee	Suez, S.A.
Mr. Jean-Louis Chaussade	Appointment and Remuneration Committee	Suez, S.A.
Mr. Bernard Guirkingier	Appointment and Remuneration Committee	Suez, S.A.
Mr. Jean-Pierre Hansen	Appointment and Remuneration Committee	Suez, S.A.
Mr. Gérard Lamarche	Appointment and Remuneration Committee	Suez, S.A.
Nueva Compañía de Inversiones, S.A.	Appointment and Remuneration Committee	Torreal, S.A.

EXTERNAL INDEPENDENT DIRECTORS		
NAME OR COMPANY NAME OF THE DIRECTOR	COMMITTEE THAT PROPOSED APPOINTMENT	PROFILE
Mr. Feliciano Fuster Jaume	Committee for Appointments and Remunerations	Industrial Engineer, Ex-Chairman of Endesa
Mr. Juan Rosell Lastortras	Committee for Appointments and Remunerations	Industrial Engineer. Chairman of Omb, Sihu, S.A., Congost Plastic, S.A., Corp. Uniland, S.A., Director of Siemens España, S.A., Endesa, S.A., Applus Servicios Tecnológicos, S.L., Chairman of Fomento del Trabajo Nacional (National Employment Promotion). Vice-Chairman of CEOE (Spanish Confederation of Employers' Associations). Chairman of the International Logistics Institute. Member of the Consorci Zona Franca, Barcelona

OTHER EXTERNAL DIRECTORS	
NAME OR COMPANY NAME OF THE DIRECTOR	COMMITTEE THAT PROPOSED APPOINTMENT
Mr. Manuel Raventós Negra	Appointment and Remuneration Committee
Mr. Enrique Corominas Vila	Appointment and Remuneration Committee
Mr. Miguel Noguera Planas	Appointment and Remuneration Committee
Mr. Juan Antonio Samaranch Torelló	Appointment and Remuneration Committee

Specify the reason(s) why they cannot be considered Proprietary or Independent Directors:

Messrs Corominas, Noguera, Raventós and Samaranch are considered as “other external directors”, and they are neither executive nor proprietary. These Directors hold or held management positions in the governing bodies of “la Caixa” and they were appointed at the proposal of the Board of Directors of Sociedad General de Aguas de Barcelona, S.A. in agreement with the shareholders, taking into consideration their knowledge of and interest in companies from the service sector and the economic interest of “la Caixa” in Sociedad General de Aguas de Barcelona, S.A., due to its capacity as shareholder (minority, but with 49%) of Hisusa, Holding de Infraestructuras y Servicios Urbanos, S.A..

Indicate, if appropriate, the variations that have taken place in the type of each Director during the period:

NAME OR COMPANY NAME OF DIRECTOR	DATE OF CHANGE	PREVIOUS CAPACITY	CURRENT CAPACITY
Mr. Jordi Mercader Miró	31-01-2006	External Director Representing Significant Shareholder	Executive Director

B.1.4 Indicate if the description of Directors made in the previous point corresponds to distribution foreseen in the Board's Regulations:

Yes. The above-mentioned description corresponds to the one foreseen in the Regulations of the Board, which in Section 5 establish:

“Section 5. Qualitative Composition

1. The Board of Directors, in exercising its powers of proposal to the General Meeting and cooptation to fill vacancies, shall try to ensure that the external or non-executive directors represent a large majority over the executive directors in the composition of the body. For this purpose, the Chairman, if he/ she fulfils executive functions, the Delegate Directors and those who perform management functions in the Company will be considered executives.

2. Taking into account the significant concentration of stocks, the external directors will be persons related to the main stockholders and persons related to entities that, although having a minority ownership interest in a stockholder, their special position in the market and their relations make it advisable in the Board or the Meeting's criteria to be represented on the Board.

3. In case the stockholders with significant ownership interests their total ownership interest will be reduced below 55% of the capital, independent directors will be allowed taking into account the Company's ownership structure, the significant stock ownership interest's importance in absolute and comparative terms, as well as the degree of continuance, commitment and strategic relation of the owners of stated significant ownership interests with the Company.”

B.1.5 Specify, if appropriate, the delegated faculties of the delegate Director(s):

NAME OR COMPANY NAME OF THE DIRECTOR	BRIEF DESCRIPTION
Mr. Jordi Mercader Miró	All that legally and statutorily can be delegated

_ B.1.6 Identify, if appropriate, those Directors of the Board who are managers or Directors in other companies forming part of the listed company's group:

NAME OR COMPANY NAME OF THE DIRECTOR	REGISTERED NAME OF THE GROUP ENTITY	POST
Mr. Juan Rosell Lastortras	Applus Servicios Tecnológicos, S.L.	Director

_ B.1.7 Specify, if appropriate, your company Directors that are members of other company Board of Directors listed on official stock markets in Spain, different to those of your group and that have been communicated to the company:

NAME OR COMPANY NAME OF THE DIRECTOR	LISTED ENTITY	POST
Mr. Jordi Mercader Miró	Miquel Costas & Miquel, S.A.	Chairman
Mr. Jordi Mercader Miró	Inmobiliaria Colonial, S.A.	Director
Mr. Jordi Mercader Miró	Abertis Infraestructuras, S.A.	Director
Mr. Jordi Mercader Miró	Repsol YPF, S.A.	Director
Mr. Manuel Raventós Negra	Inmobiliaria Colonial, S.A.	Director
Mr. Manuel Raventós Negra	Abertis Infraestructuras, S.A.	Director
Mr. Enrique Corominas Vila	Abertis Infraestructuras, S.A.	Director
Mr. Enrique Corominas Vila	Telefónica Móviles, S.A.	Director
Mr. Feliciano Fuster Jaume	Cementos Portland Valderrivas, S.A.	Director
Mr. Miguel Noguera Planas	Inmobiliaria Colonial, S.A.	Director
Mr. Juan Rosell Lastortras	Endesa, S.A.	Director
Mr. Juan Rosell Lastortras	Inmobiliaria Colonial, S.A.	Director
Mr. Juan Antonio Samaranch Torelló	Inmobiliaria Colonial, S.A.	Vice-Chairman
Nueva Compañía de Inversiones, S.A.	Sacyr Vallehermoso, S.A.	Vice-Chairman

_ B.1.8 Complete the following tables regarding the aggregate remuneration of the Directors accrued during the year:

a) In the company object of the present report:

REMUNERATION CONCEPT	DATA IN THOUSANDS OF EUROS
Fixed remuneration	344
Variable remuneration	100
Allowances	548
Benefits	1,454
Options over shares and/or other financial instruments	0
Other	0
Total	2,446

OTHER BENEFITS	DATA IN THOUSANDS OF EUROS
Advances	0
Credits granted	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations incurred	0
Life insurance premiums	0
Guarantees constituted by the company in favour of the Directors	0

b) For Directors of the company belonging to other Boards of Directors and/or the executive management of group companies:

REMUNERATION CONCEPT	DATA IN THOUSANDS OF EUROS
Fixed remuneration	0
Variable remuneration	0
Allowances	0
Benefits	0
Options over shares and/or other financial instruments	0
Other	0
Total	0

OTHER BENEFITS	DATA IN THOUSANDS OF EUROS
Advances	0
Credits granted	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations incurred	0
Life insurance premiums	0
Guarantees constituted by the company in favour of the Directors	0

c) Total remuneration for each type of Director:

TYPE OF DIRECTOR	BY COMPANY	BY GROUP
Executive	727	0
External Proprietary	794	0
Independent External	320	0
Other External	605	0
Total	2,446	0

d) With regards to profit attributable to parent company:

Total remuneration of Directors (thousands of euros)	2,446
Total remuneration of Directors/profit attributable to parent company (%)	1.460

_ B.1.9 Identify members of senior management who in turn are not Executive Directors and specify total remuneration accrued in their favour during the year:

NAME OR COMPANY NAME	POST
Mr. Angel Simón Grimaldos	Managing Director
Mr. José Vila Bassas	Secretary General-Managing Director
Mr. Luis Ma. Puiggarí Lanza	Managing Director For Corporate Media
Mr. Juan Antonio Guijarro Ferrer	Water (Except Catalonia And Balearic Islands)
Mr. Leonard Carcolé Galea	Water (Catalonia And Balearic Islands)
Mr. Jesús Javier Murillo Ferrer	Health
Mr. Sergio Pastor Coldeforns	Inspection and Certification (Until 31 July 2006)
Mr. Joaquin Coello Brufau	Inspection and Certification (As of 22 December 2006)
Mr. Miguel Alsius Juriol	Construction and Installations
Total senior management remuneration (thousands of euros)	3,502

_ B.1.10 Identify, in an aggregate way, if any guarantee or protection clauses exist for cases of dismissal or changes in control favouring members of senior management, including Executive Directors, of the company or group. Specify if these contracts must be communicated and/or approved by the bodies of the company or its group:

Number of beneficiaries 6

	BOARD OF DIRECTORS	GENERAL SHAREHOLDER'S MEETING
Body authorising the clauses	X	

	YES	NO
Is the General Meeting informed about these clauses?		X

_ B.1.11 Indicate the process used to establish the remuneration of members of the Board of Directors and relevant statutory clauses in this respect.

Pursuant to Section 14 of the Regulations of the Board, the proposal to the Board of Directors of the system and amount of annual remunerations for the directors is included among the basic responsibilities of the Appointment and Remuneration Commission.

Likewise, Sections 22 and 23 of the Regulations of the Board establish that:

“The director shall be entitled to receive the remuneration established by the Board of Directors in accordance with the provisions of the Articles of Association and the instructions of the Appointment and Remuneration Commission.”

“The Board of Directors and the Appointment and Remuneration Commission shall take all measures to ensure that the remuneration of external directors is adjusted to their actual commitment and it shall offer incentives for their commitment, without being an obstacle for their independence.”

Section 32 of the Articles of Association in force read verbatim as follows:
 “Section 32. Remuneration of the Board of Directors. The Board of Directors shall have the right to receive a remuneration, whose maximum quantity shall be an equivalent amount of 5% of the consolidated benefit, and it shall be deduced from the net benefits of each fiscal year, corresponding to the Board itself the determination of the exact quantity which has to be distributed, all this without detriment to what is set forth in Section 130 of the Modified Text of Company Law.

The Board shall distribute such payment in the way that it considers appropriate among the consultants which form part of it and the persons which usually participate in it, even if they do not have such quality. The distribution of such payment may be referred to the value of shares or consist in the delivery of shares or options over them, with regard to the persons who hold executive functions.”

_ B.1.12 Specify the identity of the Board members who are at the same time members of the Board of Directors or directors of companies holding significant participations in the listed company and/or in its group companies:

NAME OR COMPANY NAME OF THE DIRECTOR	NAME OR COMPANY NAME OF THE SIGNIFICANT SHAREHOLDER	POST
Mr. Jordi Mercader Miró	Hisusa Holding de Infraestructuras y Servicios Urbanos, S.A.	Individual Representing the Director Caixa Corp, S.A., Vice-Chairman (From 1 January 2006 to 15 March 2006)
Mr. Gérard Mestrallet	Hisusa Holding de Infraestructuras y Servicios Urbanos, S.A.	Chairman (up until 20 June 2006), Vice Chairman (As of 20 June 2006)
Mr. Gérard Mestrallet	Suez, S.A.	Chairman-Managing Director
Mr. Gérard Mestrallet	Suez Environnement	Chairman
Mr. Jean-Louis Chaussade	Hisusa Holding de Infraestructuras y Servicios Urbanos, S.A.	Individual Representing the Director Suez Environnement España, S.L.
Mr. Jean-Louis Chaussade	Suez Environnement	Director-Managing Director
Mr. Jean-Louis Chaussade	Suez Environnement España, S.L.	Delegate Director
Mr. Bernard Guirkingier	Suez Environnement	Delegate Managing Director
Mr. Jean-Pierre Hansen	Suez, S.A.	Chief Operating Officer
Mr. Jean-Pierre Hansen	Suez Environnement	Director
Mr. Gérard Lamarche	Suez Environnement	Director
Nueva Compañía de Inversiones, S.A.	Torreal, S.A.	Chairman-Managing Director

Specify, if appropriate, the relevant relationships different from those contemplated in the previous paragraph, among members of the Board of Directors, linking them with significant shareholders and/or its group companies:

NAME OR COMPANY NAME OF THE DIRECTOR	NAME OR COMPANY NAME OF THE SIGNIFICANT SHAREHOLDER	DESCRIPTION OF RELATIONSHIP
Nueva Compañía de Inversiones, S.A.	Torreal, S.A.	Nueva Compañía de Inversiones, S.A., holder of 99.985% of the share capital of Torreal, S.A.



_ B.1.13 Specify, if appropriate, any amendments introduced to the Board Regulations during the year:

During 2006, specifically at the Board of Directors meeting on 31 January 2006, an agreement was reached to modify the Board's Regulations, this being in the interest of introducing an Additional Disposition, concerning Honorary Chairmen. The disposition reads as follows:

"Additional Disposition. Honorary Chairmen.

The Board of Directors, in view of the special importance of its mandate, may designate those persons who have held the post of Chairman of the Board as Honorary Chairmen, being attributed honorary representative functions for the Company and for events expressly entrusted of them by the Chairman of the Board.

Exceptionally, Honorary Chairmen may attend Board meetings when they have been invited by the Chairman, apart from carrying out honorary representative functions, providing counselling for the Board and its Chairman and collaborating in upholding the best possible relationships between the shareholders and the Company's governance bodies and with one another.

The Board of Directors will put the appropriate technical, material and human means at the disposal of Honorary Chairmen, to enable them to carry out their functions adequately and in the most convenient way."

The amendment was registered in the Mercantile Register in March 2006 and the Ordinary General Shareholders' Meeting was informed about it at its meeting on 19 May 2006, where it was noted as one of the points on the Agenda.

_B.1.14 Specify procedures involving appointment, reelection, evaluation and removal of Directors. Detail the competent bodies, procedures to be followed and criteria employed in each of the procedures.

Some Sections of the Regulations of the Board of Directors read as follows:

"Section 16. Appointment of Directors

1. Directors shall be appointed by the General Board or the Board of Directors in accordance with the provisions of the Limited Companies Act and the Articles of Association.
2. The proposals for the appointment of directors submitted by the Board of Directors to the General Board for consideration and the appointment decisions adopted by this body by virtue of the legally attributed co-optation powers shall be preceded by the corresponding proposal made by the Appointment and Remuneration Commission."

"Section 17. Appointment of External Directors

1. The Board of Directors and the Appointment and Remuneration Commission shall try, pursuant to their powers, that the election of candidates be made among persons of recognised solvency, competence and experience, and they shall be even more strict regarding the candidates to hold the position of independent director pursuant to Section 5 of these Regulations, in the case the appointment be made according to subsection 3 thereof.
2. The Board of Directors shall not propose or appoint in order to cover the position of independent director any persons who have any relation with the corporate management or who are somehow related to the executive directors or other top manag-

ers of the Company by family bonds or by professional or commercial links. Particularly, the following persons shall not be proposed as or appointed as independent directors:

- a) persons who hold or have held executive positions in the Company in the last two (2) years;
- b) relatives of those who are or have been executive directors or top managers of the Company in the last two (2) years;
- c) persons who have directly or indirectly, through the companies in which they have a significant ownership interest, made or received payments of the Company that may impair their independence; and,
- d) persons who have other relations with the Company, who, at the Appointment and Remuneration Commission's discretion, may have their independence reduced."

"Section 18. Term of office

- 1. Directors shall hold office during the term provided in the Articles of Association, and they may be re-elected.
- 2. Directors appointed by co-optation shall hold office up to the date of the first General Meeting.
- 3. When, upon prior report from the Audit and Control Commission, the Board of Directors considers that the interests of the Company are at risk, the Director who finishes his/her term of office or who due to any other reason leaves his office shall not render services to another entity having a subject matter similar to that of the Company during the established term which shall in no case exceed two (2) years."



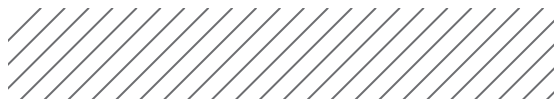
— B.1.15 Indicate the situations in which Directors are obliged to step down.

According to Section 19 of the Regulations of the Board,

- 1. Directors shall cease to hold office when the term for which they were appointed has expired and when the General Meeting pursuant to its legal powers or the powers conferred in the Articles of Association so decides.
- 2. Directors shall put their position at the Board of Directors' disposal and resign, if the Board deems it convenient, in the following cases:
 - a) when they no longer hold the executive positions to which their appointment as director is associated;
 - b) when they fall into one of the cases of incompatibility or prohibition provided by law;
 - c) when they are accused of an allegedly criminal act or they are the subject to a disciplinary record for a serious or very serious offence by the supervising authorities; and,
 - d) when their continuance on the Board may put the Company's interests at risk or when the reasons for which they were appointed disappear. This circumstance shall be considered to exist with respect to proprietary* director when the total stock ownership interest owned or represented by him/ her is sold."

— B.1.16 Indicate if the duties of the Company's top executive are held by the Chairman of the Board. If this is the case, specify the measures that have been taken to reduce the risks of concentration of power in one person:

YES	NO
	X



The Chairman is neither on the Audit and Control Committee nor the Appointment and Remuneration Committee.

_ B.1.17 Are qualified majorities, different to those legally enforced, required for any type of decision-making?

YES	NO
	X

Indicate how agreements are adopted on the Board of Directors, specifying at least the minimum quorum and type of majorities needed to adopt agreements:

ADOPTION OF AGREEMENTS

DESCRIPTION OF AGREEMENT	QUORUM	TYPE OF MAJORITY
1) Permanent delegation of any power of the Board of Directors to the Executive Commission and/or the Managing Director and the designation of the Directors to hold such positions;	The Board of Directors shall be validly constituted when half plus one of the number of Directors established by the General Meeting, attend the meeting, either in person or represented. However, for the purposes of holding the General Meeting to fill the vacancies of the Board of Directors, the attendance of the majority of Directors effectively existing shall be sufficient.	For 1), the favourable vote of two thirds (2/3) of the members of the Board shall be required. For 2), the absolute majority of the Directors attending the meeting shall be required.
2) Rest of agreements		

_ B.1.18 Explain if any specific requirements exist, different to those related to the Directors, in order to be appointed Chairman.

YES	NO
	X

DESCRIPTION OF REQUIREMENTS

.....

.....

_ B.1.19 Specify if the Chairman has a casting vote:

YES	NO
	X

MATTERS FOR WHICH A CASTING VOTE EXISTS

.....

.....

_ B.1.20 Specify if the articles or Board Regulations establish any age limit for the Directors:

	YES	NO
		X
Age limit for Chairman		
Age limit for Managing Director		
Age limit for Directors		

_ B.1.21 Specify if the articles or Board regulations establish a limited term of office for Independent Directors:

	YES	NO
		X
Maximum number of years in office		0

_ B.1.22 Specify if any formal processes exist for delegating votes to the Board of Directors. If so, describe them briefly.

Pursuant to Section 28, paragraph 2 of the Articles of Association, the Directors who cannot attend, may delegate their representation to another Director, without there being a limit to the number of representations that each Director can hold. The representation must be granted in writing and specifically for each meeting, the representation made by telegram, telex or fax also being valid for these purposes.

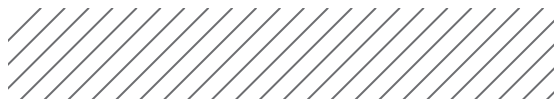
_ B.1.23 Specify the number of meetings that the Board of Directors has held during the year. Likewise specify the number of times that the Board has met without the attendance of its Chairman:

Number of Board meetings	7
Number of Board meetings without attendance of the Chairman	0

Indicate the number of meetings that the different Board Committees have held during the year:

Number of meetings of the Executive or Delegate Committee	8
Number of meetings of the Audit Committee	5
Number of meetings of the Appointment and Remuneration Committee	5
Number of meetings of the Strategy and Investment Committee	0
Number of meetings of the Committee	0





_ B.1.24 Specify if the individual and consolidated annual accounts that are presented for the Board's approval have been previously certified:

Specify the person(s) who has/have certified the Company's individual and consolidated annual accounts, for their preparation by the Board:

YES	NO
	X

NAME	POSITION

_ B.1.25 Explain, if appropriate, the mechanisms that the Board of Directors has established to avoid the individual and consolidated accounts it prepares from being presented to the General Meeting with reservations in the audit report.

As established in the Regulations of the Board in force in 2006, in particular in Section 35.3, "The Board of Directors shall try to definitively draw up the accounts so that there are no exceptions made by the auditor. However, when the Board considers that its criteria must be kept, it shall publicly explain the content and scope of the discrepancy."

_ B.1.26 Specify the measures that are adopted so that information released to the stock markets is fairly and symmetrically transmitted.

As established in Section 34.2 of the Regulations of the Board, "The Board of Directors shall adopt all the measures necessary to assure that the six-monthly, quarterly and any other financial information which prudence requires to put at the markets disposal be made in accordance with the same professional principles, criteria and practices with which the annual accounts are made and that they have the same reliability that the latter have. For this last purpose, this information shall be checked by the Audit and Control Committee."

_ B.1.27 Is the Secretary of the Board a Board member?

YES	NO
	X

_ B.1.28 Specify, if appropriate, the mechanisms that the company has established to safeguard the independence of the auditor, financial analysts, investment banks and rating agencies.

The Board publicly informs on the Annual Accounts on an annual basis, likewise outlining in Section B.1.29 of the Annual Corporate Governance Report the global fees that the Company and Agbar Group have paid to the audit firm for services that are different to auditing.

In conformity with Section 13 of the Board Regulations, one of the basic responsibilities of the Audit and Control Committee is responsibility for establishing relationships with external auditors to receive information about matters that could put the independence of said auditors at risk and any other information related with the accounts auditing process, and other communications foreseen in accounts auditing legislation and technical standards applying to auditing.

_ B.1.29 Indicate if the audit firm executes other work for the company and/or its group, other than audit services, and if this is the case declare the amount corresponding to the fees received for such work and the percentage of this out of the total invoiced to the company and/or its group.

YES	NO
	X

	COMPANY	GROUP	TOTAL
Amount corresponding to work other than audit (thousands of euros)	248	496	744
Amount corresponding to work other than audit/total invoiced by the audit firm (in %)	58.600	21.140	26.861

_ B.1.30 Specify the number of consecutive years during which the current audit firm has performed the company's and/or its group's annual accounts audit. Likewise, specify the percentage represented by the number of years audited by the current audit firm out of the total number of years during which annual accounts have been audited:

	COMPANY	GROUP
Consecutive number of years	17	17

	COMPANY	GROUP
Number of years audited by the current audit firm/no. of years that the company has been audited (in %)	100.000	100.000



_ B.1.31 Specify the interests of members of the company's Board of Directors in the capital of entities with the same, similar or complementary type of activity that constitutes the purpose of the company and its group, and that have been communicated to the company. Likewise, specify the posts or functions that the Directors exercise in said companies:

NAME OR COMPANY NAME OF THE DIRECTOR	NAME OF THE OBJECT COMPANY	% PARTICIPATION	POST OR FUNCTIONS
Mr. Gérard Mestrallet	Suez, S.A.	0.002	Chairman-Managing Director
Mr. Gérard Mestrallet	Suez Environnement	0.000	Chairman
Mr. Manuel Raventós Negra	Caifor, S.A.	0.000	Director
Mr. Jean-Louis Chaussade	Suez Environnement	0.000	Managing Director
Mr. Jean-Louis Chaussade	Degrémont	0.000	Chairman
Mr. Jean-Louis Chaussade	Lyonnaise des Eaux France	0.000	Director
Mr. Jean-Louis Chaussade	Société des Eaux de Marseille	0.000	Director
Mr. Jean-Louis Chaussade	Terralys	0.000	Chairman Of The Board (As of 1 March 2006)
Mr. Jean-Louis Chaussade	Sita France	0.000	Director
Mr. Jean-Louis Chaussade	United Water Inc.	0.000	Director
Mr. Jean-Louis Chaussade	United Water Resources	0.000	Director
Mr. Feliciano Fuster Jaume	Fomento de Construcciones y Contratas, S.A.	0.003	-----
Mr. Feliciano Fuster Jaume	Endesa, S.A.	0.000	-----
Mr. Bernard Guirkingier	Lyonnaise des Eaux France	0.000	Chairman-Managing Director
Mr. Bernard Guirkingier	Ondeo Industrial Solutions	0.000	Chairman
Mr. Bernard Guirkingier	Degrémont	0.000	Director
Mr. Bernard Guirkingier	Société des Eaux de Marseille	0.000	Director
Mr. Bernard Guirkingier	Société des Eaux du Nord	0.000	Director
Mr. Bernard Guirkingier	Lydec	0.000	Director
Mr. Bernard Guirkingier	Sita France	0.000	Director
Mr. Bernard Guirkingier	Terralys	0.000	Director (As of 1 March 2006)
Mr. Bernard Guirkingier	Suez Environnement UK Ltd.	0.000	Director
Mr. Bernard Guirkingier	Sita Holdings UK Ltd.	0.000	Director (Up until 7 July 2006)
Mr. Jean-Pierre Hansen	Suez Environnement	0.000	Director
Mr. Jean-Pierre Hansen	Suez, S.A.	0.000	Chief Operating Officer
Mr. Jean-Pierre Hansen	Acea S.P.A.	0.000	Director
Mr. Gérard Lamarche	Suez Environnement	0.000	Director
Mr. Gérard Lamarche	Leo Holding CY	0.000	Director
Mr. Gérard Lamarche	Ondeo Northamerica	0.000	Director
Mr. Juan Antonio Samaranch Torelló	Caifor, S.A.	0.000	Director
Nueva Compañía de Inversiones, S.A.	Sacyr Vallehermoso, S.A.	10.001	Second Vice-Chairman

_ B.1.32 Specify and describe if any procedure exists for Directors to receive external advice:

YES	NO
	X

DETAIL OF THE PROCEDURE

As established in Section 21 –Expert’s Assistance- of the Regulations of the Board:

“1. For the purpose of being assisted in the exercise of their functions, the external directors may request the Company that legal, accounting and financial advisors, or others, be hired at its expense. The request shall be connected with specific problems of certain importance and complexity that arise from the performance of the position.

2. The decision to hire experts shall be communicated to the Chairman if he has executive capacity and if not so to the Company’s Delegate Director and it may be vetoed by the Board of Directors if it shows:

a) that it is not necessary for the good performance of the functions entrusted to the external directors;

b) that its cost is not reasonable taking into account the importance of the problem and the assets and incomes of the Company; or

c) that the technical assistance required may appropriately be provided by the experts and technicians of the Company.

_ B.1.33 Specify and describe, if appropriate, whether any procedure exists for the Directors to acquire the necessary information to prepare for Board of Directors’ meetings with sufficient time:

YES	NO
	X

DETAIL OF THE PROCEDURE

A dossier is prepared with information on all the issues to be discussed by the Board. This dossier is delivered to the Directors before the Board meeting begins and earlier if any of the Directors so request or if there is a specially complex issue.

_ B.1.34 Specify if any liability insurance exists in favour of the company’s Directors.

YES	NO
	X





_ B.2 Board Committees

_ B.2.1 List the governing bodies:

NAME OF THE BODY	NO. OF DIRECTORS	FUNCTIONS
Executive Committee	4	See Section B.2.3.
Audit and Control Committee	3	See Section B.2.3.
Appointment and Remuneration Committee	3	See Section B.2.3.

_ B.2.2 Specify all the Board Committees and their members:

EXECUTIVE OR DELEGATE COMMITTEE

NAME	POST
Mr. Jordi Mercader Miró	Chairman
Mr. Manuel Raventós Negra	Director
Mr. Jean-Louis Chaussade	Director
Mr. Juan Rosell Lastortras	Director

AUDIT COMMITTEE

NAME	POST
Mr. Enrique Corominas Vila	Chairman
Mr. Jean-Louis Chaussade	Director
Mr. Juan Rosell Lastortras	Director

APPOINTMENT AND REMUNERATION COMMITTEE

NAME	POST
Mr. Juan Antonio Samaranch Torelló	Chairman
Mr. Manuel Raventós Negra	Director
Mr. Jean-Louis Chaussade	Director

STRATEGY AND INVESTMENT COMMITTEE

NAME	POST

_ B.2.3 Describe the organisational and operational rules, as well as responsibilities corresponding to each of the Board Committees.

Sections 11, 12, 13 and 14 of the Regulations of the Board are transcribed as follows:

“Section 11. Executive Bodies of the Board of Directors

1. Notwithstanding the delegations of power individually made to the Chairman or any other Director (Delegate Directors) and the power that he/ she has to set up delegate Commissions for specific activities, the Board of Directors may create an Executive Commission, with general decision powers, and an Appoint-

ment and Remuneration Commission, only with information, advice and proposal powers for the subjects determined by the following sections. The Board of Directors shall create an Audit and Control Commission having the powers set forth in these Regulations.

2. The Appointment and Remuneration Commission shall evaluate the profile of the most suitable persons to participate in the different Commissions and send the corresponding proposals to the Board. In any case, it shall take into account the suggestions made by the Chairman, if he/ she has an executive capacity, or, otherwise, those made by the Delegate Director.

3. Except for the provisions of the Articles of Association and these Regulations, the Commissions shall regulate their own functioning, appoint a Chairman from among their members, prior to which they shall meet, and they shall also appoint a Secretary, who need not be a member of the Commission. If nobody is appointed, the position shall be held by the Secretary of the Board.

The functioning rules set forth in these Regulations in connection with the Board shall be applied provided they are compatible with the corresponding Commission's nature and function, if there are no special provisions.”

“Section 12. Executive Commission

1. The Board may appoint an Executive Commission which shall be composed of the number of Directors determined by the Board of Directors in each case, and the Chairman and the Delegate Director, if any, shall be part of it. If there were independent Directors pursuant to section 5.3, their presence in the Executive Commission will abide by the criteria expressed in referred section 5.3.

2. If an Executive Commission were appointed, its powers will be those delegated by the Board in each case within the limitations of the Law and the Articles of Association.

3. In the event an Executive Commission being appointed, it shall inform the Board about the main issues dealt with and the decisions made concerning these in their meetings.”

“ Section 13. Audit and Control Commission

1. The Audit and Control Commission shall consist of the number of external directors determined by the Board of Directors, which shall be between a minimum of three and a maximum of five and, in the case where there were independent Directors pursuant to Section 5.3, its composition shall reasonably reflect the existing relation in the Board between the proprietary directors and the independent directors.

2. Notwithstanding other tasks assigned by the Board, the Audit and Control Commission shall have the following basic responsibilities:

- a) To know the processes of financial information and internal control processes of the company.
- b) To propose the appointment of the auditor, the hiring conditions, the scope of the professional mandate and, if appropriate, the revocation or non renewal.
- c) To inform the General Meeting of the issues raised by stockholders therein as regards matters of its responsibility.
- d) To check the corporate accounts, to supervise the fulfilment of the legal requirements and the correct application of the generally accepted accounting principles, and to inform the proposals of modification of accounting principles and criteria suggested by the management.
- e) To be a communication channel between the Board of Directors and the auditors, to evaluate the results of each audit and the responses of the management team to its recommendations, and to mediate in case of disagreement between the auditor and the Board of Directors as regards the principles and criteria applicable in the preparation of the financial statements.





f) To supervise internal audit services, checking their adaptation and integrity, and the appointment and replacement of their managers.

g) To supervise the fulfilment of the audit contract, making sure that the opinion on the annual accounts and the main contents of the audit report are clearly and accurately written.

h) To be related to the external auditors in order to receive information on those issues which might endanger their independence and any other issues related to the account audit development process, as well as other communications established by law as regards account audit and by the audit technical standards.

i) To consider the suggestions made by the Chairman of the Board of Directors, the members of the Board, the directors or the stockholders of the Company.

3. It shall be called by the Chairman of the Commission, either on his own initiative or at the request of the Chairman of the Board of Directors or two (2) members of the Commission itself. Notice of meeting shall be served by letter, telegram, fax or any other means that constitute proof of receipt.

Resolutions may also be adopted without a meeting and in writing, pursuant to the provisions of the Mercantile Register Regulations for the Board of Directors.

4. The Commission shall appoint from among its members a Chairman who shall be replaced every four years and who can be re-elected after one year has elapsed since he/ she left office.

Likewise, the Commission shall appoint a Secretary and it may appoint an Under-secretary, both of whom need not be members of this Commission. If nobody is appointed, the position shall be held by the Secretary of the Board.

Minutes of the resolutions adopted in each session shall be kept, and the Board shall be informed about them.

5. The Audit and Control Commission shall be validly held when the majority of its members attend the meeting, in person or are represented. Resolutions shall be adopted by the majority vote of the members attending either in person or represented.

6. Any required member of the Company's management or personnel will be obliged to attend the meetings of the Commission and to collaborate with it and provide it with the information he/ she may have. The Commission may also require that the Company's auditors attend its meetings.

7. For the best fulfilment of its functions, the Audit and Control Commission will be able to receive the advice of external professionals, for which the provisions set forth in Section 20 of these Regulations will be applied. (Note: *: Director representing a major stockholder)."

"Section 14. Appointment and Remuneration Commission

1. The Appointment and Remuneration Commission shall be composed of the number of external directors determined by the Board of Directors and, in the case where there were independent Directors pursuant to section 5.3, its composition shall reasonably reflect the relation existing on the Board between proprietary directors and independent directors.

2. Notwithstanding other duties that may be assigned by the Board, the Appointment and Remuneration Commission shall have the following basic liabilities:

a) to formulate and revise the criteria to be followed for the composition of the Board of Directors and the selection of candidates;

b) to submit to the Board the proposals concerning the appointment of directors so that the Board can directly appoint them (co-optation) or submit these proposals to the decision of the Meeting;

c) to propose to the Board of Directors the members that should be part of each Commission;

d) to propose to the Board of Directors the system and amount of annual remunerations for the directors and top managers;

- e) to periodically check the remuneration programmes, considering their adaptation and performance;
 - f) to inform about the transactions which imply or may imply conflicts of interest, and, in general, about the issues stated in Chapter VIII hereof; and,
 - g) to consider the suggestions made by the Chairman, the members of the Board, the directors or the stockholders of the Company.
3. The Appointment and Remuneration Commission shall meet every time that the Board or its Chairman request the issuance of a report or the adoption of proposals and, in any case, when it is convenient for the good fulfilment of its functions. It shall be called by the Chairman of the Commission, either at his/her own initiative or on the request of the Chairman of the Board of Directors or two (2) members of the Commission itself.
4. The Commission shall appoint a Chairman from among its members. Moreover, it shall appoint a Secretary who need not be a member of said Commission and it may appoint an Undersecretary. If nobody is appointed, the position shall be held by the Secretary of the Board.
- Minutes of the resolutions adopted in each session shall be kept, and the Board shall be informed about them.
5. The Appointment and Remuneration Commission shall be validly held when the majority of its members attend the meeting, in person or represented. Resolutions shall be adopted by the majority vote of the members attending either in person or represented.”



_ B.2.4 Specify, if applicable, the advisory, consultative and delegate powers each of the Committees has:

NAME OF THE COMMITTEE	BRIEF DESCRIPTION
Executive Committee	All those of board of directors, except for those that cannot be delegated by virtue of the law or the articles of association
Audit and Control Committee	Informative, advisory and proposal duties regarding the issues of its responsibility, listed in section B.2.3 above
Appointment and Remuneration Committee	Informative, advisory and proposal duties, listed in section B.2.3. above

_ B.2.5 Specify, if appropriate, any regulations in the Board Committees, the place they are available for consultation and amendments made to them during the year. Likewise, specify if any annual report has been prepared voluntarily covering each Committee’s activities.

The Commissions of the Board do not have their own regulations, but their composition and operation are regulated by the Regulations of the Board.

_ B.2.6 If there is an Executive Committee, explain the degree of delegation and autonomy that the same has available in the exercising of its functions to adopt agreements concerning the company’s administration and management.

All powers of the Board of Directors are delegated to the Executive Commission, except those that cannot be delegated by virtue of the law or the articles of association.



_ B.2.7 Specify whether the composition of the Executive Committee reflects participation of the different Directors of the Board in accordance with their posts:

YES	NO
X	

IF NOT, EXPLAIN THE COMPOSITION OF YOUR EXECUTIVE COMMITTEE

.....

.....

_ B.2.8 If there is an Appointment Committee, specify whether all its Directors are External Directors:

YES	NO
X	

_ C RELATED OPERATIONS

_ C.1 Detail the important operations that imply a transfer of resources or obligations between the company or group entities and the company's significant shareholders:

NAME OR COMPANY NAME OF THE SIGNIFICANT SHAREHOLDER	NAME OR COMPANY NAME OF THE COMPANY OR GROUP ENTITY	NATURE OF THE RELATIONSHIP	TYPE OF OPERATION	AMOUNT (THOUSANDS OF EUROS)
---	---	----------------------------------	----------------------	-----------------------------------

.....

.....

_ C.2 Detail the important operations that imply a transfer of resources or obligations between the company or group entities and the company's managers or Directors:

NAME OR COMPANY NAME OF THE MANAGERS OR DIRECTORS	NAME OR COMPANY NAME OF THE COMPANY OR GROUP ENTITY	NATURE OF THE OPERATION	TYPE OF OPERATION	AMOUNT (THOUSANDS OF EUROS)
---	---	-------------------------------	----------------------	-----------------------------------

.....

.....

_ C.3 Detail the important operations carried out by the company with other companies belonging to the same group, as long as these are not eliminated from the process for the preparation of consolidated financial statements and they do not form part of the company's usual transactions as regards its purpose and conditions:

COMPANY NAME OF THE GROUP ENTITY	BRIEF DESCRIPTION OF THE OPERATION	AMOUNT (THOU- SANDS OF EUROS)
----------------------------------	---------------------------------------	----------------------------------

.....

.....

_ C.4 Specify any situation of conflict of interest involving Directors of the company, according to that foreseen in Article 127 of the Public Limited Companies Act.

The Company has no knowledge of any situation in which its Directors are involved in a conflict of interests.

_ C.5 Specify the mechanisms that are established to detect, determine and resolve possible conflicts of interest between the company and/or its group and its Directors, managers or significant shareholders.

Pursuant to Section 26 of the Regulations of the Board, the director shall not, directly or indirectly, make professional or commercial transactions with the Company unless he/ she informs in advance about the conflict of interest situation and the Board, prior report from the Appointment and Remuneration Commission, approves the transaction.

In case of conflict, the affected director shall abstain from participating in the operation to which the conflict refers. The votes of the directors who are affected by the conflict and who shall abstain from voting shall be deducted for the required majority of votes.

In accordance with the Internal Regulation for Conduct in Stock Market matters, specifically in its Section 6, managers and employees within the subjective and objective scope of this Regulation must inform the Company's Secretary General-General Head Office about possible conflicts of interest arising out of family relationships, personal assets or any other cause.

_ D RISK CONTROL SYSTEMS

_ D.1 General description of the company's and/or group's risk control policy, detailing and evaluating risks that are covered by the system, along with proof of adaptation of said systems to the profile of each type of risk.

The Agbar Group carries out its activity in different businesses (mainly, Complete Water Cycle, Health Insurance, and Inspection and Certification), having a national and international presence in some of them.

These characteristics of the Group imply that it is subject to different critical factors arising from each of its businesses. These factors cover both the sustainable development of the different businesses (strategy, market, operations, technology, environment, financing, etc.) and the regulatory framework in which they are carried out.

The premise underlying the Agbar Group's general risk policy is, ultimately, to generate sustainable value for its stakeholders. The critical factors associated with each of its businesses are thus considered from the point of view of their absence of certainty, in their dual aspect as generators of risks (to be avoided, reduced, shared or accepted) and of opportunities.

A permanent challenge of the governing and management bodies of the Agbar Group, on establishing its strategy, is to determine the optimal balance between risks and opportunities, allowing the value to be maximized.





These general policies, and the diversities of the Agbar Group, have led its Management and Organization structure, based on the Corporation and the Business Units, to be conceived to guarantee the existence of the control mechanisms necessary to assess, control and lessen the main risks.

In this respect, the Board of Directors, both directly and through its delegate committees (Executive Committee and Audit and Control Committee), performs functions of supervision of the evolution of the businesses and of the control systems introduced.

Moreover, the different Management Committees established (Group Management Committee and the Management Committees of each Business Unit) are the key element in the assessment, monitoring and evolution of the main risks, due to the frequency of their meetings.

The aforementioned Government and Management structure of the Agbar Group, jointly with the control systems established that are described in Section D.2., allow, both at a Corporate and at a Business Unit level, the consideration and monitoring of the Group's different risks, that can be classified into the following categories:

- _ Environmental Risks: Economic evolution (growth and slowdown), Regulatory and legal (specific regulations, labour, tax, LOPD, NIIF, etc.), Country Risk (political and of sovereignty), Access to Financial markets, Competitiveness, Business (mature businesses and new businesses) and Innovation.
- _ Corporate Reputation Risks: Transparency (listed Group), and Sustainability (Environmental and Social Responsibility risks).
- _ Operational and Process risks: Operational (contracting, renewal, provision of services and credit), Technological and Information process, Human Capital, Integrity and Fraud.
- _ Financial risks: Liquidity, Credit, Exchange Rates and Interest Rates.
- _ Risks concerning Information for the Decision-Making: Associated with Operational, Financial and Strategic information.

_ D.2 Specify the control systems that are established to evaluate, mitigate or reduce the main risks of the company and its group.

The control systems of the Agbar Group operate within the sphere of the different Business Units and are reinforced by the Company, which carries out definition, advice, coordination, supervision and control functions regarding different issues (principally: equity, legal, economic, accounting, financial, tax, organizational, planning and development of new business, information systems and human resources).

In general terms, and as regards the main risks that the Agbar Group must consider, the control mechanisms and systems introduced to guarantee their control are based on:

- _ Establishment and supervision of strategic and budgetary objectives, both in the short and medium term, which allows the detection and, if appropriate, correction of risks arising from deviations that could affect the attainment of the objectives established.
- _ Standardization of the circuits for the analysis and authorization of investments in new businesses, markets, countries, etc., allowing a quantification of their impact on results and equity, in addition to the level of risk taken on.

_ Development of policies, criteria, rules and procedures which allow the operation of the different processes and subprocesses to be objectified and the risks arising from the more operational actions to be mitigated.

_ Integration of the Information Systems, which provides a guarantee of the reliability and integrity of the information, on incorporating homogeneous control mechanisms.

In this respect, we must stress the progressive grouping, within the Group's Shared Services Unit, of the management of a good part of the technological systems, with the consequent homogenization of the treatment of risks arising from the opportunity, operating capacity and security of these systems.

_ Definition and application of a financial policy, allowing the control of risks of liquidity, credit and exposure to exchange and interest rate fluctuations.

As for liquidity risk (associated with the capability to finance the commitments), the Agbar Group keeps a prudent level of indebtedness, compatible with the generation of funds by the ordinary operations, with a solid capitalization ratio and a high-quality credit rating. The Agbar Group also has diversified sources of financing (bond issuance programme in the capital markets), and unused bank financing lines available for immediate use.

The credit risk is the possible financial loss arising from the non-fulfilment by our counterparts of their obligations, either through deposits or other financial assets that the Agbar Group maintains with them or through its obligations in derivative instrument contracts. This risk is mitigated by demanding a minimum credit rating, establishing risk limits and periodically monitoring the concentration of risk in the same counterpart.

The exchange risk for the Agbar Group materializes mainly in the fluctuation of the conversion value, in Euros, of the assets, in local currency, of foreign subsidiaries. In order to mitigate this risk, the Agbar Group finances these assets, whenever possible, by means of local debt in the same currency (either by direct contracting of financing in the currency of the destination country of the investment or by its synthetic creation by means of derivative instruments, if these are available in the local market). Moreover, and to limit the exposure of the equity of foreign subsidiaries (investment portfolio of the Parent company) to the fluctuations of exchange parities, the Agbar Group resorts, whenever possible, to the contracting of financing, either real or synthetic (use of derivative instruments), in the same currency as the investment portfolio is expressed.

Exposure to interest rate risk (impact on the results of increases in interest rates which push up the cost of the debt) is significantly reduced, by the natural coverage offered by those businesses in which inflation and/or the same interest rates constitute elements that, explicitly or implicitly, are incorporated into the process of the periodical review of tariffs and prices. In this way, the asset yield is highly and positively correlated to the cost of the associated financing. In the cases in which such a correlation cannot be established or can only be weakly established, the Agbar Group reduces its exposure to possible interest rate increases by means of the establishment of the cost of part of its financing by contracting derivative instruments of various terms.

In all cases, the use of derivative instruments in the Agbar Group is always intended for (non-speculative) coverage, avoiding complex structures of difficult understanding, assessment and management.

_ Definition, by the Secretary General-Managing Director, of an insurance policy (civil, industrial, professional and equity liability), allowing a minimization, through





transferral to third parties, of the risks that could arise from unforeseen and uncontrollable events.

_ Centralization, in the Corporate Economics and Finance Department, of the establishment of guidelines, rules and criteria with respect to the economic, financial, tax and accounting information of the Group, which allows, together with the supervision of the same, the obtaining of complete, homogeneous and important information for decisionmaking, avoiding at the same time those risks associated with the use of erroneous information, either internally or for its external publication.

_ Establishment of a Sustainable Development Committee of the Agbar Group that safeguards the observance of its key values (protection of the health and security of people, quality of service, protection of the environment and technological progress).

The task carried out by this Committee, jointly with the approval of the Code of Ethics and of Conduct and the Environmental Code, the publication of an Annual Report on Sustainability and compliance with current practices regarding transparency and good governance, allow the control of the risks that could arise from the corporate reputation of the Group.

_ Action, by the Corporate Legal Advice Department, to respond to: a) the logical need for a good administration of the direct and indirect movable and immovable property, and of its businesses, guaranteeing, from the legal point of view, a responsible and adequate level of legal certainty; b) the legal requirement to exercise and accredit the good governance of the listed company and of its Group; c) the broad extent of the social responsibility of the governing bodies and of their management; d) the criterion of essential independence of opinion of the structure watching over the compliance of these demands.

_ Finally, introduction of the Internal Audit Function in the Agbar Group, the objective of which is the independent evaluation of the Internal Control Systems established, with the aim of reporting on their adaptation and suggesting some aspects for improvement.

This periodical assessment of the Internal Control Systems allows us to mitigate the risks arising from the fact that they do not attain the objectives assigned (reliability and integrity of the financial and operational information, protection (safeguard) the assets (resources), compliance with the applicable policies, principles of action, procedures, laws and regulations, and effective and efficient operation management).

_ D.3 Should any of the risks affecting the company and/or its group have materialized, specify the circumstances that caused them and if the established control systems worked.

In 2006, no risks materialized apart from those caused by the development of the different activities carried out by the Agbar Group, no significant adverse consequences arising.

Indeed, when situations liable to generate the materialization of any risk occurred, the effective operation of the prevention, information and control mechanisms was observed, and therefore to date it is considered that the means established and the risk control systems have worked in a reasonably satisfactory manner.

_ D.4 Specify if there is a Committee or other governing body in charge of establishing and supervising these control mechanisms and detail its functions.

As mentioned in section D.1., the Board of Directors, both directly and through its delegate commissions (Executive Commission and Audit and Control Commission), performs functions of supervision of the control systems. The different Management Committees (Group Management Committee and the Management Committees of each Business Unit) are likewise the key element in the assessment, monitoring and evolution of the main risks

In particular, the Audit and Control Commission has among its basic responsibilities those of knowing the Group's financial information and internal control processes and reviewing its accounts, supervising the fulfilment of the legal requirements and the correct application of the accounting principles.

On performing its tasks, the Audit and Control Commission has the support of the Group's Internal Audit Function, over which it has, in accordance with its powers, a supervisory responsibility. For the performance of its functions (independent assessment of the Internal Control Systems established), the Internal Audit Function has a Corporate Internal Audit Department and Internal Audit Units in different Group businesses.

Information is given from both the Board of Directors, through its Audit and Control Commission, and from the different Management Committees. This information enables the Group's Internal Audit Function to focus its actions on the assessment of areas, processes and risks that they consider to be significant, preparing the appropriate Action Plans. These Action Plans, and the results achieved, are continuously submitted to the Audit and Control Commission.

Moreover, the Audit and Control Commission, on performing its duties, obtains information from the Managing Director of the Group, from the Managers of the Business Units, Corporate Departments, and from the External Auditors.

_ D.5 Identification and description of processes for compliance with the different regulations affecting your company and/or its group.

The Agbar Group is present in various countries and different sectors of activity, in which it is subject to the fulfilment of different rules, regulations and legislations.

Each of the Group's businesses has specific control, legal and human resources departments in charge of ensuring the fulfilment of the applicable legislation in force in each case.

In this respect, and in addition to the actions of the different corporate departments described in point D.2., the Corporate Legal Advice Department provides the appropriate advice to the Company and supervises the effective intervention of the Legal Services of the business units in the different areas of each and every one of the firms and companies, guaranteeing the responsible and appropriate level of legal certainty and the global fulfilment of legal and regulatory requirements affecting the Group.

Agbar's legal organization responds to the balance between the decentralization imposed by the necessary legal specialization to attend to the diversification by activity which, in turn, determines the existence of legal services in the business units, and the functional dependence imposed by the need to establish general prevention-reaction and legal regularity criteria and guidelines throughout the Group which, in





turn, determines the control exerted, under the principle of independence, over the legal services of the business units by the Corporate Management.

The process for the legal control of risks of the Corporate Legal Advice Department culminates with the Secretary General-Managing Director, who in turn is accountable to the Chairman and the Audit and Control Commission, without prejudice to the direct attendance before the Commission by any of the Company's employees and positions.

The basic objectives of Agbar Group's legal structure are: to provide regularity and legal certainty to the development of the different activities, of its new businesses, in the investment and disinvestment operations, in the ordinary and extraordinary administration of the equity, of the insurance portfolio; to apply the policy in relation to powers, guarantees and financing and to supervise the entire operation that can endanger the Agbar Group's credit, to control the current contentious risk and the adaptation of the allowances for this risk; to control the commercial regularity of the entire portfolio of companies; to supervise the proceedings on business consolidation and, in general, any arrangement, agreement or clause that may determine the intervention of the antitrust authorities; and to support the governing and management bodies for the most adequate fulfilment by them and by the Group of the rules on transparency and corporate governance, on the basis of high self-demands for corporate social responsibility.

Finally, we should mention that the businesses abroad receive local advice in relation to the specific regulations and legislation affecting the business and the Group in each country.

__ E GENERAL MEETING

__ E.1 Specify the quorums needed for constitution of the General Shareholders' Meeting as established in the articles. Describe how this differs from the regime of minimum quorums foreseen in the Public Limited Companies Act.

The quorums to validly constitute the General Meeting of Shareholders of the Company are those established in the Ley de Sociedades Anónimas. There is no additional quorum to constitute a meeting, except those established by this Ley de Sociedades Anónimas for special cases. Therefore, the quorums to validly constitute the meetings are:

a) for ordinary issues:

__ in the first call with the attendance of the shareholders, either in person or represented, that hold at least 25% of the subscribed capital with voting rights;

__ in the second call the meeting shall be validly constituted with whatever capital is represented.

b) for special issues related to the issuance of bonds, capital increase or reduction, corporate transformation, merger or spin-off and, in general, any amendment to the Articles of Association:

__ in the first call with the attendance of the shareholders, either in person or represented, that hold at least 50% of the subscribed capital with voting rights;

__ in the second call, the attendance of the shareholders that represent 25% of the subscribed capital with voting rights shall be sufficient.

_ E.2 Explain the method for adoption of company resolutions. Describe how it differs from the regime foreseen in the Public Limited Companies Act.

The voting quorums to adopt resolutions are those established in the Ley de Sociedades Anónimas. There are no additional quorums to adopt resolutions, except those established by this Ley de Sociedades Anónimas for special cases.

The majority to adopt resolutions is a simple majority of the capital with voting rights, in person or represented in the Meeting, except in the special cases mentioned in section b), in which, when in the second call shareholders that represent less than 50% of the subscribed capital with voting rights attend this meeting, the resolutions on these issues can only be validly adopted with the favourable vote of 2/3 of the capital present or represented in the Meeting.

There is no maximum number of votes that each shareholder may cast. Each share gives the right to one vote.

_ E.3 Specify the rights of the shareholders with regard to the General Meetings that are different to the ones established in the Public Limited Companies Act.

According to the Articles of Association, the shareholders who may attend the General Meeting are those who, individually or together with others, are holders of a minimum of three hundred shares, that are recorded in the Registers of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores or any organization which replaces it, and of the organizations participating in these systems, five days before the Meeting is held.

_ E.4 Specify, if appropriate, the measures that have been adopted to promote participation of the shareholders in the General Meetings.

As established in Section 32.4 of the Regulations of the Board:

“The Board of Directors shall promote stockholders’ informed participation in the General Meetings and shall adopt as many measures as may be appropriate to help the General Shareholders’ Meeting to actually exercise its functions pursuant to the Law and the Articles of Association.

Particularly, the Board of Directors shall adopt the following measures:

- a) it shall try to make available for the stockholders before the meeting all information that may be legally required and all the information that is not so, may be interestingly and reasonably provided;
- b) it shall see to the information requests made by the stockholders before the Meeting with the greatest diligence;
- c) it shall answer the questions made by the stockholders on the occasion of the Meeting with equal diligence; and,
- d) it shall make sure that the issues proposed at the Meeting be voted in an orderly and separate way, allowing stockholders to express their opinion about each question put to vote.”

Announcement of the Company’s Ordinary General Shareholders’ Meeting is to be published in a newspaper with major circulation in the province of Barcelona and in several major national newspapers. The notice is also to be published on the Company’s website on the same day, through a banner with direct access, including all the information pertaining to the Agenda and all prior available documentation.





The announcement should also say whether it is the first or second summons to the meeting.

The shareholder shall also have the possibility to delegate representation in electronic format, through the Company's own website, once the Meeting is announced.

An e-mail address and telephone number shall be put at the service of the shareholder from the date of the Meeting announcement until the Meeting is held to allow specific queries about the Meeting. This information will appear on the Company's website.

_ E.5 Specify whether the post of Chairman of the General Meeting coincides with the post of Chairman of the Board of Directors. Detail the measures that are adopted to guarantee the independence and correct operation of the General Meetings:

YES	NO
	X

DETAIL MEASURES

Pursuant to the Regulations of the Meeting, it is foreseen that the shareholders who leave before voting takes place, can inform of their absence so that their vote is not counted in the items of the agenda still to be voted. In order to maintain the deliberating nature of the Meeting, in order to exercise the voting right, the shareholder must attend the General Meeting, either in person or by representation. Thus, any proposal not included in the agenda that is put to vote shall be voted by the shareholders, with knowledge of the development of the debate.

_ E.6 Specify, if appropriate, any amendments introduced in the General Meeting Regulations during the year.

No amendments were introduced in the Meeting Regulations in 2006.

The Meeting Regulations in force are those that were proposed by the Council of the Shareholders' Meeting and approved by the same during its meeting on 21 May 2004, communicated to the Spanish Stock Market Commission and registered at the Mercantile Registry.

The text can be seen on the Company's website, through the banner "Information for Shareholders and Investors", in the Corporate Governance section.

_ E.7 Specify data covering attendance at the General Meetings held during the year to which the present report makes reference:

ATTENDANCE DATA				
DATE OF GENERAL BOARD MEETING	% OF PHYSICAL PRESENCE	% IN REPRESENTATION	% ABSENTEE BALLOT	TOTAL %
19-05-2006	1.035	55.749	0.000	56.784

E.8 Briefly specify the resolutions adopted at the General Meetings held during the year to which the present report makes reference and the percentage of votes with which each resolution was adopted.

The Ordinary General Shareholders' Meeting of the SOCIEDAD GENERAL DE AGUAS DE BARCELONA, S.A. was held on 19 May 2006 in the Torre Agbar Auditorium, Avda. Diagonal 211, Barcelona, with the intervention, upon the request of the administrators, of a Notary Public for minute-taking.

The Board was constituted upon first summons, with 1641 shareholders attending, holding 84,320,061 shares, representing 56.785% of the share capital and thus of the rights to vote.

Of those concurring, 287 shareholders were physically present, holders of 1,538,247 shares (1.035% of the share capital), and 1354 shareholders were represented, holders of 82,781,814 shares (55.749%) of the share capital.

The following resolutions were adopted during the Meeting:

1st.- Approval of Individual Annual Accounts, including Balance Sheet, Profit and Loss Account and Report, and Consolidated Accounts, including Balance Sheet, Profit and Loss Account, Income Status and Recognised Expenses, Cash Flow Status and Report, corresponding to Year 2005, and the respective Management Reports, jointly verified with the Individual and Consolidated Management Reports executed by the Company's Account Auditors, as well as approval of the Board of Directors's management, including that of the Chairman and Company. The Annual Accounts and individual Management Reports appear on the back of 46 sheets of State-stamped paper, 8th class, numbers OH8392020 to OH8392065 inclusive, and on the back of a same 8th class paper, number OH8392066, and the Consolidated Annual Accounts and respective Management Report appear on the back of 93 sheets of State-stamped paper, 8th class, numbers OH8392070 to OH8392162 inclusive, and on the back of a same 8th class paper, number OH8392163, all of which have been verified by the Audit Firm Deloitte, S.L.

2nd.- Approval of the Proposal to Apply Results from Year 2005, formulated by the Board of Directors under the following terms and empowering the Board of Directors to determine the period and method of payment of the Supplementary Dividend:

Net Profit 2005	113,559,042.32 euros
Legal Reserve	293,746.40 euros
Paid-out Interim Dividend	25,728,583.83 euros
Supplementary Dividend	38,225,324.54 euros
Voluntary Reserve	49,311,387.55 euros

3rd.- a) Reelection of Mr. Jean-Louis Chaussade as Director for a statutory period of five years.

b) Appointment of Mr. Gerard Lamarche as Director for a statutory period of five years, to cover the vacancy produced by Mr. Philippe Brongniart's resignation, whose mandate was to finish on 25 May 2005.



c) Establishment of the number of members of the Board of Directors as thirteen (13).

4th.- Reelection of Deloitte, S.L. as Company Account Auditor and, therefore, for Individual and Consolidated Accounts, for a period of one year, that is to say, for Year 2007.

5th.- Acknowledgement of amendment to the Board Regulations, introducing an Additional Disposition pertaining to Honorary Chairmen, as follows:

ADDITIONAL DISPOSITION. HONORARY CHAIRMEN.

“The Board of Directors, in view of the special importance of its mandate, may designate as Honorary Chairmen those persons that have held the post of Chairman of the Board, attributing honorary company representation functions to the same and in those events expressly entrusted of them by the Chairman of the Board.

Honorary Chairmen may exceptionally attend Board meetings when invited by the Chairman, and, apart from honorary representative functions, will provide the Board and its Chairman with counselling, collaborating in the maintenance of the best possible relationships between the shareholders and the Company’s governance bodies and with one another.

The Board of Directors will put the technical, material and human means deemed appropriate at the disposal of the Honorary Chairmen so that the same can carry out their functions adequately and in the most opportune way.”

6th.- a) Amendment of Section 12 of the Company articles for its adaptation to the amendment of the Public Limited Companies Act operated by Law 19/2005, dated 14 November, in such a manner that hereinafter it will read as follows:

“ARTICLE 12.- General Meeting Summons.

The General, Ordinary or Extraordinary Shareholders’ Meeting will be summoned by the Board of Directors by way of public announcement in the Official Gazette of the Mercantile Registry and in a newspaper with major circulation in the province, at least one month prior to the date established for its taking place.

The announcement will include the date and place of the Meeting under first summons and the Agenda. If appropriate, the date of the Meeting on second summons may be included. A minimum period of 24 hours must stand between the first and second summons. If the duly summoned General Meeting is not held upon first summons, and if the announcement of the second summons was not foreseen, it must be announced with the same publicity requirements as the first within 15 days following the date of the Meeting that did not take place and eight days prior to the date of the Meeting.”

b) Amendment of Section 13 of the Company articles in such a manner that hereinafter it will read as follows:

“ARTICLE 13.- Power and obligation to summon the General Meeting.

The Board of Directors is obliged to summon the Ordinary General Shareholders’ Meeting to take place within the first six months of each year and is likewise empowered to summon the Extraordinary General Shareholders’ Meeting whenever considered convenient for company interests.

It must likewise summon the General Extraordinary Meeting whenever Directors holding at least 5% of the share capital request so, expressing the matters to be dealt with in the Meeting. The Meeting must be summoned to take place within the period specified in the Public Limited Companies Act. The Board of Directors shall draft the Agenda, necessarily including the matters that were decided to be included.”

c) Amendment of Section 23 of the Company articles, with the aim of clearly configuring the statutory period not as a maximum, simplifying the same so that any new Director can duly complete the entire mandate, on the other part establishing the end of the mandate in the Ordinary General Meeting that is held during the year in which the mandate concludes, in such a manner that hereinafter it will read as follows:

“ARTICLE 23.- Appointment of Directors.

The General Meeting will be responsible for determining the exact number, between the maximum and minimum, of components in the Board of Directors, as well as appointment and separation of Directors.

For election of Board members via the proportional representation system, that arranged in article 137 of the Rewritten Text of the Public Limited Companies Act and in Royal Decree 821/1991, dated 17 May, that develops it, must be complied with.

Directors will be appointed for five-year periods, without detriment of being re-elected once or more for like periods.

If any vacancies were to arise during the period for which the Directors were appointed, the Board may designate the persons to occupy said posts from amongst the shareholders, the same until the first General Meeting is held.

Following on from the above, the period of duration of the post of Director will terminate on the date when the Ordinary General Meeting takes place, corresponding to the year in which the statutory period of five years is complied with, or on the day when the period for it taking place was to have finished without the meeting taking place, save that a General Meeting takes place beforehand, within the mentioned year and once the period for duration of the post has expired, and that then becomes the moment of the termination.”

The current Directors will continue exercising the post during the period established by the Meeting at the time of their appointment.

d) Amendment of Section 24 of the Company article, with the aim of introducing in the same the figure of Honorary Chairman, in such a manner that hereinafter it will read as follows:

“ARTICLE 24.- Board Posts.

The Board of Directors will elect a Chairman from its body and one or several Vice-Chairmen, designating a person, from the Board or not, who will hold the post of Secretary, who, in the case of not being a Director, will have voice but not vote.

In the case of vacancy, absence or illness, the Chairman will be substituted by the First Vice-Chairman, if existing, and lacking the same by the remaining Vice-Chairmen according to their order of precedence, and in absence of all these, the func-





tions of Chairman will be exercised by the Director that to said effects is temporarily elected.

The Vice-Secretary, if one exists, will assist the Secretary and substitute the same in case of vacancy, absence or illness. Lacking a Vice Secretary, the Secretary will be substituted by the youngest Director from amongst those attending the meeting.

The Board of Directors, in accordance to the special relevance of its mandate, may designate Honorary Chairmen in those persons that have held the post of Chairman of the Board, attributing honorary company representation functions to the same and in those events expressly entrusted of them by the Chairman of the Board. Honorary Chairmen may exceptionally attend the Board meetings when invited by the Chairman, and, apart from honorary representative functions, they will provide the Board and its Chairman with counselling, collaborating in the maintenance of the best possible relationships between the shareholders and the Company's governance bodies and with one another. The Board of Directors will put the technical, material and human means deemed appropriate at the disposal of the Honorary Chairmen so that the same can carry out functions adequately and in the most opportune way."

7th.- Circumscribe the authorisation granted to the Board of Directors at the Meeting held on 30 May 2003 for issuance of obligations or other fixed income values to convertible bonds and/or exchangeable for shares in the Company itself, maintaining the figure foreseen in said agreement of up to 500 million Euros, as well as the foreseen period of five years, granting a new and Independent authorisation to the Board of Directors -with the same holding power to delegate - so that it can reach agreements, establish terms and conditions considered as pertinent - or delegate powers it esteems to be opportune - once or several times, for issuance of any type of fixed income bond or debt instrument, with the exception of convertible and/or redeemable bonds for shares in the Company itself - for which that established in the specific authorisation will be complied with - under any format that is admissible by Law, amongst which are to be found, promissory notes, scrips, warrants, preferential participations, obligations, bonds, of any class, including subordinated, simple or with guarantee of any class, the Company directly or through subsidiary companies, and in this case also, with or without guarantee from the Sociedad General de Aguas de Barcelona, S.A., up to a total limit of 3,000 million Euros, or its exchange value in currencies, as long as the legal limits that are applicable in its case are not surpassed, and by way of definitive issuances, as well as by extension of other previous ones, authorisations or programmes.

As regards authorisation and its limits, issuance of promissory notes and other debt instruments with expiry not superior to eighteen months will count towards the amount of the live balance existing at any given moment.

The present authorisation is granted for a period of five years and, in all cases, bond programmes will be understood as subject to the authorisation that is valid at the moment of approval, although renovations will be applied to the authorisation that is valid at the moment when renovations are produced.

8th.- To authorise the Board of Directors so that it can, whether by itself or through its delegates or attorneys, directly in the name of the company or indirectly through a dominated company, buy derivately shares of the company under the form of purchase or exchange or any other form permitted by law, up to a maximum amount of 7,351,023 shares at a price or value not exceeding in more than 15% nor less than 15% the closing price of the day before. This authorisation will be valid for a maximum period of 18 months starting at the adoption of this agreement, with the

remaining requirements in Section 75 of the Company Law and will cease effect in the areas not used of the authorisation granted on this matter by the General Meeting of Shareholders on May 21, 2004.

Nevertheless, with regard to the purchase of shares issued according to the capital increase agreed upon on May 25, 2001, in order to cover the company for the Option Plan of May 2001 (regardless of whether they remain redeemable) in the purchase according to the right of option granted by the subscribing company (to be given to the employees—purchase which is expressly authorised—or remaining with regard to the options still current), the purchasing price for which the company can buy these shares will be the one agreed upon in the option, which is the issuing price, regardless of whether it exceeds the 15% margins explained in the previous paragraph.

9th.- To authorise the Board of Directors to carry out the agreements adopted, with power to repair, complement, execute, develop and substitute granted by the Chairman or any other member of the Board, authorising especially the Chairman and the Secretary so that any of them without distinction can legalise in a public document the agreements which can be registered, signing to that effect any public or private documents, even those of a repairing, rectifying, complementing or clarifying nature, which may be necessary to complete their registration at the Mercantile Register.

The result of the vote on the above-mentioned resolutions was as follows:

- RESOLUTION 1: 84,318,961 affirmative votes; 0 negative votes; 0 abstentions; 1,100 registered waivers.
- RESOLUTION 2: 84,318,961 affirmative votes; 0 negative votes; 0 abstentions; 1,100 registered waivers.
- RESOLUTION 3: A) 84,316,801 affirmative votes; 0 negative votes; 2,160 abstentions; 1,100 registered waivers; B) 84,316,801 affirmative votes; 0 negative votes; 2,160 abstentions; 1,100 registered waivers; C) 84,316,801 affirmative votes; 0 negative votes; 2,160 abstentions; 1,000 registered waivers.
- RESOLUTION 4: 84,318,961 affirmative votes; 0 negative votes; 0 abstentions; 1,100 registered waivers.
- RESOLUTION 5: 84,318,556 affirmative votes; 405 negative votes; 0 abstentions; 1,100 registered waivers.
- RESOLUTION 6. A) 84,318,961 affirmative votes; 0 negative votes; 0 abstentions; 1,100 registered waivers; B) 84,318,961 affirmative votes; 0 negative votes; 0 abstentions; 1,100 registered waivers; C) 84,318,961 affirmative votes; 0 negative votes; 0 abstentions; 1,100 registered waivers; D) 84,317,961 affirmative votes; 1,000 negative votes; 0 abstentions; 1,100 registered waivers.
- RESOLUTION 7: 84,316,801 affirmative votes; 2,160 negative votes; 0 abstentions; 1,100 registered waivers.
- RESOLUTION 8: 84,318,961 affirmative votes; 0 negative votes; 0 abstentions; 1,100 registered waivers.
- RESOLUTION 9: 84,316,801 affirmative votes; 0 negative votes; 2,160 abstentions; 1,100 registered waivers.

— **E.9 Specify, if appropriate, the number of shares that are necessary to attend the General Meeting and if any statutory restriction exists in this respect.**

According to Section 15 of the Articles of Association, the shareholders who may attend the General Meeting are those who, individually or jointly with others, are holders of at least three hundred (300) shares, and have them recorded in the Registries of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liqui-



dación de Valores or the organization which replaces it, and the bodies participating in these systems, five days prior to the date on which the Meeting shall be held.

E.10 Specify and justify the policies followed by the company regarding delegations of vote in the General Meeting.

According to Section 16 of the Articles of Association, and Section 9 of the Regulations of the General Meeting of Shareholders, any shareholder who has the right of attendance can be represented in the General Meeting by another person, even if not a shareholder. The representation must be granted in writing or by means of distance communication that duly guarantees the identity of the individual, and especially for the purposes of each Meeting, irrespective of the provisions of Article 108 of the Revised Text of the *Ley de Sociedades Anónimas*. Otherwise, the legal provisions regarding this subject matter shall be observed. In any event, the representative must provide the attendance card issued in the name of the shareholder.

Representation is always revocable. Personal attendance at the General Meeting by the person represented shall result in such revocation.

Pursuant to Section 9 of the Regulations of the General Meeting of Shareholders and Section 32.3 of the Regulations of the Board of Directors, the public requests for delegation of vote made by the Board of Directors or by any of its members must specify in detail the sense in which the representative is to vote in the event the shareholder does not give instructions. The vote delegated by virtue of this public request may not be exercised in the items of the agenda in which there is a conflict of interest pursuant to the provisions of Article 114 of the *Ley del Mercado de Valores*.

E.11 Specify whether the company knows the policy of the institutional investors of participating or not in the company's decisions:

YES	NO
	X

DESCRIBE THE POLICY

.....

.....

E.12 Specify the address and method for accessing the corporate governance content on your website.

The contents that must be obligatorily published by Law 26/2003, of 17 July, regarding transparency of listed Public Limited Companies, set forth in Order ECO/3722/2003, of 26 December, and those required by Circular 1/2004, of 17 March of the CNMV regarding the Corporate Governance Annual Report of listed public limited companies, can be directly accessed at the following addresses: www.agbar.es and www.agbar.com.

DEGREE OF IMPLEMENTATION OF THE CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with regards to existing corporate governance recommendations or, if applicable, non-assumption of said recommendations.

In the event of non-compliance with any of these recommendations, explain the recommendations, rules, practices or criteria that the company applies.

As the single document, to which ORDER ECO/3722/2003 of December 26 refers, has not been drafted, the recommendations included in the Olivencia and Aldama Reports must be taken as a reference to complete this section.

RECOMMENDATIONS OF THE UNIFIED CODE ON GOOD GOVERNANCE, DATED MAY 2006

The Company is working on the study and analysis of recommendations contained in the Unified Code on Good Governance, having started the corresponding actions to evaluate if its incorporation to the company's practices should proceed.

A series of amendments to the Board Regulations, adapting to some of the recommendations, is foreseen for approval at an upcoming Board meeting. This will be notified to the Spanish Stock Market Commission and presented for registration at the Mercantile Register, all of which will be reported to the next General Shareholder's Meeting.

According to the Unified Code on Good Governance itself, the Annual Corporate Governance Report corresponding to year 2007, to be presented in 2008, will take the Unified Code as a reference as to whether the corporate governance recommendations are followed or not. Thus, we continue below as to how the recommendations referring to the Olivencia and Aldama Reports are being fulfilled.

IMPLEMENTATION OF THE OLIVENCIA AND ALDAMA REPORT RECOMMENDATIONS

This section deals with the recommendations appearing in the "Good Governance Code of the Special Commission for the Study of an Ethical Code for Companies' Boards of Directors" (Olivencia Report), of 26 February 1998. As far as possible, within each of them, the recommendations specified in the "Report of the Special Commission for the Promotion of Transparency and Security in the Financial Markets and Listed Companies" (Aldama Report), of 8 January 2003, are included.

Recommendation 1

"That the Board of Directors should expressly accept as the core of its mission the general function of supervision, fulfil the responsibilities involved without delegating them, and establish a formal catalogue of the issues reserved for its knowledge.





– Recommendation 2

“That the Board of Directors should be composed of a reasonable number of independent Directors, who are people of professional prestige not linked to the executive team and the significant shareholders.”

This recommendation is followed. Two of the members of the Board of Directors are Independent Directors. In the meeting of the Board of Directors held on 18 June 2004, it was agreed that the Directors Mr Feliciano Fuster Jaume and Mr Juan Rosell Lastortras would remain in their positions, as Independent Directors, since they have no link with significant shareholders, have accredited professional positions and broad professional experience.

– Recommendation 3

“That in the composition of the Board of Directors, the External Directors (Proprietary and Independent) should be a large majority over the Executive Directors and that the proportion between proprietary and Independent Directors should be established taking into account the relationship existing between the capital made up of significant packages and the rest.”

This recommendation was updated by the Aldama Report, in so far as there should be a large majority of External Directors and, within this group, a very significant participation of Independent Directors, taking into account the shareholding structure of the Company and the capital represented on the Board.

This recommendation is partially followed as the External Directors are a large majority over the Executive Directors, and there are two Independent Directors, although the relationship between the capital integrated by significant packages and the rest is not maintained.”

– Recommendation 4

“That the Board of Directors should adjust its size so as to achieve a more efficient and participative operation. In principle, the appropriate size could range from five to fifteen members.”

This recommendation is followed as the number of Directors is fourteen.

– Recommendation 5

“That, if the Board chooses the formula of accumulation of the position of senior executive of the company in the position of Chairman, it should adopt the necessary precautions to reduce the risks of concentration of power in a single person.”

This recommendation is followed to the extent that, according to the Regulations of the Board, the Executive Chairman cannot form part of the Audit and Control Commission or of the Appointment and Remuneration Commission, since the members of these Commissions must be External Directors.

– Recommendation 6

“That the Secretary of the Board should be given more importance, strengthening their independence and stability and highlighting their duty of protecting the formal and material legality of the Board’s actions.”

This recommendation is followed.

– Recommendation 7

“That the composition of the Executive Commission, if any, should reflect the same balance that the Board maintains between the different classes of Director, and that the relationships between these bodies should be inspired by the principle of transparency, so that the Board has full knowledge of the issues discussed and the decisions taken by the Commission.”

This recommendation is basically followed, although the composition of the Executive Commission, since it is comprised by a smaller number of members, does not maintain the same proportion as the Board, but there is a balance between the different classes of Director. The Board knows the basic issues discussed by the Executive Commission, although its knowledge is not exhaustive of all issues and of all points.

Recommendation 8

“That the Board of Directors should establish from among its members control delegate Commissions, exclusively made up of External Directors, for accounting information and control (Audit); selection of Directors and senior managers (Appointment); remuneration policy determination and review (Remuneration); and governance system assessment (Compliance).”

This recommendation is followed.

Recommendation 9

“That the necessary measures should be taken to ensure that the Directors have, sufficiently in advance, adequate information, specifically prepared and oriented to prepare the Board meetings, without being able to exempt from its application the importance or confidential nature of this information, except in exceptional circumstances.”

This recommendation is followed. A dossier with information on all the issues to be discussed by the Board is prepared. This dossier is delivered to the Directors before the Board meeting and earlier if any of the Directors so requests or if there is a specially complex issue.”

Recommendation 10

“That, to ensure the adequate operation of the Board, its meetings should be held with the necessary frequency so as to accomplish its mission; that the Chairman should encourage the participation and the free adoption of positions by all the Directors; that special attention should be paid to the drafting of the minutes, and that the quality and efficiency of its tasks should be assessed, at least annually.”

This recommendation is partially followed. There is no annual assessment of the quality and efficiency of the tasks of the Board of Directors.

Recommendation 11

“That the intervention of the Board in the selection and re-election of its members should be subject to a formal and transparent procedure, starting from a reasonable proposal by the Appointment Commission.”

This recommendation is followed.

Recommendation 12

“That the companies should include in their regulations the obligation of the Directors to resign in cases that may negatively affect the operation of the Board or the credit and reputation of the Company.”

This recommendation is followed.

Recommendation 13

“That an age limit should be established to hold the position of Director, which could be from sixty-five to seventy years old for the Executive Directors and the Chairman, and somewhat more flexible for the other members.”

In this respect, the Aldama Report has revised the criterion of the Olivencia Report and does not establish an age limit, only specifying that the Company which adopts a policy in this respect must clearly establish this in its internal regulations.





This recommendation is not followed. The Regulations of the Board do not set any age limit to be appointed Director, or to hold this position.

Recommendation 14

“That the right of each Director to gather and obtain the information and advice necessary to fulfil their supervisory functions should be formally recognized, and that the appropriate means to exercise this right should be established, even resorting to external experts in special circumstances.”

This recommendation is followed.

Recommendation 15

“That the Directors’ remuneration policy, the proposal, assessment and review of which must be attributed to the Remuneration Commission, should be adjusted to criteria of moderation, relationship with company performance and detailed and individualized information.”

The recommendation is followed as far as moderation criterion and detailed information are concerned (Section B.1.8. of this report). Remuneration of the Directors is established by the Board of Directors, upon the proposal of the Appointment and Remuneration Committee, within the maximum amount established in Section 32 of the Company articles.

Recommendation 16

“That the Company’s internal regulation is to detail obligations arising from general diligence and loyalty to the Directors, in particular contemplating the situation involving conflict of interests, duty to confidentiality, exploitation of business opportunities and use of company assets.”

This recommendation is followed.

Recommendation 17

“That the Board of Directors should promote the adoption of the appropriate measures to extend the duties of loyalty to the significant shareholders, establishing, especially, precautions for the transactions between the latter and the Company.”

This recommendation is followed.

Recommendation 18

“That measures aimed at rendering the vote delegation mechanism more transparent and fostering communication between the Company and its shareholders, particularly its institutional investors, should be adopted.”

This recommendation is followed.

Recommendation 19

“That the Board of Directors, beyond the requirements imposed by the rules in force, should be responsible for providing the markets with fast, accurate and reliable information, especially when it refers to the shareholding structure, to substantial modifications of the governance rules, to especially important related operations or to the treasury stock.”

This recommendation is followed.

Recommendation 20

“That all the periodical financial information that, in addition to the annual information, is offered to the markets, should be prepared pursuant to the same professional principles and practices as the annual accounts, and be verified by the Audit Commission before it is released.”

This recommendation is followed.

_ Recommendation 21

“That the Board of Directors and the Audit Commission should oversee the situations that may imply a risk for the independence of the external auditors of the Company and, in particular, should verify the percentage that the fees paid for all the items represent out of the total income of the auditing firm, and that those corresponding to professional services other than audit services should be publicly reported.”

This recommendation is followed. The corresponding professional services other than audit services are publicly reported in the Annual Accounts and in this Corporate Governance Annual Report.

_ Recommendation 22

“That the Board of Directors should seek to prevent the accounts it prepares from being submitted to the General Meeting with reservations and qualifications in the audit report, and that, when this is not possible, both the Board and the auditors should clearly explain to the shareholders and the markets the content and scope of the differences.”

This recommendation is followed.

_ G OTHER INFORMATION OF INTEREST

If you consider that there is any important principle or aspect related to the corporate governance practices applied by the company, which has not been included in this Report, specify and explain its content below.

Within this section, any other information, clarification or explanation regarding the previous sections of the report can be included, to the extent they are relevant and not repetitive.

In particular, specify whether the company is subject to a legislation other than Spanish legislation as regards corporate governance, and, if appropriate, include the information that it is obliged to supply and that is different from that required in this report.

REGARDING SECTION A.1.

On 19 May 2006, a public deed was granted for (i) conversion of 584,442 redeemable class B shares, which on that date represented the totality of shares constituting this class, into 584,442 ordinary class A shares, and (ii) elimination of the distinction of classes, therefore, all shares representing share capital would have resulted from the same class.

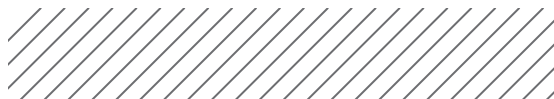
On 20 November 2006, a public deed was granted for a capital increase; thus, once the preferential subscription period elapsed, share capital was declared as having increased in 1,476,477 ordinary shares and stayed the same in 149,965,688 Euros, fully subscribed and disbursed. Said capital is integrated by 149,965,688 shares, each with a nominal value of one Euro, represented by annotations to account.

REGARDING SECTION A.2.

Data pertaining to the number of recorded direct and indirect shares is relative to 31 December 2006, as communicated by the shareholders to the Company.

The result of % over total share capital is the result of a rounding-up carried out by the computer programme.





REGARDING SECTION A.3.

From 1-31 January 2006, Mr. Ricardo Fornesa Ribó was Director and Chairman of the Company, and direct holder of 143,338 Company shares, which represented 0.097% over the total share capital.

REGARDING SECTION A.5.

Sociedad General de Aguas de Barcelona, S.A. and the Suez Group maintain various relationships, jointly participating as shareholders directly or indirectly, according to the data that the Company has, in:

_ Aguas Argentinas, S.A., a company that is in charge of the water supply in the City of Buenos Aires (Argentina) and its surrounding area, and the sewage treatment.

At 31 December 2006, Sociedad General de Aguas de Barcelona, S.A. has a 25.01% direct stake, and Suez S.A. also has a 39.93% direct stake.

On 23 March 2006 Sociedad General de Aguas de Barcelona, S.A. notified, as an important event, the Spanish Stock Exchange Commission of the Argentine government decision to terminate the contract for the concession of the drinking water and sanitation service for the city of Buenos Aires. The Agbar Group's consolidated financial statements will not be affected by this situation, as the allowances which appear on the Group's consolidated balance sheet were created to take into account this possibility, among others.

_ Aguas Provinciales de Santa Fe, S.A., a company that is in charge of the drinking water supply to several cities in the province of Santa Fe (Argentina), and the sewage treatment.

At 31 December 2006, Sociedad General de Aguas de Barcelona, S.A. has a 10.89% direct stake and a Company of the Agbar Group, Interagua Servicios Integrales del Agua, S.A., sole shareholder company, has a 14.92% stake, and Suez, S.A. has a 51.69% stake.

_ Aguas Cordobesas, S.A., a company that distributes drinking water in the city of Córdoba (Argentina).

At 31 December 2006, Sociedad General de Aguas de Barcelona, S.A. has a 5 % direct stake, and SUEZ, S.A. also has a 5 % direct stake.

In the Annual Accounts Report 2006, more information is included about the water business in Argentina.

_ R+i Alliance, Société par Actions Simplifiée, is a company of French nationality, dedicated to research and development projects dealing with the comprehensive water cycle.

On 31 December 2006, Fundació Agbar, Centre d'Estudis i Investigacions del Medi Ambient, was holder of shares representing 25% of R+i Alliance's share capital, in which Suez Environnement, Lyonnaise des Eaux France and Ondeo Northaméica also participate.

In July 2006, the Regional Government of Catalonia's company, Aguas Ter Llobregat, awarded construction and operation of the desalination plant in El Prat de Llobregat to the temporary joint enterprise formed by Agbar, Dragados (ACS) and Degremont (Suez), which is to supply water to Barcelona's metropolitan area.

In turn, Agbarex, S.L., sole-shareholder company, 100% subsidiary of Sociedad General de Aguas de Barcelona, S.A., has a 0.2% stake in the capital of Suez, S.A.

Sociedad General de Aguas de Barcelona, S.A. has financial relationships with Caixa d'Estalvis i Pensions de Barcelona "la Caixa" (which, although not a significant shareholder, has a 49% stake in the share capital of Hisusa Holding de Infraestructuras y Servicios Urbanos, S.A.) characteristic of usual commercial transactions.

These transactions are mentioned in the Note related to section C of this report.

REGARDING SECTION A.6.

According to the communication received by Sociedad General de Aguas de Barcelona, S.A., on 18 July 2006, Caja de Ahorros y Pensiones de Barcelona, "la Caixa", and Suez, S.A. signed a parasocial agreement referring to their participation (standing at 49% and 51% respectively) in Hisusa Holding de Infraestructuras y Servicios Urbanos, S.A., which was the holder of 47.19% of Sociedad General de Aguas de Barcelona, S.A.'s share capital. This was also communicated to the Spanish Stock Market Commission on 19 July 2006, as a relevant fact, and a photocopy of the mentioned signed Agreement is duly attached.

REGARDING SECTION A.8.

In conformity with that arranged in Royal Decree 377/1991 no significant variation has taken place.

No significant acquisition operations involving own shares have taken place during the year 2006 REGARDING operation of the "May 2001 Options Plan", coinciding with the number of options exercised by beneficiaries of the mentioned May plan and finalization of validity of the same.

Results obtained in 2006 for these operations amounted to 4,474 thousand euros.

On 31 December 2006, there was a treasury stock of 323,981 shares. At the last date for communication in the "May 2001 Options Plan" and, in conformity with forecasts in the plan, the result is 323,981 surplus shares, which are maintained in treasury stock with the aim of proceeding to their amortization and prior reduction of Sociedad General de Aguas de Barcelona, S.A.'s share capital in the nominal amount that proceeds.

REGARDING SECTION B.1.2.

Following the vacancy produced in the Board on 31 January 2006, the General Shareholder's Meeting held on 19 May 2006 decided to establish the number of Directors as thirteen (13).

Situation of the Board of Directors posts:

The Company's Board of Directors, in its meeting held on 31 January 2006, upon the proposal of the Appointment and Remuneration Committee, unanimously adopted the following resolutions, amongst others:

- _ Acceptance of resignation to the posts of Chairman and Director, formulated by Mr. Ricardo Fornesa Ribó.
- _ Appointment of Mr. Jordi Mercader Miró as Chairman of the Board, delegating in the same the powers of the Board, with the exception of those that cannot be legally and statutorily delegated. To that date, Mr. Mercader had held the post of Second Vice-Chairman.
- _ Appointment of Mr. Jordi Mercader Miró as Chairman of the Executive Committee.
- _ Appointment of Mr. Manuel Raventós Negra as Second Vice-Chairman of the Board and Director of the Executive Committee.
- _ Appointment of Mr. Ricardo Fornesa Ribó as Honorary Chairman.

At the Ordinary General Shareholder's Meeting held on 19 May 2006, it was agreed to reelect Mr. Jean-Louis Chaussade as Director for a statutory period of five years, likewise appointing Mr. Gérard Lamarche as Director for a statutory period of five years to cover the vacancy produced by Mr. Philippe Brongniart's resignation, whose mandate ended on 25 May 2006.

REGARDING SECTION B.1.3.

On 31 January 2006, Mr. Jordi Mercader Miró was designated Chairman with delegation of powers, and on 15 March 2006 he was no longer the individual represent-





ing the Director Caixa Corp., Vice-Chairman of Hisusa Holding de Infraestructuras y Servicios Urbanos, S.A.

REGARDING SECTION B.1.5.

During January 2006, Mr. Ricardo Fornesa Ribó was Executive Chairman, with all powers that legally and statutorily that can be delegated being duly delegated. During the Board of Directors meeting held on 31 January 2006, upon the proposal of the Appointment and Remuneration Committee, the Board decided to accept Mr. Ricardo Fornesa Ribó's resignation from the posts of Chairman and Director, appointing Mr. Jordi Mercader Miró as Chairman of the Board, in whom all Board powers were delegated, with the exception of those that cannot be legally or statutorily delegated.

REGARDING SECTION B.1.7.

Messrs. Jordi Mercader Miró, Manuel Raventós Negra, Miguel Noguer Planas, Juan Rosell Lastortras and Juan Antonio Samaranch Torelló were Directors of Inmobiliaria Colonial, S.A. from 1 January to 3 October 2006.

Mr. Manuel Raventós Negra was Director of Abertis Infraestructuras, S.A. until 23 May 2006.

Mr. Enrique Corominas Vila was Vice-Chairman of Telefónica Móviles, S.A. until July 2006. Telefónica Móviles, S.A. was taken over by Telefónica, S.A.

Mr. Juan Abelló Gallo, Individual Representing the Director Nueva Compañía de Inversiones, S.A., is:

– Individual Representing Nueva Compañía de Inversiones, S.A., Second Vice-Chairman of Sacyr Vallehermoso, S.A.

– Individual Representing Austral, B.V., Vice-Chairman of Compañía Vinícola del Norte de España, S.A. since 1 June 1 2006.

– Director of Repsol Ypf, S.A. since 29 November 2006.

During the month in which Mr. Ricardo Fornesa Ribó was Chairman of the Sociedad General de Aguas de Barcelona, S.A. he was also Vice-Chairman of Repsol Ypf, S.A. and Director of Inmobiliaria Colonial, S.A.

REGARDING SECTION B.1.8.

Obligations arising in matters related to pension commitments to former Directors of the Company on 31 December 2006, covered by policies expressly contracted to said end, amount to 12,900 thousand euros. During the year 2006 the Company contributed 68 thousand euros to said policies in the concept of coverage of commitments.

In section d) the computer programme automatically rounds the third decimal of the percentage.

REGARDING SECTION B.1.9.

The following held posts in Inspection and Certification:

– Mr. Sergio Pastor Coldeforns, from 1 January to 31 July 2006.

– Mr. José Vila Bassas, from 1 August to 21 December 2006, combining his post with that specified in section B.1.9.

– Mr. Joaquim Coello Brufau, as of 22 December.

Obligations arising in matters related to pension commitments to the main Directors of the Agbar Group on 31 December 2006, covered by insurance policies expressly contracted to said end, amounted to 10,422 thousand euros. During 2006, the Company has contributed 1,634 thousand euros to the corresponding insurance policies in the concept of coverage of pension commitments.

Mr. Sergio Pastor's settlement, amounting to 1,410 thousand Euros, is not included in executive management's total remuneration.

REGARDING SECTION B.1.12.

Mr. Juan Abelló Gallo, individual representing the Director Nueva Compañía de Inversiones, S.A., is:

_ Individual Representing the Director Nueva Compañía de Inversiones, S.A., Managing Director of Torreal, S.A.

_ holder of 89.27% of Nueva Compañía de Inversiones, S.A., and the latter is in turn holder of 99.985% of Torreal, S.A.

Management and Director posts pertaining to Directors of Sociedad General de Aguas de Barcelona, S.A. in “la Caixa” have not been included, given that the first does not hold a significant participation.

REGARDING SECTION B.1.23.

The computer programme includes a ‘0’ in the rows corresponding to “Number of meetings of the Strategy and Investment Committee” and to “Number of meetings of the Committee”.

REGARDING SECTION B.1.29.

The computer programme automatically rounds the amounts and the three decimals in percentages.

REGARDING SECTION B.1.31.

The percentage of participation (10.001%) of Nueva Compañía de Inversiones, S.A. in Sacyr Vallehermoso, S.A. is indirect. Nueva Compañía de Inversiones, S.A. is direct holder of five shares in Sacyr Vallehermoso, S.A.

Mr. Juan Abelló Gallo, Individual Representing the Director Nueva Compañía de Inversiones, S.A., is Individual Representing the same in the post of Second Vice-Chairman that Nueva Compañía de Inversiones, S.A. has in Sacyr Vallehermoso, S.A.

During the month that Mr. Ricardo Fornesa Ribó was Chairman of Sociedad General de Aguas de Barcelona, S.A., he was also Chairman of Caifor, S.A.

REGARDING SECTION B.2.2.

Variations in the composition of the EXECUTIVE Committee during the year 2006:

The Company’s Board of Directors adopted the following resolutions, amongst others, during the meeting held on 31 January 2006:

_ Acceptance of resignation from the posts of Chairman and Director, formulated by Mr. Ricardo Fornesa Ribó, who was Chairman of the Executive Committee.

_ Appointment of Mr. Jordi Mercader Miró as Chairman of the Executive Committee.

_ Appointment of Mr. Manuel Raventós Negra as Director of the Executive Committee.

Variations in the composition of the APPOINTMENT AND REMUNERATION COMMITTEE during the year 2006:

The Board of Directors adopted, amongst others, the agreement to appoint Mr. Jean-Louis Chaussade Director of this Committee during the meeting held on 19 May 2006 to cover the vacancy produced in the mentioned Committee by the cessation of Mr. Philippe Brongniart as Director.

REGARDING SECTION C.1.

Operations carried out with significant shareholders during 2006 were those pertaining to ordinary business or trade under normal market conditions.

_ Dividends distributed amongst the company’s significant shareholders:

Payment to the Company’s significant shareholders of the gross dividend for 2005 is detailed below (paid in January 2006), and likewise gross supplementary dividend for 2006 (paid in July 2006), in thousands of euros:





_ Hisusa Holding de Infraestructuras y Servicios Urbanos, S.A.

To account 2005: 12,143; Supplementary 2005: 18,041

_ Torreal, S.A.

To account 2005: 1,712; Supplementary 2005: 2,544

_ Pontegadea Inversiones, S.L.

Supplementary 2005: 1,915

_ Suez Environnement España, S.L.

To account 2005: 373; Supplementary 2005: 554

_ Keblar de Inversiones, SICAV

To account 2005: 764

_ Alazán Inversiones 2001 SiCAV

To account 2005: 525

_ La Caixa (class B shares)

To account 2005: 156

OPERATIONS CARRIED OUT WITH THE SUEZ GROUP

In 2006, the Suez Group invoiced approximately 2,496 thousand euros to Sociedad General de Aguas de Barcelona, S.A. REGARDING technical assistance for the Chilean Company Inversiones Aguas Metropolitanas, S.A.

In 2006, the Agbar Foundation acquired from Suez Environnement, Société Anonyme, 25% of R+i Alliance, Société par Actions Simplifiée del Grupo Suez, for the amount of 10 thousand euros. In addition the Agbar Foundation has contributed to R&D&I projects in the company R+i Alliance, Société par Actions Simplifiée, a total of 1,791 thousand euros.

In 2006, the Company Agbarex collected dividends from Suez, S.A. worth 2,382 thousand euros.

OPERATIONS CARRIED OUT WITH “LA CAIXA” GROUP

La Caixa is a minority partner in Hisusa Holding de Infraestructuras y Servicios Urbanos, S.A.

Financing:

At a consolidated level, the amount corresponding to loans granted to the Agbar Group at 31 December 2006 amounted to 101.3 million euros, most of them having a long-term maturity.

At 31 December 2006, the total limit of credit lines was 337 million euros, of which 103.2 million euros were being used on said date. The main part of said credit lines expires in 2007.

At 31 December 2006, the total limit of granted bonds amounted to 151.8 million euros, of which 97.6 million euros were being used on said date.

National interest rate hedging amounted to 237.4 million euros, of which 14.4 expire in 2008, 203 expire in 2009 and 20 expire in 2018.

Hedging in foreign currencies amounted to 57.4 million Euros, corresponding to national exchange value, with expiry in 2007.

“la Caixa” is “dealer” of the EMTN (Euro Medium Term Notes) programme.

“la Caixa” is one of the main entities as regards operations related to the Agbar Group’s collections and payments.

May 2001 Options Plan:

At the last date for communication of exercising of options foreseen in the “May 2001 Options plan”, the Sociedad General de Aguas de Barcelona, S.A. had exercised the acquisition option over the totality of the 584,442 class B redeemable shares, with validity of the share subscription and acquisition option contract dated 20 July 2001 and signed by Sociedad General de Aguas de Barcelona, S.A., Caixa d’Estalvis i Pensions de Barcelona, “la Caixa”, and Invercaixa Valores S.V.B., S.A.

“la Caixa” is the agent for payments in the Options Plan for employees, “May 2001 Options Plan”.

Torre Agbar

The owner of the building denominated “Torre Agbar”, located at Avenida Diagonal de Barcelona, numbers 197 to 211, is the Caja de Ahorros y Pensiones de Barcelona, “la Caixa”, which in turn holds a financial leasing contract with Layetana Inmuebles, S.L. (Single-Director Company). On 25 November 2004, Sociedad General de Aguas de Barcelona, S.A. signed a sublease contract with Layetana Inmuebles, S.L. (Single-Director Company) over said building.

On 28 December 28 2006, Layetana Inmuebles, S.L. signed a financial and guarantee leasing transfer policy with the firm Azurelau, S.L.U., by way of which the first transmits to the second the totality of rights and obligations arising from the financial leasing contract over Torre Agbar. Said operation counted with the approval of “la Caixa” in its capacity as financial lessor. Consequently the firm Azurelau, S.L.U. holds the capacity of sublessor set against Sociedad General de Aguas de Barcelona, S.A. with Layetana Inmuebles, S.L. remaining as joint representative set against Sociedad General de Aguas de Barcelona, S.A. in that pertaining to all of Azurelau, S.L.U.’s obligations and responsibilities.

Pensions:

Sociedad General de Aguas de Barcelona, S.A., on the basis of the regulation in force, has its pension commitments outsourced through a Pension Plan and a series of complementary insurance policies, Management Firm of which is the company Vidacaixa, S.A., de Seguros y Reaseguros, responsible for administration and management under the supervision of the Control Committee, with Caja de Ahorros y Pensiones de Barcelona, “la Caixa”, being likewise the Depository Firm of the Fund itself.

Contributions made by the Company pertaining to coverage of commitments during the year 2006 amounted to 8,081 thousand euros.

Likewise, at 31 December 2006 the amount appearing in the Pension Plan as consolidated rights of the participating parties amounted to 60,365 thousand euros, with mathematical provisions pertaining to the insurance policies contracted by the Pension Plan to insure payment of income to the beneficiaries, as well as the retirement reward, the latter outsourced during the year 2005, amounting to 138,985 and 3,880 thousand euros, respectively, and the amount of the mathematical provisions for complementary insurance policies contracted by the Company amounted to 17,367 thousand euros for active personnel and 4,183 thousand euros for beneficiaries.

Other Operations:

Invoicing of the Compañía de Seguros Adeslas, S.A., in which Sociedad General de Aguas de Barcelona, S.A. has a share participation of 54.8%, to “la Caixa” for the insurance premiums corresponding to its employees amounted to 8,989 thousand euros in 2006.

In 2006, the Company Tribugest Gestión de Tributos, S.A. invoiced the Caja de Ahorros y Pensiones de Barcelona, “la Caixa”, the amount of 990 thousand euros corresponding to services provisioned in the concept of “back office”, handling of taxes and delivery and transport of correspondence and parcels service.

REGARDING SECTION C.2.

Information on remuneration of the Directors and senior managers is that included in sections B.1.8 and B.1.9. of this Annual Corporate Governance Report, thus this information is not repeated in this section.

Within the framework of the “May 2001 Options Plan”, during the twelfth and last





period of communication, Sociedad General de Aguas de Barcelona, S.A.'s Directors have communicated exercising 5,891 options (some in the modality of acquisition, and others in the modality of settlement per differences), of which an extensive group of receivers, employees on staff at Sociedad General de Aguas de Barcelona, S.A. or in other Spanish companies belonging to the Agbar Group in May 2001 were, under like conditions, beneficiaries of the same.

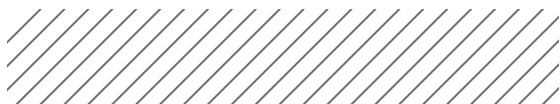
REGARDING SECTION C.3.

No significant intra-group operations were carried out outside normal market conditions in 2006. All intra-group operations that involve income and expense or accounts payable and receivable, as well as results from these intra-group operations, are eliminated in accordance with the consolidated regulations in force.

REGARDING SECTION E.7.

The attendance quorum for the General Shareholders' Meeting held on 19 May 2006 was 56.785%, as specified in Section E.8. The total percentage recorded in Section E.7. is the result of automatic rounding carried out automatically by the computer programme.

This Annual Corporate Governance Report was approved by the Company's Board of Directors during its meeting on 30-03-2007.





Agbar Group

Av. Diagonal, 211 _ 08019 Barcelona

Tel. 93 342 20 00 _ Fax 93 342 26 62

www.agbar.es

