Roza
agbar

Agbar International B.V.
Amsterdam

Report on the
annual accounts 2006

July 16, 2007

Agbar International B.V.
Amsterdam

Index

Agbar International B.V.
Amsterdam

Annual accounts 2006

- Directors' report
- Financial statements
- Other information

Agbar International B.V.
Amsterdam

Directors' report

The Managing Directors of Agbar International B.V. (hereinafter "the Company") submit the annual report and the financial statements of the Company for the year 2006.

Description and principal activity of the Company

Agbar International B.V. ("the Company"), having its legal seat in Amsterdam, the Netherlands, was incorporated on July 27, 1999.

The principal activities of the Company consist of holding and financing of group entities and borrowing, lending and raising funds, including the issue of bonds, promissory notes or other securities.

The Company is a wholly-owned subsidiary of Sociedad General de Aguas de Barcelona, S.A., located in Barcelona, Spain.

Results of its operations

In 2006, the Company made a net result of EUR 231,527. The decrease compared to prior year mainly relates to a slightly reduced margin on interest.

Liquidity and Capital Resources

The liquidity has slightly increased and is considered sufficient given the nature and activities of the Company.

Risks and Uncertainties

The risks and uncertainties are mainly the potential impairment of the Company's fixed assets. Management mitigates thi risk by closely monitorning the activities and operating results of its borrowers. Furthermore, the notes issued by the Company are backed by a joint, several and irrevocable guarantee from its parent company.

Agbar International B.V.
Amsterdam

Future Outlook

For the next period, the Board of Directors expects virtually no change in the nature and size of the business of the Company.

Amsterdam, July 16, 2007

Board of Directors:

J. Vila Bassas

F. Perea Samarra

P.J. Schmitz

J.C.W. van Burg

J.P. Everwijn (frc

Financial statements

- Balance sheet
- Profit and loss account
- Cash flow statement
- Notes to the financial statements

Agbar International B.V.
Amsterdam

Balance sheet as at December 31, 2006

(before appropriation of result)

	Note		12.31.2006		12.31.2005
			EUR		EUR
Assets					
Fixed assets					
Issuance cost	1	3,188,402		4,291,214	
Long-term loans to group companies	2	495,649,990	498,838,392	519,649,990	523,941,204
Current assets	3				
Loans to group companies	2	4,688,000		32,733,000	
Interest receivable	4	4,263,002		4,242,390	
Corporate income tax		55,808		18,622	
Prepaid expenses		0		38,708	
Cash and cash equivalents	5	538,969	9,545,779	327,296	37,360,016
			508,384,171		561,301,220
Shareholder's equity and liabilities					
Shareholder's equity	6				
Share capital		18,152		18,152	
Share premium		1,989,000		1,989,000	
Retained earnings		372,639		(30,078)	
Result for the year		231,527	2,611,318	402,717	2,379,791
Long-term liabilities					
Deferred income	7	1,726,182		2,345,813	
Notes	8	500,000,000	501,726,182	523,943,000	526,288,813
Current liabilities					
Short-term portion of long-term liabilities	9	0		28,458,000	
Interest payable	10	4,027,400		4,158,616	
Accrued expenses and other liabilities		19,271	4,046,671	16,000	32,632,616
			508,384,171		561,301,220

Agbar International B.V.
Amsterdam

Profit and loss account for the year 2006

	Note		2006		2005
			EUR		EUR
Financial income and expense:					
Interest income group companies		21,707,226		22,442,853	
Interest income IRS		10,017,335		13,064,044	
Interest expense notes		(30,702,765)		(34,290,565)	
Other interest and similar income		23,169		56,172	
Interest margin			1,044,965		1,272,504
Operational expenses:					
Amortization of issuance and swap costs		(1,102,812)		(1,143,488)	
Release of deferred income		619,631		614,608	
General and administrative expenses		(247,094)		(240,120)	
Currency translation results		(1,505)	(731,780)	(30,733)	(799,733)
Income before taxation			313,185		472,771
Corporate income tax	12		(81,658)		(70,054)
Net result for the year			231,527		402,717

Agbar International B.V.
Amsterdam

Cash flow statement for the year 2006

		2006		2005
		EUR		EUR
Cash flow from operating activities:				
Net result		231,527		402,717
Amortization of issuance and swap costs	1,102,812		1,143,488	
Release of deferred income	(619,631)		(614,608)	
Net change in current assets	(19,090)		2,385,634	
Net change in current liabilities	(127,945)	336,146	(1,866,743)	1,047,771
Net cash from operating activities		567,673		1,450,488
Cash flow from investing activities:				
Repaid/(granted) loans	76,045,000		135,821,954	
New loans	(24,000,000)		(11,932,943)	
Paid swap fees	0		(297,000)	
Currency translation results	0		166	
Net cash from investing activities		52,045,000		123,592,177
Cash flow from financing activities:				
Redeemed notes	(52,401,000)		(129,061,550)	
Share premium	0		1,989,000	
Currency translation results	0		(130)	
Net cash from financing activities		(52,401,000)		(127,072,680)
Net (decrease)/increase in cash		211,673		(2,030,015)
Cash at the beginning of the year		327,296		2,357,311
Cash at the end of the year		538,969		327,296

Notes to the financial statements

General

Agbar International B.V. ("the Company"), having its legal seat in Amsterdam, the Netherlands, was incorporated on July 27, 1999. The registered office of the Company is Atrium Building, 7th Floor, Strawinskylaan 3105, 1077 ZX Amsterdam.

The principal activities of the Company consist of holding and financing of group entities and borrowing, lending and raising funds, including the issue of bonds, promissory notes or other securities.

The Company is a wholly-owned subsidiary of Sociedad General de Aguas de Barcelona, S.A., located in Barcelona, Spain. The financial statements of the Company are included in the consolidated financial statements of Sociedad General de Aguas de Barcelona, S.A., which have been filed with the Commercial Register in Barcelona, Spain.

Accounting principles

General

The financial statements have been prepared in accordance with Title 9 of Book 2 of the Netherlands Civil Code.

The accounting principles of the Company are summarized below. These accounting principles have all been applied consistently throughout the year and the preceding year.

Assets and liabilities are stated at face value, unless indicated otherwise.

Assets and liabilities denominated in foreign currencies are translated into euros at the rates of exchange prevailing at year-end. Transactions in foreign currencies are translated at the rates of exchange prevailing at the date of the transaction (or, if hedged, at the forward contract rate). The exchange results are recorded under financial income and expense in the profit and loss account.

Issuance cost

Issuance cost includes capitalized costs in connection with the issuance of the notes under the Euro Medium Term Note Program. The issuance cost is charged to the profit and loss account on a straight-line basis over a period equal to the period of the corresponding notes.

Long-term loans to group companies

The long-term loans are stated at face value, less an allowance for possible uncollectable accounts.

The Company uses off-balance sheet financial instruments to hedge its potential exposures to movements in foreign currencies and interest rates. These financial instruments include interest rate swaps.

Interest differentials relating to interest rate swaps that hedge interest risks on debts are recorded as adjustments to the effective interest rates of the underlying debt.

Accounts receivable

Accounts receivable are stated at face value, less an allowance for possible uncollectable accounts.

Deferred income

Capitalized discount received in connection with the long-term loans granted to the Company's affiliated companies is released on a straight-line basis over a period equal to the period of the corresponding long-term loans.

Taxation

Corporate income tax is calculated by applying the nominal tax rate to the profit before taxation of the financial year, taking into account permanent and timing differences, including carry forward losses, if any, between the profit for commercial and tax purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Recognition of income and expenses

Income and expenses are recorded in the period in which they originate, unless indicated otherwise.

Financial risk management

Due to its activities the Company's is exposed to a variety of financial risks. The main risk however relates to the potential impairment of the Company's fixed assets. Management mitigates this risk by closely monitorning the activities and operating results of its borrowers. Furthermore, the notes issued by the Company are backed by a joint, several and irrevocable guarantee from its parent company.

Related party transactions

The Company has entered into various agreements with AGBAR group companies. These mainly relate to finance operations, which are at arms-length.

Cash Flow Statement

The Cash Flow Statement is based on the indirect method.

Notes to specific items of the balance sheet

1. Issuance cost

The movement in capitalized costs in connection with the issuance of notes and swaps is as follows:

	Swap costs	Fee on cancelled swap	Discounts on issued notes	Commission for issuance of notes	Total
	EUR	EUR	EUR	EUR	EUR
Book value as at January 1, 2006	287,039	1,731,568	1,605,582	667,025	4,291,214
Charge to the profit and loss account	(74,199)	(424,449)	(426,767)	(177,397)	(1,102,812)
Book value as at December 31, 2006	212,840	1,307,119	1,178,815	489,628	3,188,402

The issuance cost will be charged to the profit and loss account on a straight-line basis over a period equal to the period of the corresponding notes, ending in 2009.

2. Long-term loans to group companies

The movement in long-term loans provided to group companies is as follows:

	EUR
Balance as at January 1, 2006	519,649,990
New loans	24,000,000
Redeemed loans	(48,000,000)
Balance as at December 31, 2006	495,649,990

The loans provided mature between 2007 and 2009. Interest rates on the loans provided are variable at Euribor rate plus 0.44% to 0.80%, and fixed at 6.205%. As at December 31, 2006, loans are provided in euros. The short-term portion of long-term loans is presented under current assets.

3. Current assets

Receivables with a remaining period up to one year, including the short-term portion of long-term loans, are presented under current assets.

4. Interest receivable

The interest receivable can be specified as follows:

	12.31.2006 EUR	12.31.2005 EUR
Interest receivable from group companies	3,248,404	2,583,441
Interest receivable on swap agreements	1,014,598	1,658,949
	4,263,002	4,242,390

The presented interest receivable matures within one year.

5. Cash

Cash as at December 31, 2006 includes time deposits for EUR 489,045 (2005: EUR 250,000). The time deposits expire in January 2007. Further, no restrictions to the usage of cash exist.

6. Shareholder's equity

The authorized share capital consists of 90,760 common shares with a par value of EUR 1 each. As at December 31, 2006, 18,152 common shares have been issued and fully paid in.

The movement in the shareholder's equity during 2006 is as follows:

	Share capital EUR	Share premium EUR	Retained earnings EUR	Result for the year EUR	Total EUR
Balance as at January 1, 2006	18,152	1,989,000	(30,078)	402,717	2,379,791
Appropriation of result	0	0	402,717	(402,717)	0
Result for the year	0	0	0	231,527	231,527
Balance as at December 31, 2006	18,152	1,989,000	372,639	231,527	2,611,318

The contributed share premium qualifies completely as share premium for tax purposes.

7. Deferred income

The movement in the discount received on the granted long-term loans and the fee received from the cancellation of swaps is as follows:

	Fee on cancelled swap	Discount on granted long-term loans	Total
	EUR	EUR	EUR
Book value as at January 1, 2006	1,699,041	646,772	2,345,813
Amortization	(444,901)	(174,730)	(619,631)
Book value as at December 31, 2006	1,254,140	472,042	1,726,182
Original cost	3,950,000	1,818,340	5,768,340
Accumulated amortization	(2,695,860)	(1,346,298)	(4,042,158)
Book value as at December 31, 2006	1,254,140	472,042	1,726,182

8. Notes

The movements in the notes can be detailed as follows:

	EUR
Balance as at January 1, 2006	523,943,000
Redemption	(23,943,000)
Currency translation results	0
Balance as at December 31, 2006	500,000,000

The notes outstanding at year-end can be detailed as follows:

Principal amount	Annual %	Date of issuance	Date of expiration
EUR 500,000,000	6.00	November 12, 1999	November 12, 2009

During 2006, a USD Note was redeemed with a total amount of USD 25,000,000 and a JPY Note was redeemed with a total amount of JPY 3,000,000,000. No new notes were issued. The notes are backed by a joint, several and irrevocable guarantee from its parent company.

9. Current liabilities

Liabilities with a remaining period up to one year, including the short-term portion of long-term liabilities, are presented under current liabilities.

10. Interest payable

The interest payable refers to issued notes.

11. Financial instruments

In the normal course of business, the Company uses various types of financial instruments. Financial instruments include those recognized in the balance sheet.

Financial instruments in the balance sheet substantially include long-term loans.

The Company has entered into interest rate swap agreements at notional amounts of approximately EUR 371,000,000 (2005: EUR 371,000,000). These contracts adjust the rate nature of financing arrangements from fixed to variable. The contracts mature in 2009. As at December 31, 2006, interest rate payable spread is based on Euribor rate plus 0.240% to 0.245%. Interest rate receivable is fixed at 6%. As at December 31, 2006, the fair value of the interest rate swap agreements amounts to EUR 17,130,339 (2005: EUR 36,369,577).

During the year, the Company redeemed currency swap agreements at notional amounts of USD 25,000,000 and JPY 3,000,000,000. The contracts swapped US dollars and Japanese yens for euros and adjust the variable rate nature of financing arrangements.

The aforementioned transactions are used to hedge its potential interest rate and foreign currency exposure.

Notes to specific items of the profit and loss account

12. Corporate income tax

The corporate income tax can be detailed as follows:

	2006	2005
	EUR	EUR
Charge for the year	(63,036)	(82,796)
Adjustment prior years	(18,622)	12,742
	(81,658)	(70,054)

The income tax charge is based upon the estimated credit risk of the Company's loan portfolio and the related at-arm's-length remuneration for bearing this risk.

The nominal corporate income tax rate in 2006 was 25.5% (2005: 27%) for the first EUR 22,689 and 29.6% (2005: 31.5%) for the remaining profit. The difference with the effective rate of 20% (2005: 17.5%) is mainly due to the aforementioned estimated effective credit risk.

Other notes and signing of the financial statements

Statutory Directors

The remuneration of the Statutory Directors is nil. The Company has no Supervisory Directors.

Personnel

The Company did not employ any personnel during the year.

Agbar International B.V.
Amsterdam

Signing of the financial statements

Amsterdam, July 16, 2007

Board of Directors:

J. Vila Bassas

F. Perea Samarra

P.J. Schmitz

J.C.W. van Burg

J.P. Everwijn (fr

Agbar International B.V.
Amsterdam

Other information

Auditors' report

The auditors' report is recorded on the next page.

Statutory rules concerning appropriation of the profit

The Articles of Association of the Company provide that the appropriation of the net profit for the year is decided upon at the annual General Meeting of Shareholders.

Appropriation of the profit for the year 2006

Awaiting the decision by the shareholders, the net profit for the year is separately included in the shareholder's equity as result for the year.

Deloitte.

Deloitte Accountants B.V.
Orlyplein 10
1043 DP Amsterdam
P.O.Box 58110
1040 HC Amsterdam
Netherlands

Tel: +31 (20) 582 5000
Fax: +31 (20) 582 4053
www.deloitte.nl

Agbar International B.V.
AMSTERDAM

Date	From	Reference
July 16, 2007	J. Penon	3100012523/OP9998/en

Auditors' report

Report on the financial statements

We have audited the accompanying financial statements 2006 of Agbar International B.V., Asterdam which comprise the balance sheet as at December 31, 2006 the profit and loss account and the cash flow statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Agbar International B.V. as at December 31, 2006, and of its result and its cash flows for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

J. Penon