

The background of the entire page is a fine, woven texture in a light beige color. Overlaid on this is a large, faint, light-brown coat of arms of the City of Barcelona. The coat of arms features a crown at the top, a shield with a cross and vertical stripes, and a base with a small circle.

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Annual Report
City of Barcelona
2006

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Annual Report 2006

City of Barcelona

Municipal Council Plenum

Mayor of Barcelona

The Hon. Mr. Jordi Hereu Boher (PSC)

1st Deputy Mayor
2nd Deputy Mayor
3rd Deputy Mayor
4th Deputy Mayor
5th Deputy Mayor

The Hon. Mr. Francesc Xavier Casas Masjoan (PSC)
The Hon. Mr. Jordi Portabella Calvete (ERC)
The Hon. Ms. Immaculada Mayol Beltrán (ICV-EUiA)
The Hon. Mr. José Ignacio Cuervo Argudín (PSC)
The Hon. Mr. Carles Martí Jufresa (PSC)

Councillors

PSC: The Hon. Mr. Pere Alcober Solanas
The Hon. Ms. Montserrat Ballarín Espuña
The Hon. Ms. Catalina Carreras-Moyssi Carles-Tolrà
The Hon. Ms. Assumpta Escarp Gibert
The Hon. Ms. Sara Jaurrieta Guarnier
The Hon. Mr. Ferran Julián González
The Hon. Ms. M. Immaculada Moraleda Pérez
The Hon. Mr. Francesc Narváez Pazos
The Hon. Mr. Ramon Nicolau Nos
The Hon. Ms. Maravillas Rojo Torrecilla
The Hon. Ms. Montserrat Sánchez Yuste

CiU: The Hon. Mr. Jaume Ciurana Llevadot
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The Hon. Ms. Sònia Recasens Alsina
The Hon. Mr. Xavier Trias Vidal de Llobatera

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The Hon. Mr. Xavier Basso Roviralta
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The Hon. Ms. Ángeles Esteller Ruedas
The Hon. Mr. Alberto Fernández Díaz
The Hon. Ms. María Caridad Mejías Sánchez
The Hon. Mr. Alberto Villagrasa Gil

ERC: The Hon. Mr. Xavier Florensa Cantons
The Hon. Mr. Ricard Martínez Monteagudo
The Hon. Mr. Jaume Oliveras Maristany
The Hon. Ms. Pilar Vallugera Balaña

ICV-EUiA: The Hon. Ms. Elsa Blasco Riera
The Hon. Mr. Ignasi Fina Sanglas
The Hon. Mr. Eugeni Forradellas Bombardó
The Hon. Mr. Ricard Josep Gomà Carmona

Government Commission

President

The Hon. Mr. Jordi Hereu Boher (PSC)

Members

The Hon. Mr. Pere Alcober Solanas (PSC)
The Hon. Ms. Montserrat Ballarín Espuña (PSC)
The Hon. Ms. Elsa Blasco Riera (ICV-EUiA)
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The Hon. Ms. Pilar Vallugera Balañà (ERC)

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Letter from the Mayor

Jordi Hereu Boher, Mayor of Barcelona

It is a great pleasure to present the City of Barcelona's 2006 Annual Report which sums up the city's economic position, the Barcelona City Council's organization, the services we render from the City Council and the state of and forecasts for municipal finances.

Once again this year we have been actively working to respond to citizens' everyday needs, following a policy revolving around three basic and strongly interrelated cruxes: social cohesion, coexistence in a high quality public space and economic progress.

From the Barcelona City Council we consider social cohesion to be the city's great challenge for the future. Among our social cohesion policies I would highlight the increase in social services aimed at dependent persons and the elderly. For example, in 2006 the number of people benefiting from the municipal tele-assistance service increased as well as the amount of housing with services for the elderly. Other actions include an increase in the number of nursery schools, public housing and job placement policies to favor young people's independence, social inclusion policies for the new immigrants, as well as promoting cultural activities and high quality leisure. In order to continue improving in these areas in 2006 we approved the 2006-2010 Municipal Program for Families, a new Strategic Culture Plan until 2015, and, after an intensely participative process, we approved the new city map with 73 neighborhoods which should allow for better, up close planning of municipal services and facilities.


The second important crux is coexistence in a high quality public space. At this point I would like to highlight three aspects. First of all, the implementation of the new coexistence ordinance has enabled the start of a tendency to recover the use of public space, reducing antisocial behaviors and the misappropriation of shared space. Secondly, we have increased resources set aside for the comprehensive cleaning and maintenance of public space, public transportation and security. So, for example, the improvements in public transportation have resulted in an increase in the frequency of Metro underground trains and buses and in more daytime, nighttime and local buses. Within the framework of our commitment to diminishing traffic we have started to introduce the so-called Zones 30 to extend the surface area and quality of the road network for pedestrians. Finally, the urban development improvements we are carrying out in different areas of the city will enable us to recover and gain new public spaces, a formula allowing for a new balance between the city's different neighborhoods, avoiding any kind of segregation.

A high level of social cohesion and urban quality is the best guarantee to also defend the city's competitiveness, which is the third branch of our city model. From the Barcelona City Hall, we are

closely following the enlargement of the port and the airport plus the arrival of the high speed train, critical elements for our economic progress. But the Barcelona City Hall's contribution to the city's economic progress is also expressed through different policies like the promotion of entrepreneurial initiative and the boosting of future, innovative strategic sectors. District 22@ is becoming a city symbol of knowledge and the new economy, where strong ties are being created between university and company. But economic activity isn't only being promoted in Poblenou, but also around the city, for example the Fira de Barcelona (Barcelona Trade Fair) or the recently opened Barcelona Parc de Recerca Biomèdica (Barcelona Biomedical Research Park).

Constantly growing economically, never failing to be an open, cosmopolitan city, we wish to make Barcelona an example of social cohesion, of coexistence, of quality of life and of proximity. That is what we are working towards.

Finally, I would like to thank all municipal workers for their day-to-day work aimed at keeping the city running smoothly and without which the City Hall could not be the driving force for Barcelona's transformation.

A handwritten signature in black ink, consisting of a large, stylized 'J' followed by a series of loops and a long horizontal stroke.

Jordi Hereu Boher
Mayor of Barcelona

Forward

José Cuervo Argudín,
Chairman of the Presidency, Finance and
Territorial Co-ordination Comission

Economic Framework

According to initial results, the growth rate of the world GDP for 2006 stood at 5% or slightly above it. Once again, the most dynamic economies were to be found in Asia, particularly in China and India, countries whose GDP growth rates stood at around 10%.

With regard to the main Western economies, the growth rate in the United States slowed somewhat, while in the European Union growth rates tended to increase. This divergent behaviour has meant that over the last six years the two principal economic areas in the world have grown at virtually the same rate, slightly above 3% according to the latest estimates.

Most countries in the European Union have reached growth rates higher than those recorded for the previous year, the most notable case being the German economy, where growth estimated at approximately 2.8%. Leaving aside the predictable dynamism of the majority of recently incorporated member states, the expansion registered in the strongest economies, together with that recorded in Germany, has been especially worthy of note. This is the case of France, the United Kingdom and Italy, countries which have shown growth rates similar to or slightly lower than the European average, while in Spain, Ireland, Greece, Finland and Sweden the figure exceeded this average.

Spain's GDP growth in 2006 was 3.9% in real terms, four decimal points higher than the previous year, largely the result of improvement in external demand. The level of national demand fell due to a moderation in consumption, which was partially offset by public spending. Investment growth rates also slowed slightly, giving a figure of 6.3% in aggregate terms.

On the supply side, growth in the Spanish economy remained polarized around the construction and services –particularly off-market services– although unlike in 2005, it also benefitted substantially from industrial activity. The same signs were observed in Catalonia, where GDP growth was estimated at an annual average of 3.9%, six decimal points higher than the previous year.

Higher economic growth in the European Union overall is one of the factors that has contributed most to the recovery of metropolitan industrial production. In consonance with this situation, and due to expansion in international trade, activity in the port of Barcelona rose in volume to almost 6%, exceeding 46 million tonnes, a new annual record. General freight rose by 16.5%, and now accounts for more than two thirds of the total volume of port traffic. This increase has contributed to the growing specialization in the port of high added value freight and merchandise traffic transported mainly in containers. 2.4 million Teus passed through the port in 2006, which represents an annual growth of 11.9%.

The 2.5 million passengers who in 2006 passed through the port of Barcelona represent a 15% increase on the total figures for 2005, and a rise in absolute terms of 330,000 passengers. With

regard to the airport, the number of flights on offer continued to rise (6.4%) as well as the number of passengers (10.5%), exceeding for the first time the annual figure of 30 million, with a daily average of almost 900 landing and take-off operations. The number of passengers on international flights rose by almost 14%, which represents close to 52% of total traffic.

Passenger transport through the Barcelona airport-harbour platform accounts for expansion in the hotel sector. Provisional statistics indicate that overall during the year there were more than 12 million overnight stays in hotels and around 53,000 hotel places, an increase of 10.5% and 8%, respectively, in comparison with 2005.

The Consumer Price Index for the province of Barcelona in 2006 closed at a figure of 2.8%, substantially lower than the 4.4% registered for the previous year. This considerable fall in the rate of inflation was also reflected in the rest of Catalonia and Spain, a fact which has led to a reduction in inflation compared with the EU average. This development may be accounted for by the moderation in oil prices during the latter half of the year, as well as by a slight slowing in consumption.

Activity in the construction sector expanded considerably throughout 2006. In Barcelona, licenses for new building as well as for alterations and enlargements throughout the year include the construction of more than 1.9 million m² of ceiling area, 4.4% more than the previous year and the highest annual provision in the last fifteen years.

With regard to employment, 2006 closed with an increase of 25,000 persons newly subscribed to Social Security, 2.3% more than the previous year, subsequent to increases of between four and five percent registered in 2005 occasioned by the regularization of foreign workers; a slight fall in unemployment and a fresh increase in the rate of the actively employed. The level of males in active employment –estimated at 85%- is evidence of the symptoms of stability for the second year running, while the level of females in active employment rose by almost two points, exceeding for the first time a figure of 69%.

The City of Barcelona's Group of Firms and Agencies

The City of Barcelona provides services and carries out urban investments which, given their complexity and heterogenous nature, require specialized and differentiated means of organization and management through central bodies. To this end, the City of Barcelona acts through a group of entities consisting of eleven municipal agencies and five municipal firms entirely financed by municipal capital.

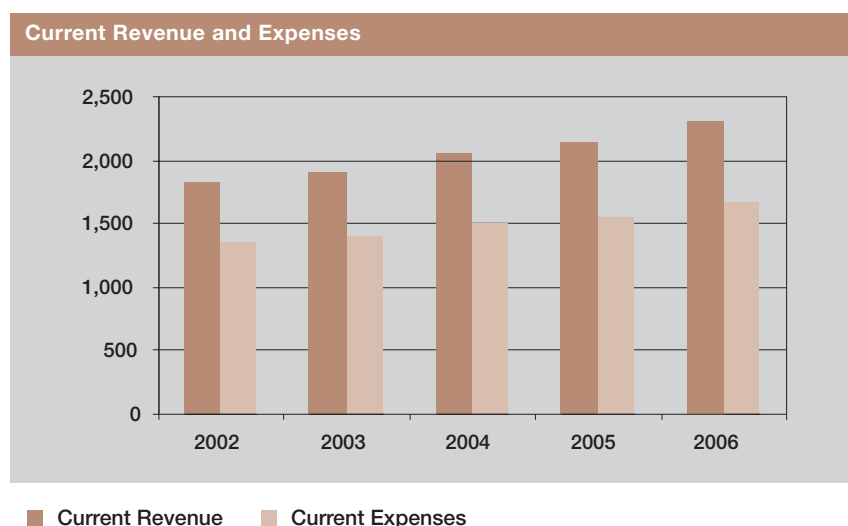
In 2006, the mixed firm Serveis Funeraris de Barcelona, SA, was divided, leaving this firm with responsibility for the management of funeral services, and creating a new firm, Cementiris de Barcelona, SA, to provide public services covering cemeteries and cremation. The City of Barcelona holds a 51% interest in both firms through Barcelona de Serveis Municipals, SA.

Economic Evolution of the City of Barcelona

Over the last five-year period, the gross consolidated savings of the City of Barcelona have risen at an accumulative annual rate of 7.9%, reaching a figure of almost 639 million euros in 2006. During this period, the annual increase in current revenue and in current expenses has been 6.3% and 6%, respectively, while inflation has risen at an annual rate of 3.2%.

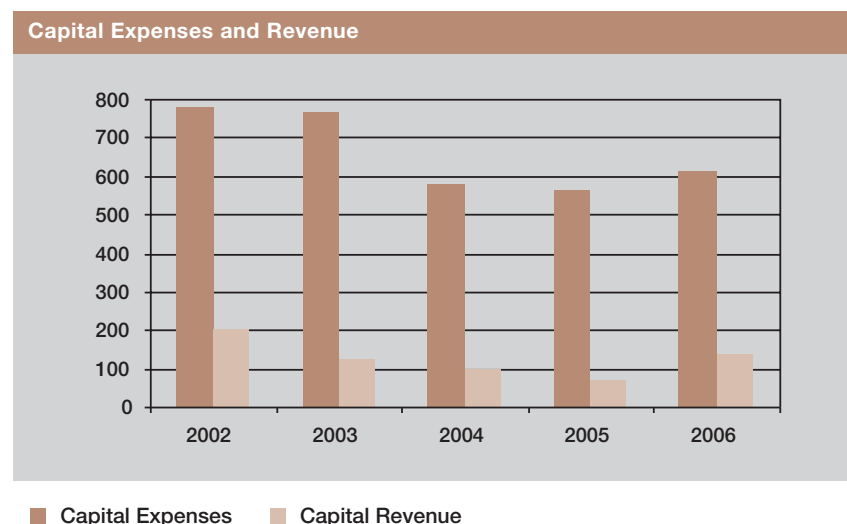
The structure of local revenue shows an ongoing decrease in local taxes, which fell from a figure of 36.1% of current revenue in 2001 to 28.7% in 2006, while the rest of local revenue (especially that from sales of goods and provision of services) continued to rise, from 25.1% in 2001 to 28.1% in 2006. This evolution reflects to some extent the growing tendency for certain services to be partially defrayed by users rather than by taxpayers as a whole. Current transfers have also grown in recent years, due largely to the increase in non-earmarked transfers from the Central Government, rising in 2006 to 756 million euros.

As far as expenses are concerned, over the last five years operating expenses have grown at an annual rate of 7.2%. Up until 2005, this growth was partially offset by a reduction in financial expenses. Over the whole five-year period, the rise in expenses was mainly accounted for by works, supplies and external services, and by current transfers, factors which have grown at an annual rate of 10.4% and 11.2%, respectively, as a consequence of the measures taken to improve the quality of the services provided, especially in areas such as social services, cleaning and maintenance of public spaces, security and mobility.

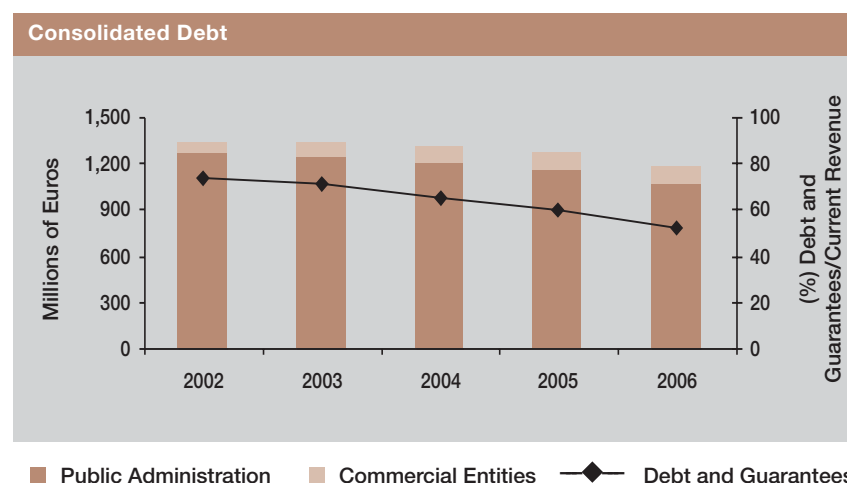


Investment during the last five years gave gross figures of 3,307 million euros and 2,681 million net. 82% of capital expenses corresponded to direct investments, devoted to both public use and services. The rest was accounted for by capital transfers to Barcelona Holding Olímpico, S.A. (HOLSA), the Metropolitan Transport Authority (ATM), and to cultural facilities. Coverage of

investments for the entire period, which is measured as gross savings against net investment, was slightly higher than one, which held consolidated debt as of December 31st, 2006, below the level registered at the close of 2001.



The City of Barcelona's consolidated debt as of December 31st, 2006, amounted to 1,179 million euros, a reduction of 91 million as compared with December 31st, 2005. 90% of the debt corresponds to the City of Barcelona and the remaining 10% to the Patronat Municipal de l'Habitatge (Municipal Agency for Housing) and the Barcelona de Serveis Municipals group, bodies which are principally financed by commercial revenue.



Finally, one may point out the dedication and effort made day after day in their work by the employees of the City of Barcelona group, without whom it would not be possible to provide quality services to the citizens.

1



The Political and Administrative Organization of the City of Barcelona

The Barcelona Municipal Charter determines, among other subjects, municipal powers, the organization of the Municipal Government, the districts, executive municipal organization and citizen participation.

1.1. Municipal Government Structure

The organization of the City of Barcelona is structured on two different levels. First on a political level, in which local policies and the strategic decisions concerning such policies are adopted. Secondly, the management level, which deals with the administration of services in accordance with the aims established in the political sphere.

The political sphere is composed of different government bodies: the Municipal Council, the mayor, the Government Commission and the District Councils.

The Municipal Council is the highest government body in the city representing citizens, and is chaired by the mayor. It meets in ordinary session on a monthly basis and the sessions are open to the public.

The Municipal Council consists of 41 councillors. Municipal elections are held every four years on the basis of proportional representation. The results of the last elections held in May, 2003, yielded a coalition government composed of the PSC, ERC and ICV-EUiA, with a total of 25 councillors from the 41 who make up the Municipal Council. The next municipal elections will take place on May 27th, 2006.

Result of the municipal elections held on May 23rd, 2003

	Number of Councillors
PSC – Partit dels Socialistes de Catalunya	15
CiU – Convergència i Unió	9
PP – Partit Popular	7
ERC – Esquerra Republicana de Catalunya	5
ICV-EUiA – Iniciativa per Catalunya Verds – Esquerra Unida i Alternativa	5
Total	41

The Municipal Council carries out the functions of deliberation, monitoring and overseeing of government and administration duties. It passes the municipal action programme (PAM), the budget, the annual accounts, by-laws and urban development plans.

The Municipal Council functions through plenary sessions and commissions. The commissions of the Municipal Council have powers of decision and control as well as providing information in those areas that fall within their sphere of responsibility. They deal with those affairs which are to be submitted to the Plenary, and control and oversee the activity of the government bodies and administration. They are also charged with the authorization and granting of certain contracts depending on the sums involved, as well as the initial approval of by-laws and regulations that come within their jurisdiction. The distribution of votes in the commissions is proportional to each political party number of councillors on the Municipal Council.

The six standing commissions of the Municipal Council approved during the Municipal Council Plenary of June 14th, 2003, are the following:

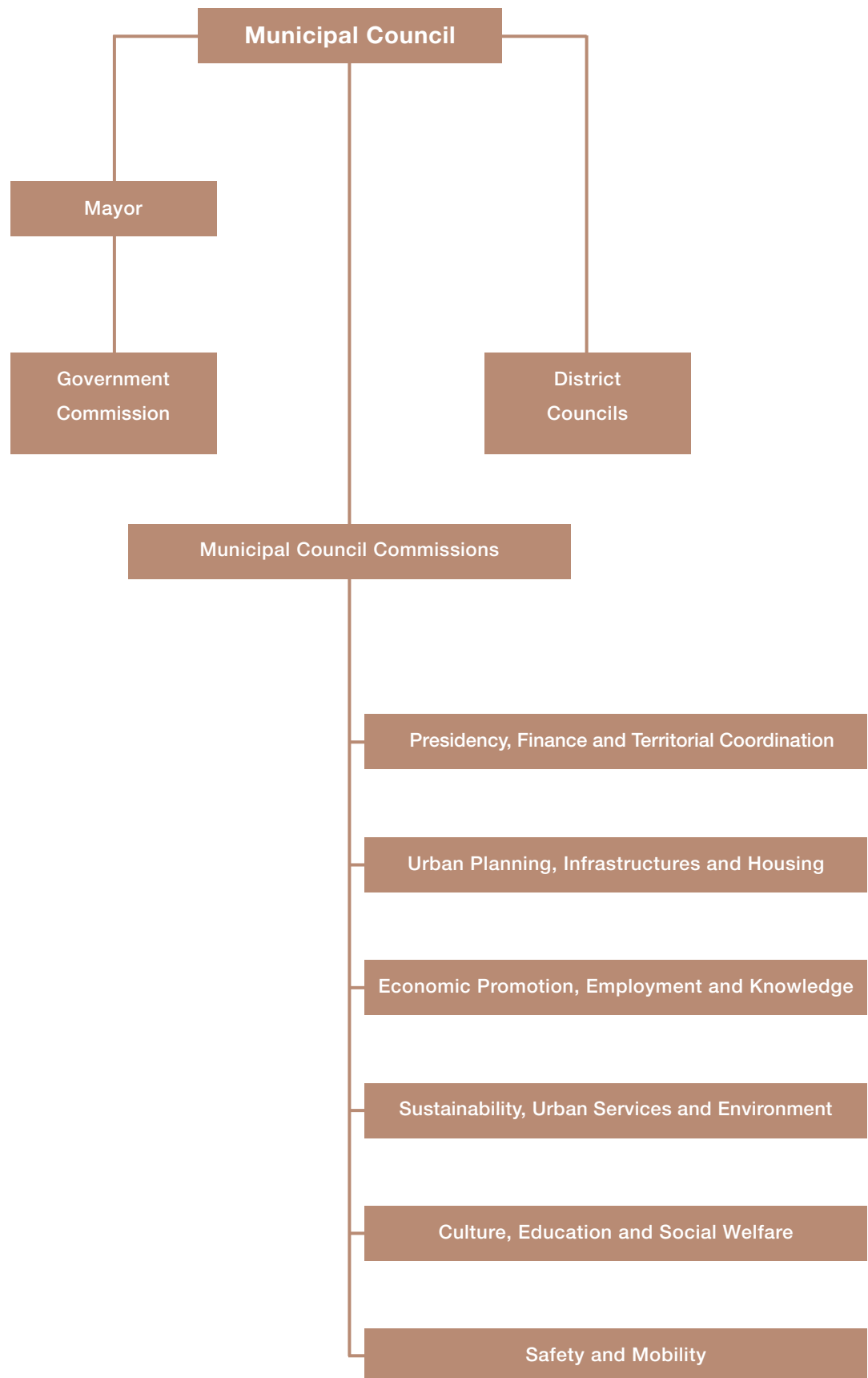
Commissions	Sphere of Action
Presidency, Finance and Territorial Coordination	Municipal Organization, Financial, Taxation and Budgetary Policy. Institutional and Citizens Relations.
Urban Planning, Infrastructures and Housing	Policies of Territorial Balance, Urban Planning and Infrastructures. Promotion of Housing.
Economic Promotion, Employment and Knowledge	Economic Promotion of the City, Business Support and Employment Initiatives. Tourism and Trade, IT Promotion.
Sustainability, Urban Services and Environment	Maintenance of the City and Urban Services. Parks, Gardens and Beaches. Environmental Policy.
Culture, Education and Social Welfare	Education, Culture and Sport. Social Work, Youth Policy and Civil Rights.
Safety and Mobility	Citizen Safety, Civil Protection, Public Transport and Traffic Control.

The mayor is the chairperson of the municipal corporation and exercises the powers conferred on him by the Barcelona Municipal Charter, the general legislation concerning local government, and the specific laws and municipal regulations. These powers include the ordinary management of the municipal government, the representation of the municipality, and the presidency of the Municipal Council and the Government Commission.

The Government Commission is the collegiate body of the executive municipal government and consists of councillors appointed by the mayor. At present its members are all the 25 councillors belonging to the government coalition. They meet once a month to approve or examine and report on the items of business included on the agenda of the Plenary and the Municipal Council commissions, depending on the subjects to be dealt with and the sums involved. These items will have been prepared and reported on beforehand by the Executive Committee.

The City of Barcelona is administrated on a decentralized pattern consisting of ten districts divided territorially. The highest governing body in each district is the District Municipal Council, which is chaired by a councillor appointed by the mayor and made up of fifteen councillors designated by the municipal groups in accordance with the votes obtained by each political group in its corresponding district. Furthermore, the mayor delegates to a councillor those powers required for the running of the district within its territorial boundaries.

The districts are territorial bodies whose purpose is to facilitate management, decentralize administration and encourage citizen participation. The municipal budget is obliged to devote annually at least 15% of the ordinary municipal resources to the districts.



1.2. Managerial Organization

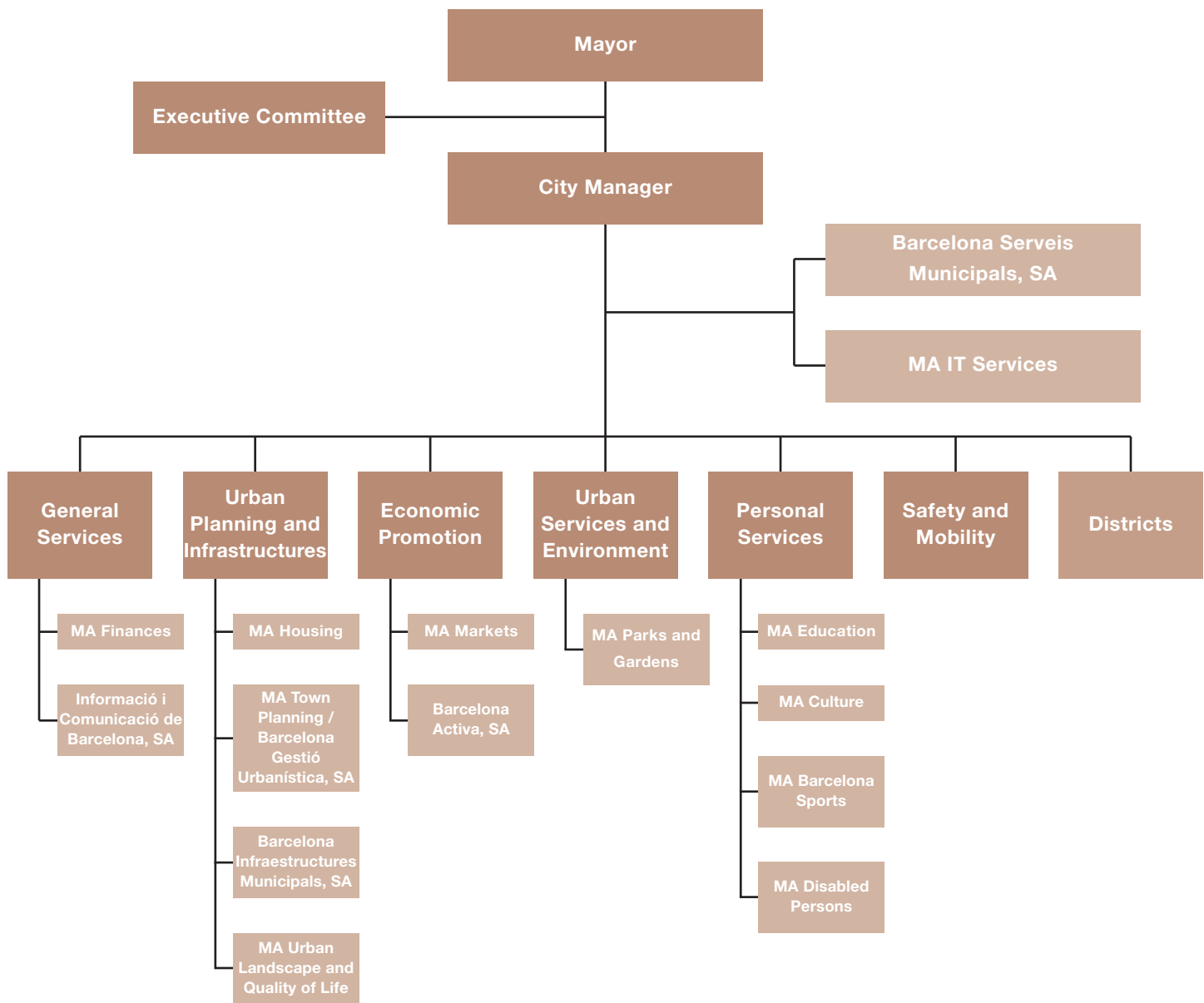
The executive level of municipal administration is divided functionally into six sectors of activity, territorially into ten districts, and in accordance with its functional specialization in a group of legally constituted bodies, comprising both public organizations and municipal companies.

The different sectors of activity are: General Services, Urban Planning and Infrastructures, Economic Promotion, Urban Services and Environment, Personal Services, and Safety and Mobility. Both the sectors of activity and the districts are run by managers appointed by the mayor.

The Executive Committee is the collegiate managing body of the executive Administration.

It is chaired by a councillor delegated by the mayor, and the municipal manager is the vice-chairperson. It consists of all the sector and district managers whose main functions are: a) to coordinate the measures adopted by the different sectors of activity; b) to establish general management criteria; c) to prepare and report on matters to be submitted to the different local government bodies; and d) to inform the managers of political approaches and the priorities of the Municipal Government.

The public organization and the municipal companies are functionally integrated into one of the sectors of activity according to the services they provide, and are coordinated with the manager of the sector in question.



1.3. Citizen Participation

The City of Barcelona guarantees citizen participation, especially in matters affecting citizens' quality of life most directly, by means of different bodies and mechanisms of participation.

The bodies of citizen participation are: the Council of the City, the District Council of the City and the Sectorial Councils, which may concern either the city or the district.

The Council of the City consists of representatives of the economic, social, cultural and professional entities as well as representatives of neighbourhood associations. It is a body whose purpose is to debate the Municipal Action Programme, the municipal budgets, the principal projects in the city and the indicators arising from the results of municipal management. It meets twice a year in ordinary session and provides support for the District Councils of the City and the Sectorial Councils.

The District Council of the City is the highest consultative body and organ of citizen participation in each district, and is empowered to address all the questions that fall within its competence. It is composed of the district representatives as well as representatives belonging to the entities, associations and citizens within its territorial boundaries.

The Sectorial Councils are formed by councillors from the different political groups, representatives of different entities, and prestigious personalities belonging to the different sectors. Some examples are: the Council for Social Welfare, the School Council, the Immigration Council and the Pact for Mobility. They issue reports on the municipal actions taken in their sector, stimulate participative processes and inform the Council of the City on their activities.

There are many mechanisms of citizen participation. For instance, in public audience citizens can receive information and propose the adoption of certain agreements to the municipal administration. Every year there is a public audience devoted exclusively to the budget and tax by-laws. Furthermore, citizen initiative is the mechanism whereby citizens may request the City of Barcelona to take particular action or exercise municipal powers in the public interest, and for which they may contribute funding, material, rights or personal work. Thirdly, non-profit making citizens' entities, organizations and associations can exercise municipal powers in cases of activities and services liable to indirect management by means of public tenders. Finally, through citizen consultation the City of Barcelona and the districts may request citizens' opinions on matters pertaining to their competence.

2



2. Barcelona's Economic Evolution in 2006

2.1. Dynamic Growth of the World Economy

The first established results confirm the forecasts of the leading international organizations regarding the intensity of global economic growth. The change in orientation of the price of oil at the end of summer has been the determining factor to curb inflationary tensions in the main economic areas and, on the rebound, slow down the strengthening process of the monetary policy both in the dollar zone as well as the Euro zone. As a result, the second half of the year, when a slight deceleration was expected, has registered an improvement on expectations allowing to close out the year with a 5% or slightly higher growth rate of the world GDP. With 2006, it has been three consecutive years of intensive world economy growth.

Yet another year, the most dynamic economies are to be found on the Asian continent. Apart from the expansion trend that results from the last few quarters appear to attribute to the Japanese economy, the two big demographic powers, China and India, with a GDP growth rate of about 10%, have been the most outstanding in relative terms. A climate of expansion that, with lower yearly rates, has become applicable to most of the leading emerging economies in south-east Asia.

As for the leading Western economies, while the United States has shown a trend characterized by the deceleration of its growth rate, in the European Union there has been an upward trend. This divergent behavior, after almost six years, has enabled the world's two main economic areas to grow almost at the same rate, slightly over 3% according to the latest estimates. In terms of the annual average, the deceleration of the American economy has been minimal while growth in the Euro zone and also the EU-25 has practically doubled.

One of the outstanding aspects of the European economic climate continues to be the diversity of growth rates between the different countries. One of the differential features with regard to recent history has been the intensity of the German economy's revitalization. According to the first available estimates, its growth rate for 2006 has been approximately 2.8%, confirming the end of the situation of near stagnation during the 2002-2004 triennium.

Apart from the deciding role of this result in the growth of the European Union as a whole, most of the countries that constitute it have achieved higher growth rates than the previous year. Leaving aside the foreseeable dynamism of most of the more recent members, the tone of expansion the more important economies along with Germany have recorded is significant. This is the case with France, the United Kingdom, Italy, with growth rates around or slightly under the European average, and Spain that along with Ireland, Greece Finland and Sweden surpass this average.

2.2. Sustained Growth of the Spanish Economy

According to the National Chart of Accounts prepared by the INE (National Statistics Institute), Spain's GDP growth in 2006 has been 3.9% in real terms, four decimal points higher than the previous year. In financial terms the increase has been almost 8%, with the GDP value reaching nearly a trillion Euros. With these results, four years of sustained growth come back to back with an annual rate of 3.4% confirming that the Spanish economy continues to show more dynamism than the European.

With the difference, relative to previous years, that the differential has been reduced by the impetus productive activity registered in the European Union as a whole.

The four decimal points the GDP growth rate gains relative to the previous year is basically attributable to the improvement in foreign demand, since the contribution of national demand to aggregate growth, 4.9 percentage points, moves back three decimal points relative to the previous year due to limited consumption. On the other hand, the increase in exports of goods and services has been much more intensive than in imports. This has enabled a reduction of approximately seven decimal points in the negative contribution to growth attributable to a foreign demand.

The evolution of the contribution from national demand to GDP growth is basically explained by the deceleration of private spending on consumption. A variation that is quantitatively unremarkable but constant and partially compensated by public spending. Regarding the evolution of investment, with an average annual growth of 6.3% in aggregate terms, there has also been a slowdown in growth rates, concentrated in the construction sector and other products. On the other hand, company investment in capital goods has grown almost 9.6%, six decimal points more than the previous year.

On the supply side, the growth of Spanish economy during 2006 reflects a process of expansion that, although it remains polarized in construction and services, it has benefited from a significant recovery of industrial activity and a timid change of tendency in agricultural results.

Once again, this year construction heads economic growth by sectors in Spain as a whole with a 5.3% increase. Off-market services, with an increase equaling that of the GDP, displaced the rest of the service industries to second place, limiting their growth to 3.5%. The growth rate of industry also reached more than 3%, increasing 2005's rate four-fold. The token advance of agriculture, stockbreeding and fishing, very concentrated at the end of the year, must be viewed as positive because it breaks away from the negative trend of the previous year.

In Catalonia, the first assessments of GDP growth show an annual average rate of 3.9%, six decimal points more than the previous year. Like in the rest of Spain as a whole, industrial production, with a growth of approximately 3%, has been what marked the difference regarding GDP evolution in 2005, just as the construction sector has been, once again, the most dynamic activity in 2006. And the services industry, also thanks to the increase of services operating on the fringes of the market, continues to gain participation quota in the Catalan production fabric.

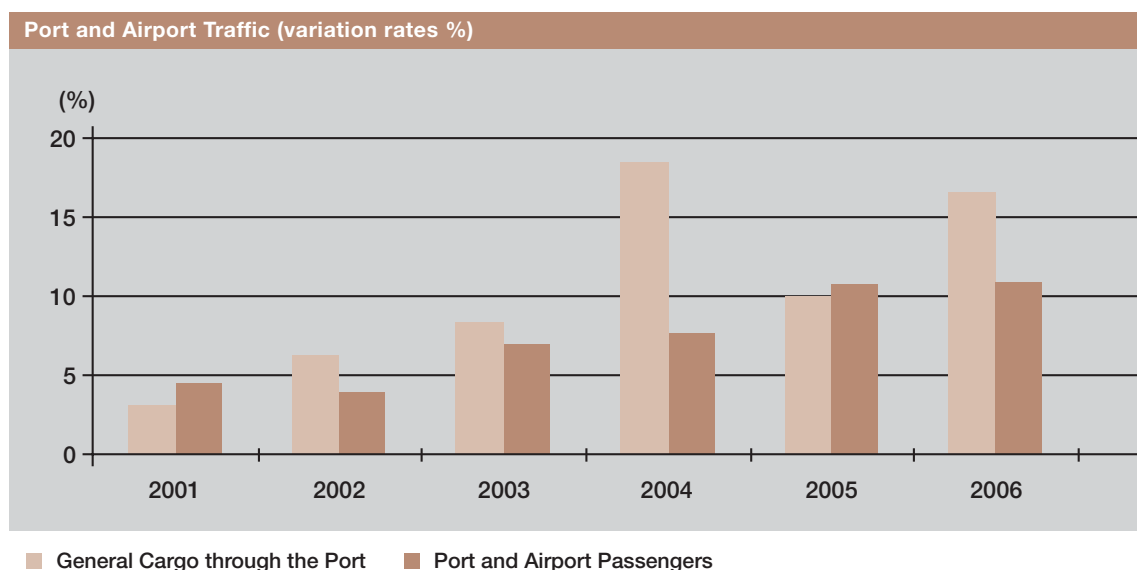
2.3. The Expansive Dynamics of Logistics Activity Extends to Metropolitan Industry

The revival of economic growth in the entire European Union has been one of the factors that has contributed most to the reactivation of metropolitan industrial production. The slight curb in the growth of private spending on consumption, that could have checked autochthonous industry's dynamism, has been

tempered by the sustained and vigorous growth of investment and, especially, by an increase in exports. Awaiting definitive data to confirm it, it seems that manufactured Catalan products are gaining presence in the American and Asian markets while at the same time it is harder for them to maintain the important market quota in the leading countries of the European Union due to the growing competition of products from some of the members of the penultimate enlargement.

Regarding the evolution of the different industrial activity indicators it is important to note the expansive movement they have maintained throughout the year. That explains why the 2006 results, with more discreet variation rates than those of other sectors, must be specially assessed due to their trend and the growth potential they forecast in the medium term. In this respect the evolution of the industrial climate indicator is illustrative, ending the year with a positive balance for the first time since the year 2000 as well as the evolution of the optimistic opinions from manufacturing businessmen's responses when rating the evolution of their order portfolio.

In accordance with the increase in manufacturing activity in Catalonia and taking advantage of the expansive climate that has characterized international commerce, activity in Barcelona's port has increased almost 6% in volume, exceeding 46 million tons and reaching a new annual maximum. If we leave aside bulk transported goods, basically made up of raw materials, energy products and semi-manufactured products, which have registered a moderate growth this past year for reasons more related to climatology than to the



economic situation, the aggregate of general cargo has grown 16.5%, and now represents more than two thirds of total traffic in volume. This increase contributes to the port's growing specialization in high added value goods transported mainly in containers. The 2.4 million TEUs that have passed through the port in 2006 amount to 11.9% annual growth and contribute to Barcelona's port consolidating its position as one of the Mediterranean ports that is a focal point for container traffic.

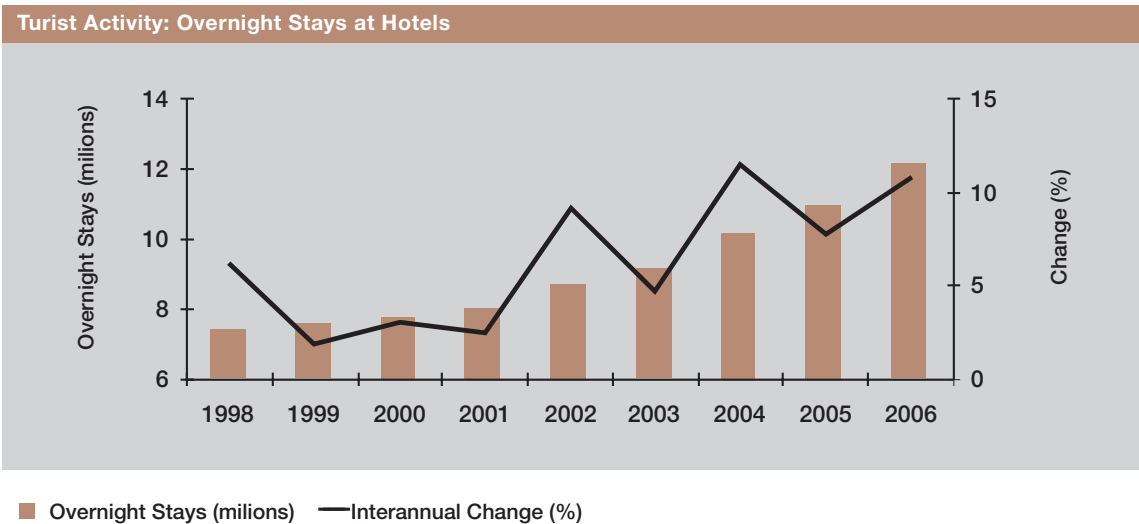
2.4. Sustained Growth in Passenger Transport and Tourism

The 2.5 million passengers who have passed through the port of Barcelona in 2006, including cruisers in transit, represent a 15% increase relative to 2005's total and an increase in absolute terms of 330,000 passengers. These results give continuity to 2005's intense growth and are based both on the expansion of the cruiser sector as well as of the so-called Community cabotage, especially the regular

ferry services that link Barcelona with different Italian ports.

As far as the airport is concerned, the supply of flights has continued to increase –about 6.4%– and the number of passengers –about 10.5%– surpassing 30 million annually for the first time and a daily average of almost 900 takeoff and landing operations. One of the elements that explains the intense increase in 2006, besides the introduction of the third runway the previous year, has been the fact that the number of international flight passengers has grown almost 14% and represents nearly 52% of total traffic. An increase that has been particularly intense, in relative terms, in routes linking Barcelona with airports outside the EU. A traffic sector that makes up nearly 9% of total airport users.

Passenger traffic through Barcelona's port and airport platform with a sustained rate of nearly 11% explains the equally expansive variation in hotel activity. Leaving aside the fact that the increase in "low cost" flights has favored a greater propensity for residents to fly, an



important part of the increase in both airport and port traffic corresponds to the increase in the number of visitors, both for pleasure as well as for professional or business matters. The available data referring to the entire year –provisional at the closing of this edition- indicates more than twelve million overnight stays in hotels and more than 53,000 hotel beds, 10.5% and 8% more, respectively, than the previous year.

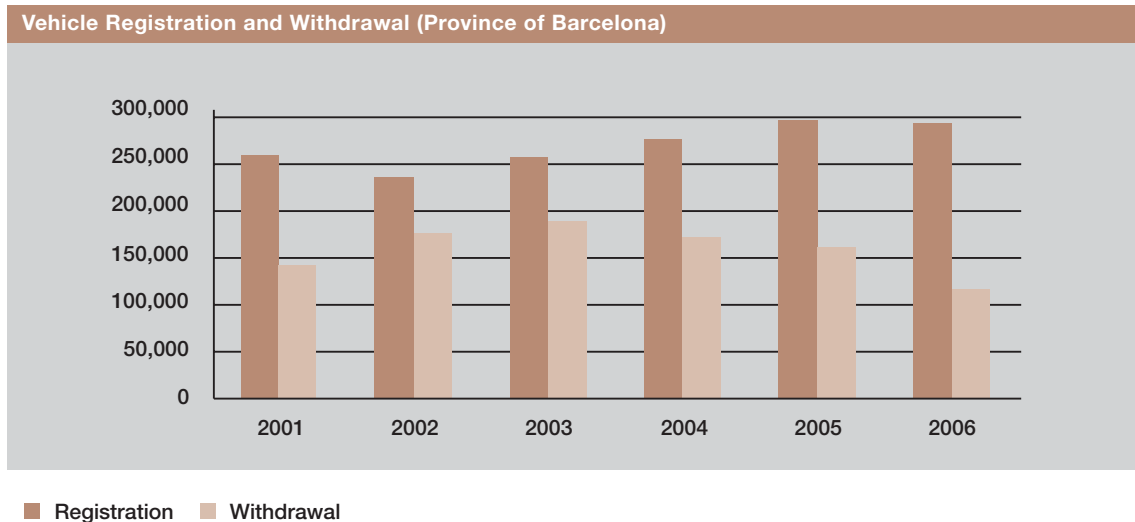
2.5. Consumption and Prices in the Deceleration Process

The rise in fuel prices during the first half of 2006 and particularly the progressive toughening of credit facilities appear as the two determining factors when explaining the slight recession in the number of registered vehicles in the province of Barcelona. The expansive tone of entrepreneurial investment in capital goods has helped ease this contraction. By vehicle type, the purchase of new private cars drops for the second straight year, while the purchase of business and industrial vehicles remains stable after two years of intense growth. Registration

of motorcycles, although it has slowed down, has grown 18%. In short, the province's automobile fleet has summed up almost 170,000 new vehicles on the road, thanks to the increase in the number of motorcycles and also the revival of the used vehicle market on behalf of new immigrants.

The increase in vehicles on the road –especially in the motorcycle sector- has affected the use of public transportation, particularly in the metropolitan environment where the endowment of this kind of service does not reach the same levels as the central zone. Even so, the number of trips on the collective public transportation system has continued to rise. The ATM (Metropolitan Transport Authority) has recorded –provisional data- more than 910 million trips in 2006 using the metropolitan public transportation network. A figure that represents a 2.6% annual increase.

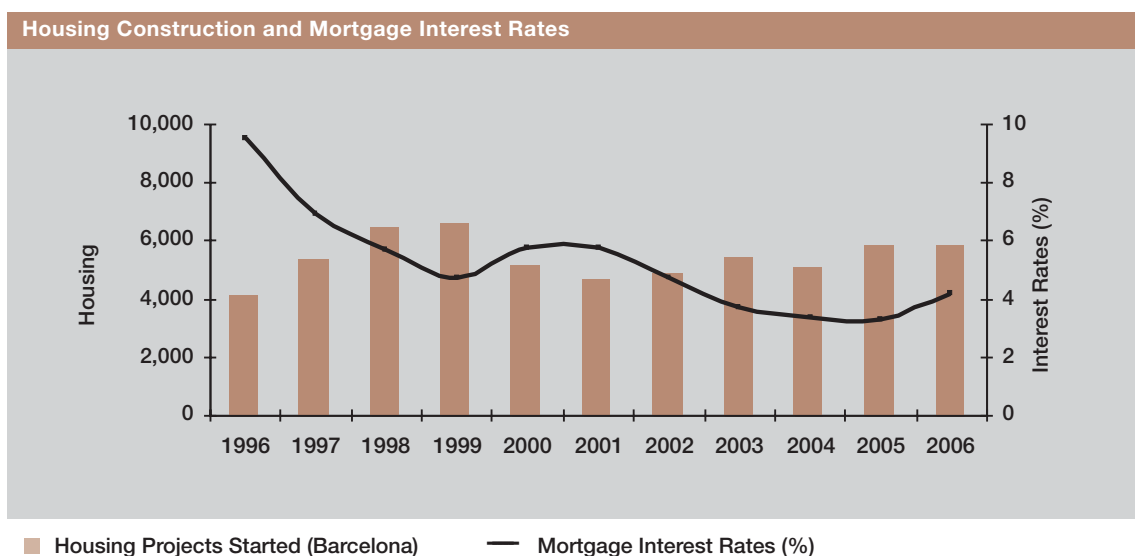
The Consumer Price Index in the province of Barcelona has closed out 2006 with a 2.8% year-on-year variation, considerably lower than the 4.4% from the previous year. This notable reduction of inflation rates has also occurred in



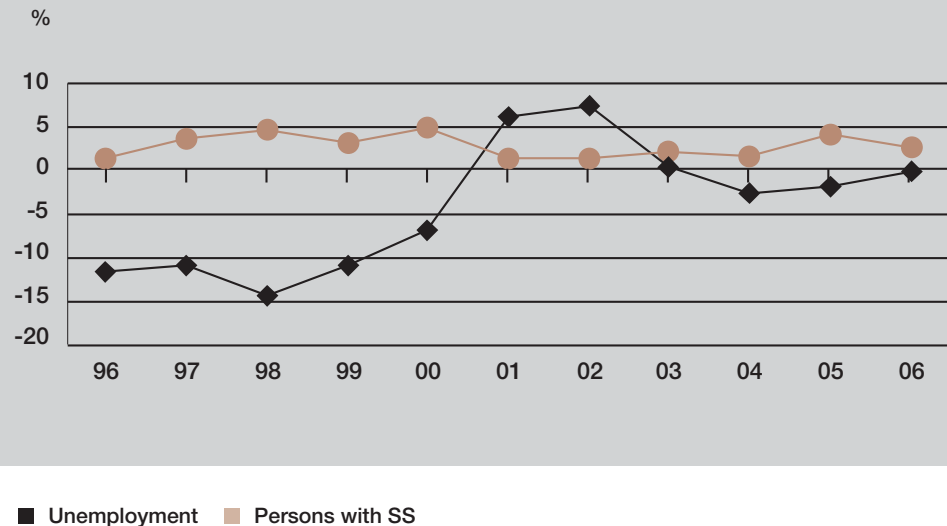
the rest of Catalonia and Spain, a fact that has allowed for a reduction of the inflation differential relative to the EU. To explain this evolution we can turn to the same arguments which, at the time, were used to explain the increase during the two previous years but with a change of sign. On the one hand, oil price restraint during the second half of the year and on the other, the slight deceleration consumer spending registered. The revaluation of the Euro has also contributed to this.

2.6. Construction in Maximum Values and Readjusting Housing Space Prices

2006 has been very expansive regarding construction activity. Once again activity in this sector has lead GDP growth. In Barcelona, licenses for new building sites and alterations and enlargements approved throughout the year represent the construction of more than 1.9 million m² of housing space, 4.4% more than



Evolution of Employment in Barcelona



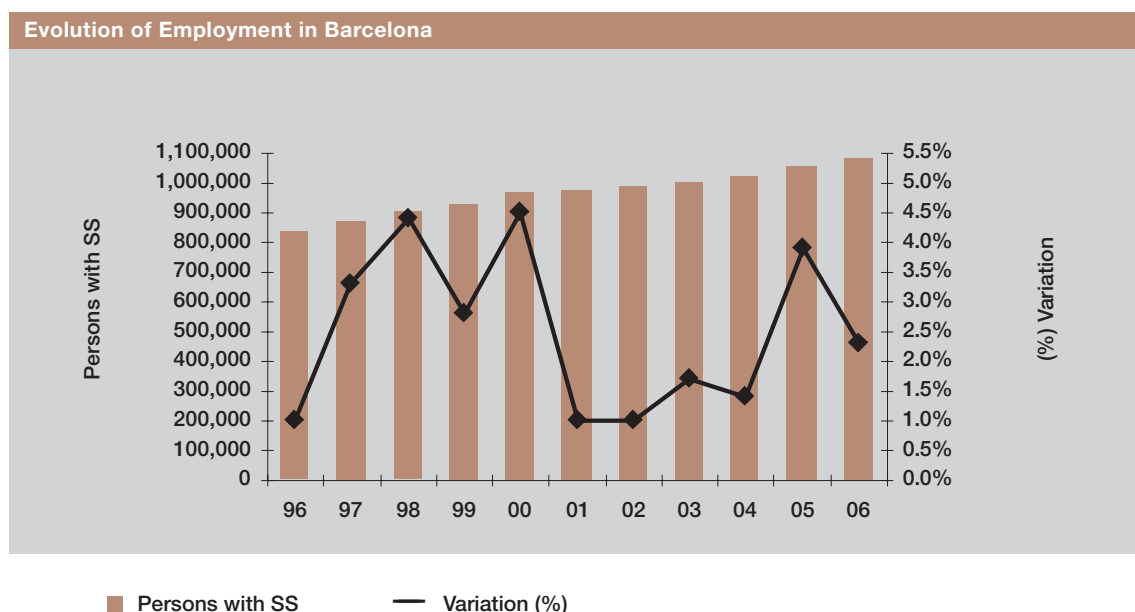
the previous year and the highest annual endowment in the last fifteen years. This construction forecast, basically for private promotion, added to the important public investment in execution –both of transportation infrastructures as well as equipment- guarantees that the high activity level 2006 closed out with will have continuity during most of 2007. As far as the number of housing projects started, a stabilization of about six thousand units/year in Barcelona is complemented by the 14.3% increase registered in the metropolitan area, thanks to a greater availability of land.

The high housing construction rate that took place in Barcelona and the entire country as a whole in the last few years was basically motivated by a growing demand, both due to demographic questions –an increase in the number of homes and waves of immigration- as well as economic-financial one related to the employment increase and keeping real interest rates low. The slightly rising trend interest rates

have maintained throughout all of 2006 –an increase of approximately one percentage point in the annual mortgage rate average- has contributed to a slowdown in housing demand. A process that, combined with the substantial construction supply in the whole metropolitan area, must be reflected in a selling price limitation as is already starting to be seen in the second hand market

2.7. The Process of Creating New Jobs has Remained Firm

The slight increase Catalonia's GDP growth rate has registered throughout the year and the maintenance of the model of economic growth based on intensive labor activities results in outstanding increases in the number of employed persons. After the increases of four to five percent in 2005 due to the regularization of workers from abroad, 2006 closes out with an increase of 25,000 new active people registered with Social Security, 2.3% more than the



previous year. According to this source, jobs created in Barcelona equal half the total of those created in the metropolitan areas and almost a third of the total in Catalonia.

This increase in employment volumes is accompanied by a slight decrease in unemployment plus a new increase of activity rates. In terms of annual averages, the activity rate for Barcelona's working age population is estimated to be 77%, five percentage point higher than four years ago. The male activity rate –estimated to be 85%– shows symptoms of stabilization for the second straight year. As a consequence, the entire increase the global activity rate has registered this last two year period is attributable to the almost two relative percentage points the female rate has gained, surpassing 69% for the first time. That is still a 16 point difference with the male activity rate but in the last three years it has come three points closer.

From the Social Security registry we can observe a more intense growth among wage-earning employees than self-employed workers. A fact that is closely linked to a certain tendency to concentrate wage-earning employees in medium-sized and large companies, and especially those with more than 50 workers.

By economic sector, most of the new jobs have been created in service industries. Commerce, the hotel and catering industries, transportation and company services are the market services that have reported significant increases in employed persons. Outside this field, the number of workers has also increased in civil service, education and health and social services. An evolution in keeping with an expanding demography.

3

3. The City of Barcelona and its Services

3.1. Introduction

The City of Barcelona offers a wide variety of services that can be grouped into three main sections: a) services to citizens: services provided for all the city's inhabitants collectively, b) services to the city: services to the city as a physical space of public coexistence, and c) promotion of Barcelona's economic activity.

Barcelona, like other large European cities, is experiencing fast, deep transformations at many levels, making it an increasingly more complex and more diverse city. From the Barcelona City Council we are working to adapt municipal services and actions to changes in social structure and economic structure in order to make Barcelona a competitive and socially united city.

3.2. Services to Citizens

Information, Documents and Most Frequent Procedures

To be able to offer citizens all the information referring to the city and simplify administrative procedures, the City of Barcelona provides different channels of attention and information.

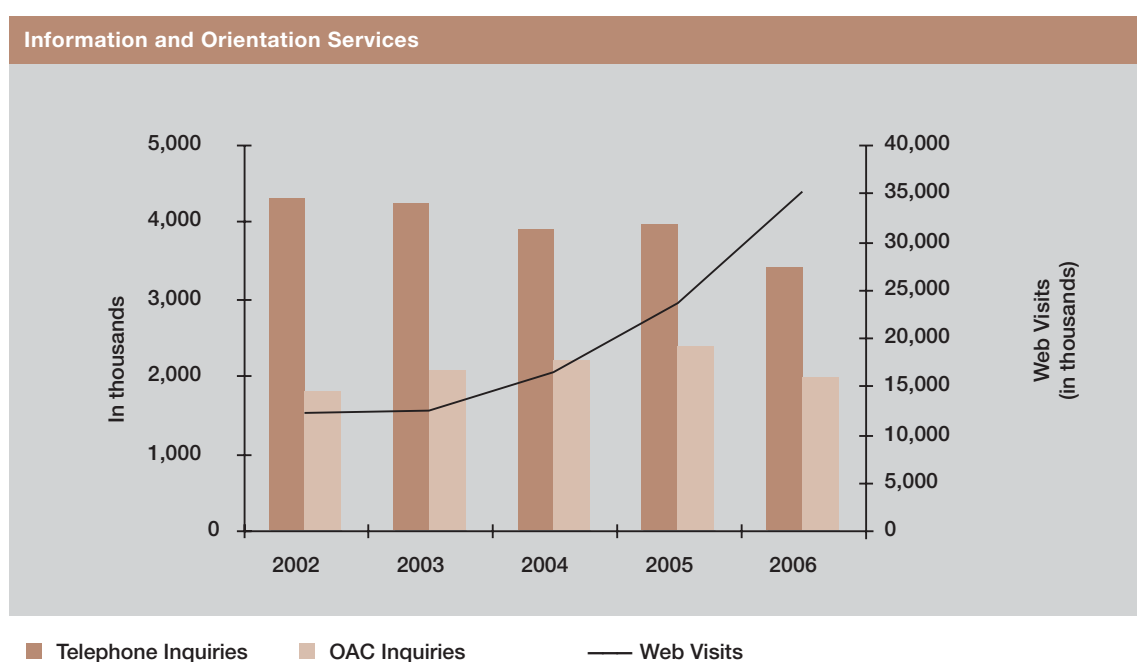


Information and Citizen Orientation Services					
	2002	2003	2004	2005	2006
Citizens' Telephone Service (Calls Attended to)	4,299,705	4,218,420	3,882,137	3,943,597	3,388,600
Citizen Service Office (Inquiries Dealt with)	1,804,548	2,073,859	2,185,896	2,385,791	1,968,060
Number of Website Visits: www.bcn.cat	12,131,074	12,327,194	16,255,852	23,530,991	34,941,699
Administrative Procedures Carried out over the Internet	591,947	983,520	1,132,478	1,317,692	1,572,692

Barcelona has 14 municipal citizen service offices –OAC's- distributed around the city's 10 districts, which dealt with almost 2 million inquiries in 2006. These information points were complemented with 17 specialized information and consultation offices for subjects like housing, education and attention for women.

Over the telephone, via the 010 line, citizens are able to receive information about facilities, activities taking place, how to get around the city,

municipal services and activities and those of other public organizations, public procedures and formalities, as well as administer the municipal procedures included in the list of services. In addition, the City of Barcelona offers its citizens the 902 226 226 free telephone line that centralizes requests for the collection of old furniture and junk, the payment of taxes and fines by credit card, the reception and channeling of all types of incidents, complaints and suggestions related to municipal services and other issues.



A new information channel for cell phones, *BCN al mòbil* (Barcelona on Your Cell) was launched in July 2006. This channel is aimed at responding to the information needs of citizens when out on the city's streets. Since its launching, the service has received almost 11,000 visits and more than 90,000 pages have been downloaded.

The www.bcn.cat portal, structured in four main sections –the city, the City Council, tourism and business- offers Internet access to all different types of information on Barcelona and provides partial or total access to more than 90% of all municipal procedures. With a 19% increase over the previous year, almost 1.6 million procedures were carried out over the Internet in 2006, making it the channel most used by citizens for the very first time. In 2006 the web received 48% more visits. The *Carpeta del Ciutadà* (Citizen's File) –the service allowing authorized citizens to consult their tax and registration information- received 67% more inquiries. A new addition in 2006 was the launching of the *Carpeta de les Empreses i Entitats* (Company and Entity File), a service that provides information on the fiscal data of different companies or entities so they can expedite City Council-related procedures.

In addition, in 2006 the City Council published and distributed the Barcelona City Guide, where information can be found on how to get around the city, basic municipal services and services provided by other administrations, a list of facilities by neighborhood, addresses of public associations, service companies, etc. It also includes cartographic information of the city, updated with all the changes that have occurred in its different neighborhoods over the years.

Education

The Institut Municipal d'Educació (*Municipal Education Agency*) (IMEB)(www.bcn.cat/educacio), coordinated with the Consorci d'Educació de Barcelona (*Education Consortium of Barcelona*) (CEB)(www.edubcn.cat) –consisting of the Barcelona City Council and the Catalanian Generalitat- is in charge of directing and planning the structure and administration of municipal education centers. The CEB is in full institutional development, progressively taking on its responsibilities, which up to now were shared by the Generalitat's Department of Education and the IMEB. The responsibilities taken on until now are planning (programming and territorial distribution of educational institutions), educational services and programs of educational innovation and schooling (the application of student enrolment regulations in Barcelona).

In 2006 a document was approved establishing the conditions for drawing up a new School Map of the city's basic education for the 2006-2010 period. This is aimed at adjusting all schools to the city's profile, planning it with criteria of cohesion and social integration. This is why a model of local schools was enforced to foster coexistence and social promotion. The criteria used in this intervention is to integrate available public and private schools into our planning, with a sufficient amount of school places, to anticipate the reserve of urban land in high-growth areas and to determine needs for the next five years. As a result of this document, the forecast for new school buildings is 16 CEIP (Children's and Elementary School Centers) and 13 IES (Secondary Education Institutes).



The municipal school network for 2006-2007 is made up of 91 educational institutions of all non-university levels with 1,360 teachers. In addition, the IMEB is in charge of the tasks of conservation, maintenance, security, cleaning and supply for the Generalitat's primary education centers in the city, a total of 262 centers and buildings.

As far as education for youngsters from 0 to 3 is concerned, the five EBM (Municipal Nursery Schools) added to the educational system for 2006-2007 has allowed 3,688 boys and girls to be registered, 12% more than last year. In June 2006, the City Council and the Generalitat

signed an agreement for an increase of 990 places until 2009, which added to the 1,200 foreseen in the 2004-2007 agreement, will allow the EBM's to be able to offer 5,399 places for the 2009-2010 school year. In addition, this new agreement will increase the Generalitat's contribution to creating new places as well as to their support.

With a 200,000 copy edition, once again this year the CEB published *Barcelona és una bona escola* (Barcelona is a Fine School), a guide to help students with the pre-registration and enrollment process at both public education centers as well as private centers.

Olzinelles Toy Library, in Sants-Montjuïc District

Number of Students at Municipal Centers						
School Year	Pre-Schools	Primary Education	Secondary Education	Fine Arts	Others	Total
2002-2003	2,790	2,782	3,306	3,076	1,070	13,024
2003-2004	2,972	2,781	3,442	3,000	1,175	13,370
2004-2005	3,209	2,747	3,820	2,953	1,483	14,212
2005-2006	3,304	2,741	3,587	3,058	1,543	14,233
2006-2007	3,688	2,719	3,637	3,263	1,775	15,082
No. of Centers 2006	57	13	9	6	6	91

Within the framework of the *Projecte Èxit* (Success Project) three different initiatives have been carried out to ensure a smooth transition from primary to secondary level. The first consists of out-of-school extra support sessions lead by ex-high school students and faculty workshops, to unite primary and secondary education centers. 1,025 students from 52 CEIP and 23 IES, with 209 teachers and 124 ex-students took place in it. In a second initiative, 195 3rd and 4th course secondary students with learning problems participated in training workshops for curricular adaptation outside their educational centers. Finally, and in collaboration with Barcelona Activa's Porta 22, 1,100 4th course secondary students participated in the *Projecte de Vida Professional* (*Professional Life Project*). Furthermore, in the vocational guidance field and with the aim of helping school leavers to find employment and assist in their transition to the working world, once again this year at the *Pla Jove Formació-Ocupació* (Youth Training-Employment Plan) was put into effect, giving courses for 2,340 young people between the ages of 16 and 18 in 2006.

Through different bodies like the *Consell Escolar Municipal* (Municipal School Board) and the *Consell de la Formació Professional* (Occupational Training Board) spaces were offered for citizens to participate in the topic of education.

Finally, the promotion of student and teacher participation gave rise to different initiatives to revitalize cultural activity at educational centers –in collaboration with the Institut de Cultura (Agency of Culture)- like the *Mostra de programes culturals als instituts* (*Cultural Program Exhibition at High Schools*), *Exporecerca Jove* (*Youth Exposearch*), *Les*

escoles van a l'Auditori (*The Schools are off to the Auditorium*), *Òpera a secundària* (*Opera in High School*), *Teatre a les escoles* (*Theater at Schools*) or *Audiència Pública* (*Public Audience*).

Culture

The Institut de Cultura de Barcelona (Barcelona Agency of Culture) (www.bcn.cat/cultura) is the institution responsible for planning and running municipal services in the cultural area. In 2006 the *Pla Estratègic de Cultura Nous Accents 2006* (*2006 New Accent Strategic Culture Plan*) was defined, revising and updating the plan approved in 1999. It mainly consists of integrating local cultural programs, quality and excellence in the city's cultural production, providing creators with the means and resources needed to display their potential, the continual improvement of programming at the city's facilities and the creation of connections between the facilities and public institutions and the cultural industries and associations that exist in the city and in other territorial spheres.

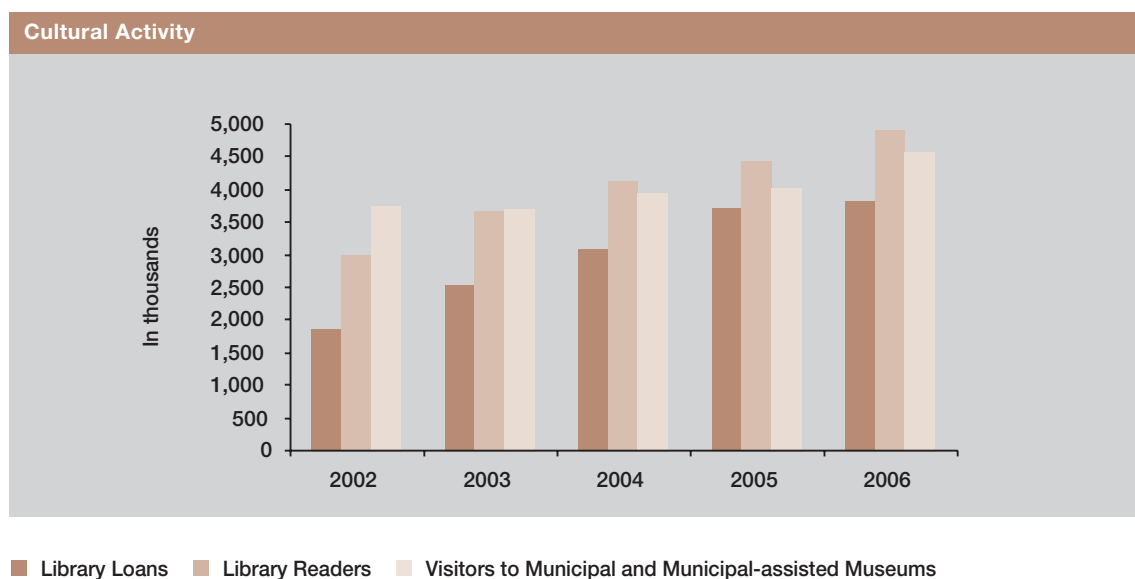
The PICASSO2006BCN project, a special tribute to the figure and work of Pablo Picasso the year of the 125th anniversary of his birth, produced a 14.1% increase in visitors at the Picasso Museum with more than 1.2 million. In close collaboration with the Gran Teatre del Liceu (*Opera House*), the Auditori and the University of Barcelona, its program included concerts, conferences, shows, expositions and activities for children. The number of visitors to all of the city's municipal and private museums also grew 14%. In addition to the exhibitions at the Picasso Museum –“Picasso, la passió del dibuix” (*Picasso, Passion for Drawing*), “La col·lecció del museu. Una nova mirada” (*The*



Museum Collection: A New Look), “Els Picassos d’Antibes” (*The Antibes Picasso*) and “Picasso i el circ” (*Picasso and the Circus*)- other outstanding exhibitions included “Barcelona & Fotografia” (*Barcelona and Photography*), “La Primavera Republicana” (*The Republican Spring*) and “G.A.T.C.P.A.C. Una nova arquitectura per a una nova ciutat” (*G.A.T.C.P.A.C. a New Architecture for the New City*) at the City of Barcelona Museum of History; the exhibition “Gitanos, la cultura dels rom a Catalunya” (*Gypsies, the “Rom’s” Culture in Catalonia*) at

the Ethnological Museum; “Mitologia dels dinosaures” (*Mythology of the Dinosaurs*) and “Planeta Terra, coneix i actua” (*Planet Earth, Know and Act*) at the Natural Science Museum; “Mariaelena Roqué desvesteix Carles Santos” (*Mariaelena Roqué Undresses Carles Santos*) at the Textile and Clothing Museum; “Íntim Margit Dentz” (*Intimate Margit Dentz*) at the Museum of Ceramics; “Ocells i felins, arts comparades” (*Birds and Felines: Compared Arts*) and “Picasso, l’home de les mil màscares” (*Picasso, the Man of the Thousand Masks*) (for

Francesc Boix Library, in Poble Sec



PICASSO2006BCN) at the Barbier-Mueller Museum of Pre-Columbian Art; “Teatres de Joguina” (*Toy Theaters*) at the Frederic Marès Museum; and “OFFjectes, conceptes i dissenys per un canvi de segle” (*OFFjects, Concepts and Designs for a Change of Century*) at the Decorative Arts Museum, among others.

Festivities and traditions, where traditional and popular culture are combined with contemporary culture, all have room in the festive cycle promoted by Barcelona. This cycle begins with the **Three Kings Cavalcade**. To commemorate the ancient figure of the city’s protectress, the festivities of **Santa Eulàlia** featured children. More than 2,500 girls and boys between the ages of 5 and 12 took part in the 117 programmed activities –children’s

concerts, parades and traditional activities, street theater, exhibitions, fairs, prizes and firework displays- making the Laia festivities a Children’s Music Festival. Also in February, the **Carnival** focused on participation, diversity and creation. The **Music Festival** was held between June 18th and 21st –the European Music Day-, scheduling over 200 shows in Barcelona divided into 60 events with more than 28,000 people attending.

Barcelona’s Main Festival, the **Mercè**, held in September, is the closing of the cycle. More than 800 events were scheduled at the 2006 edition. It is important to note the firework festival, the twinning events with Colombian city Medellín and the Circus Park, that with Street Circus and arts shows, held in the Ciutadella

Cultural Activity	2002	2003	2004	2005	2006
Orquestra de Barcelona i Nacional de Catalunya (OBC) (Orchestra)					
No. of Concerts	117	128	132	127	124
No. of Spectators	190,917	225,494	202,353	202,749	186,361
Auditori (Auditorium)					
No. of Concerts	249	277	311	282	396
No. of Spectators	316,189	335,093	393,907	375,908	399,047
Palau de la Música Catalana (Concert Hall) ⁽¹⁾					
No. of Concerts	196	193	220	473	498
No. of Spectators	282,050	268,201	317,674	418,598	445,319
Liceu (Opera House)					
No. of Performances	164	195	240	218	224
No. of Spectators	303,596	314,100	355,734	297,353	336,061
Teatre Lliure (Theater)					
No. of Performances	351	344	291	334	367
No. of Spectators	71,993	62,499	67,115	68,513	79,397

(1) Includes, starting in 2005, concerts at the Petit Palau and the ones under the Education Service Program.

Park, was highly successful among both citizens and artists. Groups of giants (*gegants*) from all regions of Catalonia participated in the Mercè parade. The Barcelona Music Action (BAM) Festival, with two stages in the Fòrum Park, organized most of the 183 free concerts held with great audience acclaim. A new exhibition of associations and activities on the Passeig de Gràcia following the Ciutat de les Persones (*City of People*) format was held within the framework of Mercè Participació (*Mercè Participaton*). Thanks to the project Voluntaris per la Gent Gran (*Volunteers for the Elderly*), with the participation of more than 300 ASVOL volunteers and *Voluntaris 2000*, 4,000 members of 23 senior citizen Cultural Centers could visit the festival's different venues. The Mercè al Mar –with its visiting day in the Port- and the Festa del Cel also consolidated their position. The 2006 Mercè Festival came to an end with the Pyromusical, a display combining water, music, fireworks and light which, this year, offered a monographic journey through the entire history of jazz.

The Grec Barcelona Summer Festival celebrated its 30th anniversary starting June 25th, programming 53 shows attended by almost 130 thousand spectators at 239 performances. Of the 80 different festivals held in city, in terms of audience the most outstanding –besides those already mentioned- were Sónar (81,500), the Voll-Damm Barcelona International Jazz Festival (44,350), Primavera Sound (44,100), and Summercase (26,000).

With almost 31% of Barcelona's inhabitants with usable library cards, Barcelona's 29 libraries received, in 2006, nearly 4.9 million visitors and made more than 3.8 million loans, with increases over 2005 of 10.8% and 2.8%

respectively. This year the Multimedia Spaces strengthened their position at the city's 16 libraries, where a training program was developed on the use of computer technologies. As a result of collaboration between the Barcelona Library Consortium and Parcs i Jardins (*Parks and Gardens*), during the months of July and August a Biblioplatges (*BeachLibrary*) service was offered, as well as two book exchange points and a book, magazine and newspaper loan service located by the beach. In addition, last year the new Francesc Candel Library, in the Sants-Montjuïc district, was opened. With a surface area of 2,091 m², this is where the homonymous library located in the Can Sabaté Park was relocated to and enlarged.

Barcelona Plató Film Commission, the municipal office of the Agency of Culture, promotes the city of Barcelona as a location for film shooting. In 2006 it collaborated on 473 productions, 13% more than previous year. Municipal venues and buildings can be used for free as long as the permit is applied for through Barcelona Plató, which also negotiates the use of non-municipal venues in order to offer lower prices. Through their website, www.barcelonaifilm.com, filming permits can be applied for online, plus it offers information concerning regulations and manuals for shooting, location databases, a directory of companies and professionals from the city's audiovisual sector, the weather forecast, sector news and an announcement board.

Other events and activities carried out from the Agency of Culture and where residents played an important formative and participative role were the Converses a Barcelona (*Barcelona Conversations*) cycle, the 22nd Barcelona International Poetry Festival, the Jocs Florals

(Poetry Festival), Món Llibre (*Book World*)—the book Festival for children, prior to the Sant Jordi celebrations- and the BCNegra black novel encounter.

The diffusion of culture throughout the city area owes much to the + A prop (*Closer*) program, the result of collaboration between the Agency of Culture and the ten city districts. Territorial information is periodically offered on activities including disciplines like dance, theater, contemporary art or music.

At an international level, Barcelona held the presidency of the Fòrum Cultura d'Eurociutats (*Eurocities Culture Forum*) and the Grup de Treball de Cultura de Ciutats i Guberns Locals Units (*United Cities and Local Governments Working Group on Culture*), allowing it to delve into two of its main objectives: the diffusion and implementation of the cultural Agenda 21 and cooperation to celebrate the Any Europeu per al Diàleg Intercultural (*European Year for Intercultural Dialogue*) in 2008.

Personal Social Services

Barcelona strives to ensure that all its citizens can live side by side in solidarity in a welcoming, more inclusive city. Barcelona City Council undertakes a range of measures whose aim is to improve social welfare for the population as a whole, as well as to prevent marginalization and promote the integration of particular collectives whose situation requires specialized assistance.

With regard to social welfare services for the general population, throughout 2006 work has

continued towards extending and improving primary care in social service centres, home help, emergency social and medical attention. Noteworthy achievements have been a 17.8% increase over the previous year in the number of households receiving some type of home help - where those who have benefitted from the tele-assistance scheme have more than doubled - and a 4.5% increase in attention provided by the primary social care teams.

In the sphere of social inclusion, throughout 2006 services of assistance and shelter for the homeless have been strengthened and extended. There are currently 22 facilities located in the 10 districts of the city, providing a total of 1,841 places (reception, daycare centre, food and hygiene). In particular, 4 permanently functioning reception centres and 2 daycare centres have been established in 2006, enabling the number of people provided with overnight shelter to increase by 39.6% and the number of daycare centre attendances to rise by 54.9%.

Furthermore, in 2006 Barcelona City Council and 235 agencies in the city signed the *Acord Ciutadà* (Civic Accord) for a more inclusive Barcelona, a new platform co-ordinating measures for facilitating and promoting the integration of citizens in situations of social exclusion.

The applied gender equality policies are aimed at promoting equality of opportunity, participation and quality of life for women, as well as for preventing gender violence. Action has been taken at a general level, such as that carried out by the *Centre d'Informació i Recursos per a Dones* (Women's Information

Social Welfare					
	2002	2003	2004	2005	2006
General Population					
Nº of Cases Dealt with by Primary Social Attention Teams	140,437	132,765	132,969	137,890	144,099
Nº of persons Attended to at Social Service Centres	41,066	39,456	38,429	41,793	42,444
Nº of Households Receiving Home Help	4,126	4,275	4,480	5,409	6,370
Tele-Assistance. Nº of Persons Attended to	2,983	3,676	4,373	6,985	16,438
Nº of Cases Dealt with by the Centre Municipal Atenció a Urgències Socials (CMAUS)	2,925	4,201	2,627	2,008	1,726
Poverty and Homeless Persons					
Nº of Persons Attended to by Social Insertion Teams (Equips Inserció Social -SIS)	2,613	3,477	3,459	2,874	3,661
Nº of Overnight Stays by Homeless Persons	75,292	83,390	81,741	83,610	165,236
Nº of Meals Served at Social Canteens	215,138	246,179	253,240	232,754	248,238
Children					
Nº of Children at high risk Receiving Assistance (EAIA)	3,369	3,374	3,086	2,946	3,069
Nº of Immigrant Minors Lacking Family Support Attended to	104	127	93	92	94
Foreign Immigrants					
Nº Attended to by the Servei d'Atenció a Immigrants, Estrangers i Refugiats (SAIER)	10,589	20,126	21,545	24,123	21,018
Nº of Persons Registered at the SAIER	10,188	14,947	17,141	18,473	15,859
Senior Citizens					
Nº Benefitting from the Targeta Rosa (Pink Card)	252,836	261,846	263,501	262,366	261,813

and Resource Centre) or the *Pla Operatiu contra la Violència de Gènere* (Operational Plan against Gender Violence), and also at a local district level, where amongst other measures information is provided and talks held to heighten awareness.

With the aim of fomenting the integration of immigrants into social life and the world of work, Barcelona City Council provides legal advice, support for training schemes and finding employment, as well as organizing classes in Catalan free of charge.

2006 also saw the start of the Municipal Plan for Senior Citizens (2006-2010), which involves different public policies designed to improve the quality of life for this collective, and also the Municipal Plan for Families (2006-2010). This latter initiative includes a total of 52 measures, the most outstanding of which are the increase in the number of familial spaces, the extension of the nursery school network, support for the education and care of children up to the age of 3, and the application of measures designed to facilitate the emancipation of young people through housing and employment policies.

Care for the Disabled					
	2002	2003	2004	2005	2006
No. of Disabled Attended to	18,080	17,778	18,770	19,870	21,833
No. of Entities Informed	5,500	5,689	5,500	5,396	5,400
No. of Inquiries (Information-Advice)	6,636	7,524	12,160	16,669	33,275
No. of Journeys by Special Transport	101,033	130,311	155,063	189,270	237,462

Finally, in 2006 the *Consorti de Serveis Socials* (Social Services Consortium) was created, formed by the *Generalitat de Catalunya* (Catalan Autonomous Government) and Barcelona City Council. The shared objective of both these institutions is centred on improving and expanding the social services available in Barcelona.

Care for the Disabled

The Institut Municipal de Persones amb Discapacitat (*Disabled Person's Agency*) (www.bcn.cat/imd) promotes and runs the city's policies aimed at helping people with some kind

of physical, intellectual, visual, hearing or mental disability to become socially integrated, based on the principles of normalizing services and acknowledging differences. Specialized teams work to respond to this collective's needs, in areas like advice on job opportunities and comprehensive care for children up to six years of age with growth disorders. Among other services, it also provides home pickup and specially adapted public transportation, while promoting communication and participation.

In 2006, the results of the study "The comparative economic grievance of the disabled in the city of Barcelona" was presented. The project "Per l'Autonomia Personal i la Vida

Independent” (*For Personal Autonomy and Independent Life*) was started allowing 14 people with physical disabilities to have personal care services, according to each person’s needs. The website “Barcelona Accessible” (www.bcn.cat/accessible) was launched. In addition, as regards physical accessibility, mobility and transport, much progress has been made to make Barcelona accessible: 1,105 Kms of public thoroughfare were made accessible, more than 30,000 parking entrances were renovated, 1,151 sonar traffic lights were installed at crosswalks and 100% of all buses are now accessible, among other interventions.

Funeral Services

Serveis Funeraris de Barcelona SA (www.sfbasa.es) and Cementiris de Barcelona SA are the two respective companies in charge of managing, developing and running the city’s funeral, cemetery and cremation services. They are mixed economy companies in which the city of Barcelona holds a majority stake.

With nine cemeteries (Collserola, Horta, Les Corts, Montjuïc, Poble Nou, Sarrià, Sants, Sant Andreu and Sant Gervasi), two crematoriums (Collserola and Montjuïc) and four funeral parlors (Collserola, les Corts, Sancho de Ávila and Sant Gervasi), citizens are offered a wide variety of services ranging from administrative

processing in the case of death to conducting ceremonies accompanying burials or cremations.

Throughout 2006 the city’s facilities have continued to be improved, highlighting among others the improvement in signposting at the Montjuïc cemetery and the new facilities at the Les Corts funeral parlor. The latter, with the creation of a second oratory, allowed the center’s service capacity to be increased by 40%. Also a customer attention office was opened to expedite cemetery fee formalities and procedures, the fleet of vehicles was increased once again and, as a state-wide innovation, a new model of a larger, roomier vehicle was presented to improve efficiency and lower the costs of transporting coffins.

As regards the viewing room occupation in 2006, the level remained around 82%, while civil ceremonies and musical services contracted increased by 10.8% and 84.8% respectively.

Finally, it is important to note the new sustainability criteria that have been adopted, on the one hand demanding that all wood bought have an environmental certificate proving that the products have all been obtained from environment- friendly forests and on the other, using a new model of coffin that will allow 70% less wood to be burned during cremations. So once again the ISO-9001-2000 certificate for improvement of facilities was renewed.

Funeral Services					
	2002	2003	2004	2005	2006
No. of Funeral Services	20,203	20,770	19,244	20,340	17,868
Cremations	6,407	6,246	5,540	5,988	5,877

Sports

The Institut Barcelona Esports (*Barcelona Sports Agency*) (www.bcn.es/esports) is a public body created in 2005 for promoting sport in Barcelona. This organization's main functions as such are to promote access to well-balanced sports programs for all citizens and to equip and manage municipal sports facilities. Sports centers are basically run under administrative concession.

The city currently has a network of 131 municipal sports facilities, including sports centers, soccer fields, swimming pools, sports schools and other facilities. A new sports complex, Can Ricart, was opened in the Raval neighborhood in 2006, to boost neighborhood sports entities.

The Institut de Barcelona Esports organizes, either directly or in collaboration with other organizations, an average of 350 sports events per year. Among the most outstanding in 2006 were the 28th edition of the traditional *Cursa de la Mercè (Mercè Race)*, with more than 6,000 participants, the 4th *Caminada Internacional de Barcelona (Barcelona International Walk)*, the *Barcelona Water Polo International Youth Cup* 2006, with the participation of nearly 400 young water polo players between the ages of 12 and 14, the 2nd *Cursa de les Dones (Women's Race)*, with nearly 4,000 participants and the eighth *Cursa dels Nassos (Race of Noses)*— Sant Silvestre held the last day of the year with the participation of approximately 6,000 runners. Also held in the city of Barcelona during the month of May was the second heat of the Red Bull Air Race World Series 2006, classified as the Formula 1 of the air.

To promote sports in Barcelona in 2006, different projects were set in motion; for example the “Pla de l'esport en edat escolar” (*School Age Sports Plan*) with the aim of promoting sports between children from 3 to 18 outside of school, as an instrument to transmit educational values and to encourage healthier habits. In this first phase of the Plan's introduction, nearly 50,000 places grouped into 65 different sports disciplines were offered.

In 2006, Barcelona was designated to organize the 2010 European Athletic Championship. This competition will be held at the Montjuïc-Lluís Companys Olympic Stadium, scene of the 1992 Olympic Games.

Housing Promotion and Improvement of the Urban Landscape

Access to decent and proper housing for all citizens, especially for the most underprivileged groups, is one of the priority measures of the 2004-2010 Municipal Housing Plan. In this respect, one of the objectives established in the Plan revolves around the construction of 10,000 subsidized and/or affordable dwellings in the first stage running from 2004-2007.

Of these 10,000 dwellings, 42% are already completed, 43% are under construction and 15% are awaiting planning permission before being started in 2007. As far as the allocation of housing is concerned, priority is given to the more needy social groups in the city and more than 2,700 rented apartments are earmarked for young people, more than 1,100 with services for the elderly and more than 3,500 will be subsidized housing for people applying for

social housing in general. The rest will be for people requiring relocation because of development work in their neighborhood and urban intervention. During 2006, besides those finished and allocated, a total of 2,179 dwellings were put up for bid.

The City of Barcelona is in charge of administering municipal land in order to have sites to carry out construction work and, through the Patronat Municipal de l'Habitatge (*Municipal Housing Agency*) (www.pmhb.org), it promotes more than a third of these dwellings. Other developers in this project include either cooperatives, non-profit-making institutions, private firms or other public administrations.

The administration of housing policy is complemented with a process of citizen information, orientation and support. In this respect, an informative housing-related network has been set up for Barcelona residents, made up of eight Housing Offices, located in different districts around the city, the City of Barcelona's website, www.bcn.cat/habitatge, and the 010 telephone information number. In addition, anyone who requests it can be informed about public announcements of available subsidized housing through the Registre Municipal de Sol·licitants d'Habitatge Protegit (*Municipal Registry of Subsidized Housing Applicants*).

During the 20 years of the "Barcelona Posa't Guapa" (*Smarten Yourself Up, Barcelona*) campaign, the city of Barcelona has subsidized more than 30,000 building improvements and restorations. But the campaign's results go far beyond the number of façades, walls, roofs or

stores renovated because, through the support of these initiatives on behalf of its citizens, public awareness has been increased as to the importance of maintaining the safety and aesthetics of all buildings. The Institut Municipal de Paisatge Urbà i la Qualitat de Vida (*Municipal Agency of Urban Landscape and Quality of Life*) (www.bcn.cat/paisatgeurba) is in charge of this campaign.

"Barcelona Posa't Guapa" is also committed to sustainable development, taking advantage of nature's resources and protecting the environment and landscape. This is why economic aids are offered to boost energy conservation, reduction of gas emissions and the use of solar energy through the installation of thermal and photovoltaic solar panels. More than 2000 m² of solar panels were subsidized in 2006.

The agency is also responsible for the private use of the urban landscape as laid down in the corresponding ordinance, to make sure they contribute to creating a harmonious environment. It ensures the appropriate placement of all advertising installations and issues reports on landscape impact.

Finally, through the Rutes del Paisatge (*Urban Landscape Routes*), citizens and visitors to Barcelona are offered a chance to discover the city's heritage and history. In 2006, a new guided route called "Ciutadanes. Ruta de les dones" (*Female Citizens: The Women's Route*) added to the ones that already existed like the "Ruta del Modernisme" (*The Modernisme Route*), the "Ruta del Disseny" (*The Design Route*) or the "Ruta Verdager" (*The Verdager Route*).



Gran Via
semi-covering, in
Sant Martí District

Restoration, Housing and Urban Landscape Improvement					
	2002	2003	2004	2005	2006
Housing Stock of the Municipal Agency for Housing					
- Dwellings to Let Handled	3,550	4,248	5,268	5,386	5,201
- Dwellings for Sale Handled	3,211	3,105	2,932	2,837	2,661
- Shop Units	441	457	457	415	494
- m ² of Land Available	6,620	34,580	36,300	54,653	48,196
“Barcelona, Posa’t Guapa” Campaign					
- No. of Grant Registrations	2,339	3,180	2,766	2,336	2,062
- No. of Grant Files Conferred	1,993	1,907	1,847	2,244	1,415
- m ² of Restored Façades and Roofs (000s)	560	703	800	810	808

3.3. City Services

Maintenance of Services and Urban Infrastructures

For some years now, a large number of visitors have been coming to Barcelona, a city in which a great variety of public events with a high attendance are held, and where the public space is subject to intensive use. This new reality requires a comprehensive cleaning service and waste collection, which have been strengthened and consolidated thanks to an increase in human resources guaranteeing an overall service 365 days a year.

Different urban characteristics and different intensity of use require different types of cleaning services (manual, mechanical and mixed collection or hosing with water) and specific measures such as removal of graffiti and treatment of defaced surfaces. Waste collection also requires different methods for disposal of unsorted domestic waste (containers, door to door binbag collection or pneumatic disposal), selective domestic collection (paper, glass, cans, packaging and organic waste), commercial collection and services such as the disposal of large objects.

Lighting, Paving, Drainage System and Cleaning					
	2002	2003	2004	2005	2006
Lighting (units)	160,504	162,791	165,024	167,004	165,674
- Street Lighting	134,620	137,047	139,261	139,639	140,681
- Artistic Lighting	4,982	4,842	4,861	4,682	4,005
- City Tunnel and Underpass Lighting	10,524	10,524	10,524	12,305	10,610
- Ring Road Lighting	10,378	10,378	10,378	10,378	10,378
Street Paving (m²)	1,026,501	464,465	323,464	866,631	1,183,589
Drainage System (m)	181,930	167,814	161,895	136,606	105,836
Cleaning and Waste Collection ⁽¹⁾					
- Urban Waste (tonnes)	753,460	833,455	848,771	858,868	849,332
- Selective Collection (tonnes)	120,881	206,077	231,812	253,839	267,240
· Paper-cardboard	32,323	57,200	65,163	79,268	85,945
· Glass	13,256	20,053	21,675	23,859	25,901
· Cans-packaging	7,490	10,642	11,696	12,661	14,086
· Organic Waste FORM	26,044	67,639	86,269	86,296	86,210
· Textiles	117	498	1,489	1,666	1,499
· Other Green Point Waste	13,522	13,912	14,195	14,232	15,603
· Selective – Mercabarna	4,180	7,046	453	4,080	5,609
· Others: Selective – Parks	0	865	551	509	584
· Large Objects	23,949	28,222	30,322	31,267	31,803
Selective Collection/Total (%)	16.0	24.7	27.3	29.6	31.5

(1) Data revised according to the new criteria established by the Metropolitan Plan for Municipal Waste Treatment (city scope)

The continued increase in selective collection reached a figure of 31.5% in 2006. This positive growth is due, mainly, to the publicity campaigns promoting good recycling habits, the expansion of the Green Point network and the many improvements in systems of collection.

Consolidation has also been achieved in the *Control Integral de l'espai públic* (CIEP) programme, whose aim is to improve the management and control of public space by means of action undertaken by civic promoters who carry out tasks of operational inspection and training schemes for trades people and public alike.

Maintenance and Urban Services					
	2002	2003	2004	2005	2006
Sanitation					
- Length of Sewer System (km)	1,490	1,509	1,526	1,533	1,545
- Sewer and Drain Network Cleaning (km)	2,241	2,374	2,326	2,239	2,136
Tapping of Ground Water					
- Use of Ground Water (m³)	459,728	538,831	697,786	713,886	705,201
Energy Plant of Besòs					
- Incinerations (tonnes)	187,176	360,193	328,832	336,418	330,844
- Electricity Production (MWh)	79,977	174,037	155,409	160,406	131,579

With regard to the maintenance of public space, a comprehensive maintenance plan for city infrastructures is being developed in order to ensure on-going improvement of the streets of Barcelona by carrying out a range of measures of varying intensity and in common consent with all the agents involved. The number of streets where action is being taken is 1,763, where paving work and improved access is being carried out, as well as work on street signs and structures, sidewalks, urban furniture, sewer and drain systems, traffic lights, green areas, public fountains, lighting, among others. 210,000 m² of sidewalk have been repaired, 728,425 m² of streets have been paved, 622,601m² of which have been covered by sound-reducing paving. In addition, 7,620 street lights have been replaced and 1,144 contaminating streetlamps. Furthermore, 10,578 lighting points were treated with poster-repelling paint. 549,000 kWh of electricity were saved

thanks to the use of high pressure sodium vapor lights with higher energy performance and efficiency to reduce consumption. Some 3,068 sidewalk ramps have been adapted, making 1,104 km of streets more accessible.

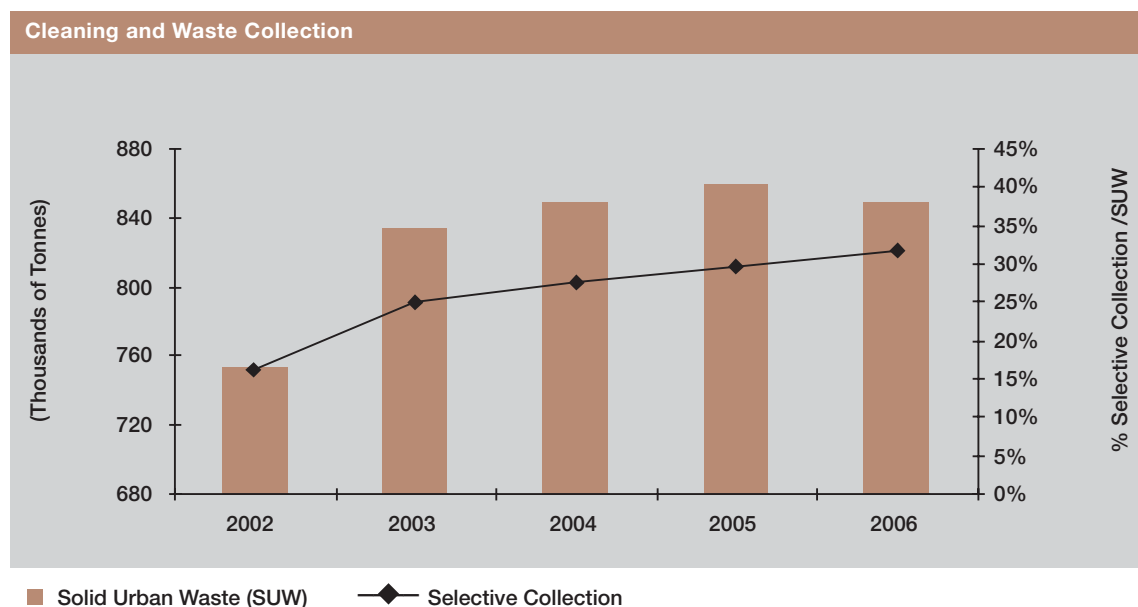
Public lighting in the city consists of 140,681 lighting points with an installed electrical power of 21,864 kW. The ongoing energy-saving programme was further developed with the renewal of existing streetlamps, enabling higher efficiency products to be introduced as well as the installation of new control panels equipped with systems for reducing consumption. All this amounted to a saving of 2,140,572 kW of electricity.

Concerning the sewer system, work goes ahead to optimize maintenance of the network and to improve its technical management, with new

criteria of cleaning and work inspection, particular emphasis being given to improving environmental factors and sustainability in agreement with the Agenda 21 commitment to sustainability. Treatment plants for the recovery of sand and water purification were also put into operation. Measures for the reduction in water consumption likewise continued with the use of combined vehicles equipped with a system for recirculating water for the cleaning of drains and sewers, and the use of ground water in conventional vehicles.

Barcelona is a city rich in subterranean water supply, control of the levels and quality of which is constantly undertaken, enabling the sustainable tapping of ground water for watering parks and gardens, supplying ornamental fountains, hosing streets and flushing drains. A fall in the consumption of potable water means that the use of ground water supplies currently accounts for 10.13% of all the water consumed by Barcelona City Council, an increase on the 9.84% registered in 2005.

Providing Barcelona with environmental quality is a prime objective, and commitment to Agenda 21 seeks to establish a culture of sustainability in the city. By the end of 2006, 243 different city institutions and entities had signed the Agreement. Great effort has been concentrated on controlling sound pollution with the City Noise Map and the entry into operation of the *Taula Cívica del soroll*, while the measurement of noise levels has been increased and the *Programa Marc de Minoració del soroll* (II Noise Reduction Programme) has been developed. Finally, development of renewable energy sources continues to be carried out, as well as improvement in energy efficiency. Throughout 2006, 8 photovoltaic power plants were built in different public facilities and the surface area covered by solar heating panels in the city reached 40,095 m², with an estimated production of 32,076 MWatts per year and a total annual reduction equivalent to 5,650 tonnes of CO₂ emissions.



Spaces in Contact with Nature

The city of Barcelona's green heritage is made up of more than 1,000 hectares of green areas divided into parks, trees lining the streets, flowerbeds, jardinières, inner courts, children's play areas, zones for dogs, urban allotments and more than 4.2 km of beaches.

The Institut Municipal Parcs i Jardins de Barcelona (*Barcelona Municipal Agency of Parks and Gardens*) (www.bcn.cat/parcsijardins) is in charge of the global management of the city's public green zones and beaches. Its functions range from planning for its greenery and trees to maintaining facilities. It also organizes environmental education activities, campaigns to raise public awareness and programs to promote participation, like the 2006 Festa de la Primavera (*Spring Festival*), where more than 3,300 school students participated.

The main guidelines followed to administer green zones keep in mind criteria of sustainability and environmental protection. Aspects like streamlining sprinkler systems or the selection of indigenous species adapted to local climate to ensure their development are just two examples.

One of the Agency's main objectives is the extension and improvement of these green spaces, as reflected in the Programa d'Actuació Municipal 2004-2007 (*Municipal Action Program*). This objective is specifically the comprehensive rehabilitation of 11 parks in Barcelona (infrastructures, facilities, vegetation and urban furniture). In 2006, parks like the Creueta del Coll, the Parc de la Ciutadella, the Parc del Turó de Monterols, the Jardins de

Mossèn Cinto Verdaguer or the Parc Güell have been transformed and opened, and the parks Jardins de Mossèn Costa i Llobera, the Jardins del Palau de Pedralbes, the Parc del Guinardó, the Parc del Turó de la Peira and the Parc de la Pegaso are being rehabilitated.

Parallel to this project the Pla de Manteniment Integral de l'Espai Públic 2004-2007 (*Public Space Maintenance Plan*) was defined and is focused on improving the infrastructures at 26 parks. These improvements basically consist of renovating pavements, lighting, sewers, walls and handrails, and have been designed with particular emphasis on safety and environmental steps. Actions have been carried out in 2006 in the Parc de l'Estació del Nord, the Jardins de Montserrat and the Parc del Putget among others.

In 2006 the Agency continued introducing the risk control for urban trees that it began the previous year, as a result of the Pla de Gestió de l'Arbrat Viari de Barcelona (*Urban Tree Management Plan*). Based on a study of the state of trees in public thoroughfares a process was started to remove dead trees and those with little future, and priority was given to eliminating branches and pruning treetops in high risk situations. In addition, certain specimens had to be removed temporarily due to building work going on around the city.

In 2006 work was begun in the Eixample to develop five inner courts of apartment blocks to increase the surface area of green zones by approximately 8,300 m². The designs for these new inner courts include children's play areas and rest areas, while promoting a sustainable development model predominated by smooth

pavements, a rich variety of different coloured and smelling plant species, soft lighting and urban furniture that makes it easier for people to interact.

Children's play areas around the city have been progressively remodeled in order to improve their safety and accessibility. Before the end of 2007 plans have been made to open a total of 10 different accessible and integrated children's play areas, 1 per district, specially adapted for kids with some kind of handicap. In 2006, the very first of these areas was opened in the Parc de la Ciutadella.

Other outstanding actions in 2006 include the creation of 20 new zones for dogs all around the city and the opening of a new urban allotment in the les Corts district with a total surface area of 2,500 m². It is the eighth allotment created in the city in keeping with the intention of having one in each district. These urban allotments are not only intended to give retired people a place to cultivate while benefiting from healthy, therapeutic habits, but are also an agricultural learning space for students.

The 4.2 km of beaches in Barcelona represent one of the city's largest leisure spaces, and are visited every year by almost 7 million people. In the summer of 2006 the Centre de Platja (*Beach Center*) was opened, new facilities promoting environmental education and offering information on Barcelona's coasts. The center offers a series of permanent services like the BeachLibrary or a service of identity bracelets for youngsters to be able to find them easily if they get lost. Besides all these services, different talks, walks, workshops and recreational activities related to the sea and the beach are programmed for all different ages.

Last summer significant progress was made in adopting beaches for people with mobility problems, environmental improvements applied to selective waste collection and an increase in public baths and it is important to know that during swimming season a buoy was installed off the coast of Barcelona for the real-time control of the bacterial quality of water at its beaches.

Public Spaces and Urban Facilities					
	2002	2003	2004	2005	2006
Urban Green					
- Urban Green Zone (ha)	1,007	1,036	1,040	1,042	1,052
- No. of Trees on Public Thoroughfare	152,230	155,279	155,433	153,343	151,772
- Irrigation Through Sprinkling (000s m ²)	2,157	2,236	2,505	2,461	2,457
Other Spaces					
- No. of Children's Play Areas	575	624	645	628	639

Leisure Spaces

In Barcelona there are many leisure spaces all over the city, created to offer a wide range of recreational activities. We can presently highlight four main spaces which are the Barcelona zoo, the Montjuïc Park, the Tibidabo Amusement Park and the Fòrum Park. These facilities are run by Barcelona de Serveis Municipals, SA (www.bsmsa.es), a municipal firm.

The Barcelona Zoo (www.zoobarcelona.com), with a surface area of approximately 13 hectares and located in the Parc de la Ciutadella, has a collection of animals made up of 7,500 animals belonging to 400 different species. Two of the zoo's main objectives are to offer the public a recreational and, at the same time, educational experience, and helping to preserve wildlife through research and development projects. In this respect it is important to note the different educational programs offered by the zoo in 2006 that were attended by approximately 58,000 children from all over Catalonia and, on the other hand, the accreditation it received as a R+D (research and development) Center from the Agència d'Acreditació en Investigació, Desenvolupament i Innovació Tecnològica (*Research, Development and Technological Innovation Accreditation Agency*); the first given to a zoo. One of the benefits that comes with this accreditation is an improvement in financial aid for the different research programs that have been being carried out here for years on the conditions of life and reproduction of species in captivity.

In 2006 the zoo also received a ISO 9001:2001 certificate that guarantees the quality of its facilities, the procedures used here and the center's safety.

Thanks to its marketing and communication policies and a favorable climate, the number of visitors rose 6% over 2005's figures exceeding one million people.

The Montjuïc Park is Barcelona's central park. It is a space that is synonymous with culture, nature and sports united by one common denominator: greenery.

Important improvements were made in 2006 regarding both the Park's revitalization and obtaining environmental certificates. Of the different revitalizing activities we would highlight, among others, the creation of new educational activities aimed at schools, the addition of two new buses and traveling exhibits on Montjuïc in all districts.

Regarding environmental improvements, the Park also obtained an EMAS quality certificate plus the ISO 14.2001 certificate. In addition to carrying out environmental diagnosis studies to achieve a sustainable Park operation.

Different projects have also been started at the Montjuïc Park to improve accessibility and public spaces like the remodeling of Carlos Ibañez Square (now completed), the Passeig dels Cims, the building of the Museu Olímpic i de l'Esport (*Olympic Sports Museum*),

improvements on the escalator and the Funicular or restoration of the facade of the Olympic Stadium built in 1929.

The Tibidabo Amusement Park (www.tibidabo.es) closed out the year with a number of visitors of approximately 600,000 people. This figure grew with respect to 2005 largely thanks to the progressive improvements carried out at the park. Specifically, in 2006 we would emphasize the improvements to access from the car park, the elimination of architectural barriers at the Automaton museum and the improvement of signposting. This year the Park added two new attractions: “The Globus” and “The Pèndol”, presented a new show at the Marionetarium and presented new animation at the park with new characters, new scenery and new stories.

The Fòrum Park (www.bcn.cat/parcdelforum) is a large recreational space of approximately 23 hectares divided into several large areas like the Edifici Fòrum (Forum Building), the Esplanade, the Auditorium Park, the swimming area, the Reef Park and the photovoltaic panels. A large variety of services and activities are offered in these spaces aimed at all publics, from concerts, exhibitions, guided tours, children’s parks and restaurants to bicycle rental and water activities in the swimming area.

Transport and Traffic

Barcelona, as a large metropolitan city, is the target of more than 6 million trips every working day. To guarantee healthy, safe and sustainable

mobility, the city of Barcelona has given priority to promoting and improving the quality of public transport, encouraging the use of less contaminating means of mobility (bicycle, movement on foot), calming down traffic, organizing thoroughfares, regulating parking and road safety.

The public transport service has continued to be expanded and improved in 2006 to respond to the growing demand and new needs of its users

On the one hand, in 2006 a total of 215 vehicles were added to the metropolitan network including buses, minibuses and tourist buses. Of these, 70% are for updating the fleet while 30% are to increase supply. Other innovations this year were the adaptation of 100% of the fleet for people with reduced mobility, the creation of three new bus routes and the extension of three other routes, the reinforcement of other existing routes, improvements to the Bus del Barri (*Local Neighborhood Bus*), the introduction of 5.8 kms of bus lanes and the progressive use of compressed natural gas to power them, making them quieter and reducing pollution.

As for the Metro, in 2006 the frequency of underground trains was increased with the incorporation of new trains to reinforce routes, stations have continued to be adapted for people with reduced mobility and security measures have been reinforced with more security personnel and technological equipment to guarantee the service is used comfortably and civically and to preserve the integrity of the facilities.

The tram also extended its services last October when it launched the new Trambesòs route linking Plaça de les Glòries with el Besòs. To promote the use of more sustainable transport, in 2006 the “Pla Estratègic de la Bicicleta (2006-2010)” (*Strategic Bicycle Plan*) was put into practice. This March, bicycles have begun to be registered over the Internet to deter robberies and, in case robberies do occur, to take steps to detect, identify and recover stolen bicycles.

As a measure to slow down traffic in several of Barcelona’s neighborhoods there are plans to introduce the so-called “Zones 30”, the streets where the maximum speed limit is 30 km/h, the road and the pavement are set apart and where vehicle mobility in the zones must only be for internal operations and not for a passing traffic. Last June a pilot test was carried out in Sant Andreu where the main results within the Zona 30 were an improvement into a pedestrian safety, a 27% reduction in accidents, a 200% increase in pedestrians in the more business-oriented areas and an increase in bicycle use.

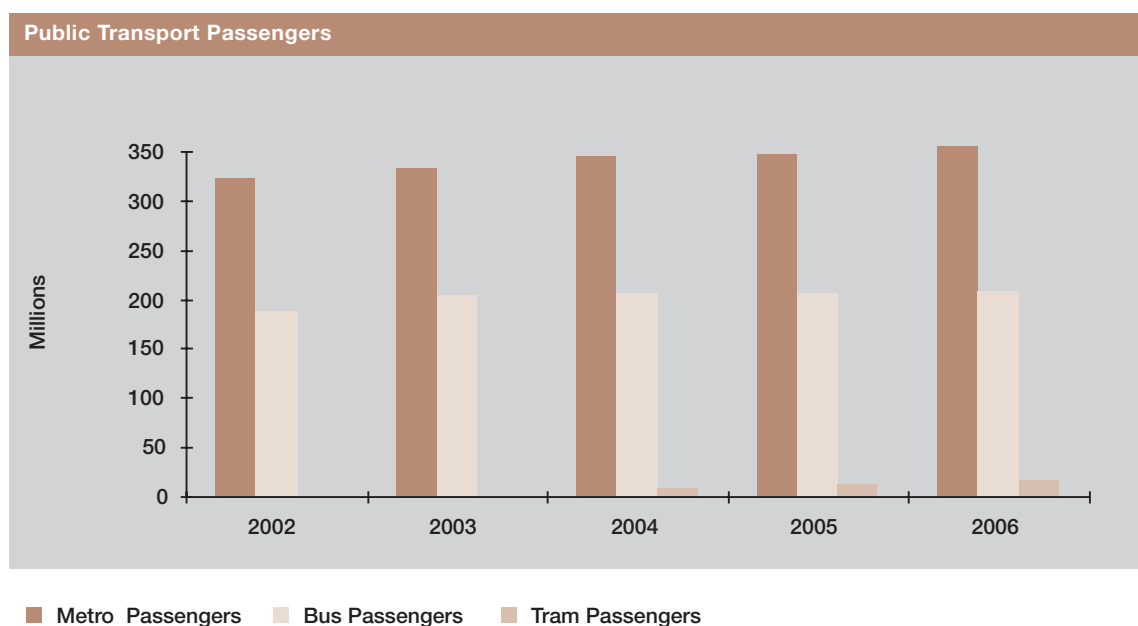
In 2006 three new municipal car parks came into service at Gran Via-Rambla Prim, Gran Via-Selva de Mar, and Londres-Villarroel and steps began for car parks at the Sancho d’Ávila and Les Corts funeral parlors. In addition, since last

summer, all car parks in the network have adapted a new tariff system called “Minut a Minut” (*Minute by Minute*), because payment is done in fractions of a minute. The objective of this new system is to encourage the use of rotation parking as well as to clear up public thoroughfares.

Regarding the introduction of the Green Area parking spaces, they have been totally consolidated and assimilated by users. From the results drawn since they began to be used in May 2005, the most outstanding feature is the 13% reduction in private traffic and an important reduction of indiscipline on the road.

As far as road safety is concerned, measures have continued to be applied to reduce accidents. Examples of these are training for motorcycle drivers with the B-class drivers license who have no experience driving this kind of vehicle, the launching of the public awareness campaign “Circula amb precaució, evita accidents” (*Drive Carefully, Avoid Accidents*) and the increase on weekends of Breathalyzer tests by the Guardia Urbana (*Municipal Police*). All these measures have helped to reduce traffic accidents by 2.9% compared with 2005 and accidents with fatalities by 3.5%.

Mobility					
	2002	2003	2004	2005	2006
Urban Mobility					
- No. of Passengers of the Metro (millions)	322.0	332.0	343.3	345.3	353.4
- No. of Passengers on Buses (millions)	189.8	203.7	205.1	205.0	207.7
- No. of Passengers on Trams (millions)	–	–	7.7	13.0	16.9
- Bus/Taxi Lane (km)	93.4	98.0	98.0	101.0	109.5
- Cycling Lanes (km)	119.1	121.7	124.4	127.5	128.9
Parking Spaces					
- No. of Loading and Unloading Areas	8,432	8,950	9,177	10,440	10,780
- No. of Surface Parking (Free)	148,097	147,068	181,198	138,438	137,326
- No. of AREA Spaces (Blue Zone)	6,910	6,933	7,158	10,409	10,227
- No. of Green Zone Spaces	–	–	–	33,484	33,484
- No. of Motorbike Parking Spaces	12,317	13,171	17,759	37,162	38,234





Galvany Market,
in Sarrià-Sant Gervasi

3.4. Promotion of Barcelona's Economic Activity

Promotion of the City's Economy

The City of Barcelona's economic promotion sector is responsible for developing Barcelona's economic potential, by installing top-quality companies, strengthening the existing business fabric and promoting new economic initiatives. Among its objectives are attracting foreign economy, promoting the Barcelona trademark as an attractive environment for business, helping to internationalize Barcelona's companies and encourage public-private collaboration platforms of strategic and future economic sectors.

The economic promotion sector administers the Barcelona Negocis (*Barcelona Businesses*) service which offers information, personalized advice, logistic support and an entire series of services for companies, professionals and institutions that want to settle, do business or expand in our city. So, for example, help is offered in looking for offices in spaces; seminars and presentations are organized –five in 2006 on business subjects as diversified as the prevention of work-related accidents or managing outstanding items; jointly with the

Barcelona Chamber of Commerce, Business Bridges are organized to assist Catalan companies wishing to compete in new international markets –in 2006 the destination was Dubai; it promotes presence at international fairs; and prospective missions are undertaken to attract foreign companies to Barcelona, especially in strategic sectors like biotechnology, computing and logistics.

Fostering Employment and Entrepreneurial Initiative

For 20 years, the City of Barcelona has been directing entrepreneurial initiative fostering policies, the promotion of innovation and better employment access through the local development agency Barcelona Activa (www.barcelonactiva.es).

Barcelona Activa offers a wide and varied group of programs and activities, with more than 154 thousand participants in 2006, 7.7% more than the previous year.

In the entrepreneurial initiative field, in 2006 1,182 new entrepreneurial projects were assisted, added to the 301 firms assisted in their consolidation. Among the programs and support services for firms –with almost 40,000 participants, an outstanding item in 2006 was a new version of the Pla d'Empreses On-line (*On-line Company Plan*) and Test-idea, a guide that allows for a first evaluation of the viability of new entrepreneurial projects. The Xarxactiva d'empreses (*Active Company Network*) is consolidating its position as a tool for entrepreneurial cooperation and networking. In 2006 membership reached 525.

To diffuse and stimulate innovation in Barcelona, the Barcelona Innova website was created. In addition, Barcelona Activa has two environments for innovation which are the Glòries business incubator and the Barcelona Nord Technology Park, where 122 firms were installed in 2006.

Regarding the improvement in access to employment, Porta22, Espai de Noves Ocupacions (*Place of New Jobs*) has become the space for career guidance and new tendencies when looking for work. It offers people looking for a job the possibility to improve their professional competence and brings new employment opportunities closer to a growing number of educational centers.

On the other hand, the Cibernàrium performs technological diffusion and training tasks offering citizens a chance to continually bring themselves up to date on the latest Internet features and innovations.

As regards employment promotion, in 2006 it is important to note the completion of the Casa d'Oficis de l'Espectacle (*Entertainment Workshop School*) where 48 young men and women were trained in stage arts occupations, and the launch of the Barcelona Avança programa in Employment and Inclusion aimed at job placement.

In 2006 Barcelona Activa organized the *Let's Go4Growth* international conference, aimed at promoting new local strategies to boost the growth and innovation of global enterprises.

Commerce and Urban Industry Renewal

2006 was the Any del Comerç (*Commerce Year*), dedicated to promoting and acknowledging the impact of urban commerce on different aspects of citizen activity. The program included exhibitions focused on commercial Barcelona, professional symposiums, a new international fair dedicated to

Activities of Barcelona Activa					
	2002	2003	2004	2005	2006
Firms Installed in Business Incubators and Technology Parks	123	121	114	110	122
Assisted Firms (Creation and Consolidation)	1,663	1,453	1,314	1,310	1,483
Total Number of Participants	98,069	109,790	126,941	143,442	154,573
Main Activities Participants:					
Promotion of Entrepreneurial Initiative	16,967	20,869	27,425	33,353	39,260
Porta22, Espai Noves Ocupacions (<i>Place of New Jobs</i>)	-	6,063	26,154	33,365	36,170
Cibernàrium	40,273	44,027	49,774	50,637	50,629
Services for Employment	27,549	24,901	17,678 ⁽¹⁾	17,103	17,292
Formative Actions (Continual and Occupational)	2,099	3,091	2,070	2,341	2,379

(1) Since 2004 excludes students in training

commerce services and the celebration of the first edition of the Dia del Comerç Compromès (*Fair Trade Day*) to achieve greater involvement from commerce with its social environment.

The City of Barcelona promotes its urban commerce through commercial areas. Two new ones were opened in 2006: the Vallespir-Galileu-Joan Güell area and the Cantàbria-Pont del Treball area, while the two Passeig de Gràcia and Rambla Catalunya areas merged. Altogether, Barcelona has 19 commercial areas that strengthen local shops.

In 2006 the City of Barcelona promoted a campaign to eliminate architectural barriers in the city's commercial establishments. In addition, the Consell Comerç Ciutat (*City Commerce Council*) presented the Pla especial de l'equipament comercial no alimentari de Barcelona (*Special Plan for Barcelona's Non-Food Related Facilities*) (PECNAB), an urban regulation instrument for commercial distribution activities within the framework of the commercial facilities Law and the Barcelona Municipal Charter. It is a tool for collaboration between the municipal public sector and the associative and commercial entrepreneur world.

The Institut Municipal de Mercats de Barcelona (*Municipal Agency of Markets*) (www.bcn.cat/mercatsmunicipals) is responsible for renovating, administering and managing the city's municipal retail markets. Included among its most outstanding actions is the remodeling of markets and boosting their communication and commercial promotion to make municipal markets competitive commercial facilities for the 21st century that unite the commercial and sociocultural life of the city's different neighborhoods.

Of all the remodeling work performed in 2006 it is worth mentioning the work done on the new Barceloneta market –opened in early 2007, start of construction on the temporary market of the Llibertat market, the progress on the work being done on the Sarrià market and the start of the remodeling of the Guinardó market. In addition to the total remodeling processes of markets, 110 other interventions were done at 38 different markets to improve their daily activity. As a result of this improvement process at the different facilities, the number of customers at municipal market grows year after year.

In addition to the specific services that are characteristic of a market, Barcelona's municipal markets develop training, diffusion and collaboration activities with other city sectors. So for example, among the different teaching activities the *Menjo sa perquè menjo de mercat* (*I Eat Healthy Food Because I Eat Market Food*) program was started, aimed at high school students. It is also important to note collaboration with the Banc d'Aliments (*Food Bank*) to collect and distribute surplus food from markets to elderly residents, community kitchens, day care centers and other care facilities for poor or marginalized people.

Mercabarna (www.mercabarna.es) is a mixed capital concern that collaborates in managing the Central wholesale fruit, vegetable and fish markets, functions as a slaughterhouse, runs the Barcelona Agroalimentary Unit Barcelona and promotes the Complimentary Activities Area of the wholesale markets. Mercabarna has adapted the wholesale markets to the demands of new forms of distribution and to growing demand sectors, like hotels, restaurants and specific groups. Mercabarna is managed in close collaboration with the business sectors in the Agroalimentary Unit.

Mercabarna					
	2002	2003	2004	2005	2006
Trading Tonnes					
- Fruits and Vegetables	922,782	961,294	967,009	1,066,955	1,085,609
- Fresh Fish	79,131	78,827	80,712	76,195	71,628
- Slaughtered Cattle	24,873	25,500	29,007	33,759	32,959
- Frozen and Others	98,585	95,204	97,854	96,327	111,824

Tourist Promotion

Barcelona has become, nationally and internationally, one of the chief destinations for urban tourism, both for vacation tourism and business tourism. This is demonstrated by the number of overnight stays at the city's hotels, which were more than 12 million in 2006, 10% more than the previous year, with 7 million tourists. The cruise vessel sector had a 14.5% increase with 1.4 million passengers and the airport reached a figure of 30 million passengers, 10.5% more than in 2005.

Turisme de Barcelona (www.barcelonaturisme.com), the consortium consisting of the Barcelona City Council and the Barcelona Chamber of Commerce, performs intense activity to promote the city as a tourist destination to consolidate already existing tourism and attract new tourism. In 2006 the consortium began a new platform –Barcelona Turisme Creatiu (*Barcelona Creative Tourism*)– for artistic and cultural activities and focuses its promotional activity on the concepts of purchases, culture and fine dining, which respectively respond to the subject matters of Commerce Year, Picasso2006BCN and the Year of Gastronomy.

Tourist Promotion					
	2002	2003	2004	2005	2006
Consorci de Turisme de Barcelona (Barcelona Tourist Consortium)					
- No. of Inquiries to Tourist Offices (000s)	1,721	1,738	2,008	2,333	2,502
- No. of Visitors (000s)	3,581	3,848	4,550	5,061	7,187
- No. of Tourist Bus Users (000s)	1,132	1,223	1,475	1,654	1,873
- No. of Barcelona Walking Tours visits (000s)	5.9	6.1	8.8	15.5	16.3
- No. of Barcelona Cards Sold (000s)	47	60	91	102	107

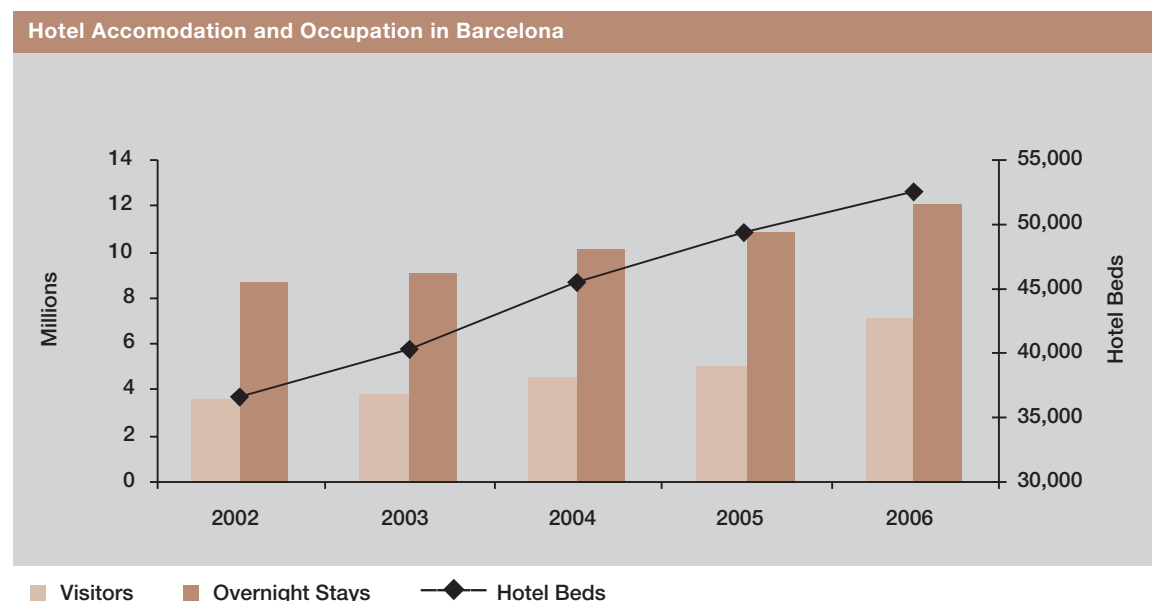
Worthy of mention among Turisme de Barcelona's programs are the Barcelona Convention Bureau that promotes Barcelona as a venue for congresses, conventions and professional opportunities; Barcelona Ciutat de Compres (*City of Purchases*) that especially promotes the Barcelona Shopping Line, a 5 km commercial area incorporated in the city; and BCN Sports that, since 2002, promotes the international sports events held in the city.

In 2006 the Barcelona Tourist Information Center at Catalonia Square, celebrated its 10th anniversary. During this decade, this center has attended more than 4 million inquiries. The consortium presently manages a network of 20 tourist information points all over the city.

Turisme de Barcelona publishes different informative and promotional publications, both

for sector professionals as well as tourists. In 2006 Barcelona Top Attractions was created, a publication in three languages that comes out every six months, offering monographic information on the city's most interesting tourist attractions. The first issue is dedicated to the National Art Museum of Catalonia.

In addition to tourist information, Turisme de Barcelona offers a series of tourist products to make visiting and staying in the city easier. One of the most important is the Tourist Bus, with more than 1.8 million passengers, and that added a new night route in 2006. On the other hand, Barcelona Walking Tours with their 4 guided tours around Barcelona –Gothic, Picasso, Modernisme and Gourmet– is consolidating its position as a product offering a closer and deeper vision of the city.



4



Management Report

The management report shows the consolidated data of the group made up of the City of Barcelona and its municipal agencies and firms, irrespective of their sources of financing.

4.1. Human Resources

The staff of the City of Barcelona group as of December 31st, 2006, consists of 12,859 employees, which is an increase of 384 workers compared with 2005.

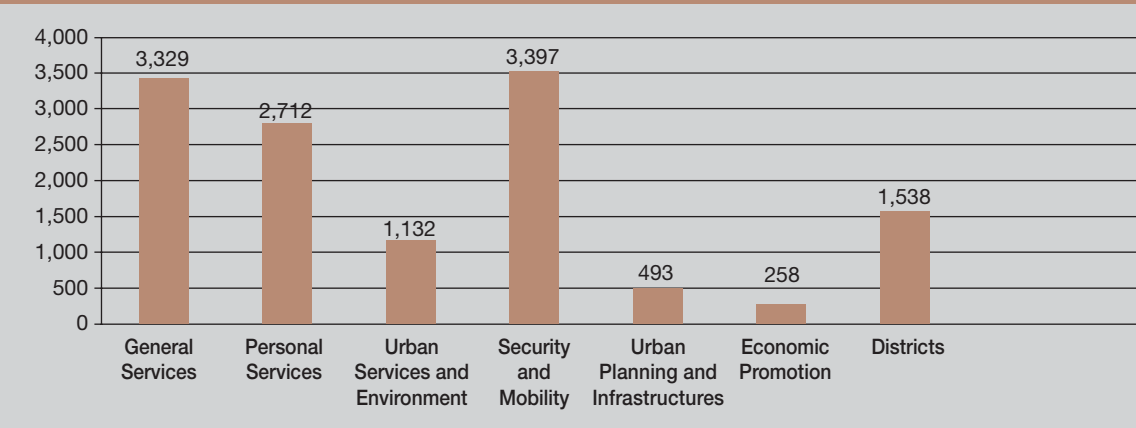
Personnel of the City of Barcelona and its Municipal Agencies and Firms

	12.31.02	12.31.03	12.31.04	12.31.05	12.31.06
City of Barcelona	6,638	6,689	6,657	6,578	6,755
Municipal Agencies and Firms	5,407	5,677	5,753	5,897	6,104
Total	12,045	12,366	12,410	12,475	12,859

Staff increases took place mainly in the Personal Services, Security and Mobility Services and in the General Services sectors. In the case of Personal Services, staff was increased in the Municipal Agency of Education, due largely to the introduction of the sixth hour in the school schedule and the opening of new nursery schools. With regard to Security and Mobility, staff increases were introduced in the Municipal Police Force, while in the General Services sector the main increases concerned the City of Barcelona central bodies and the Barcelona de Serveis Municipals, a firm responsible for managing services and infrastructures in the spheres of mobility and leisure activities. In 2006, the early retirement plan was applied exclusively in the Municipal Police Force and the Fire Department, where 44 employees availed themselves of this scheme.

In 2006, the City of Barcelona devoted 2.12% of the gross payroll to personnel training. A total of 181,382 teaching hours were imparted in

Breakdown of the Personnel of the City of Barcelona Group as of 12.31.2006



training courses, which were attended by 14,366 people. Within the framework of the National Agreement of Ongoing Training, the National Institute of Public Administration subsidised part of personnel training; in 2006, this subsidy accounted for the training activities of 1,946 municipal workers.

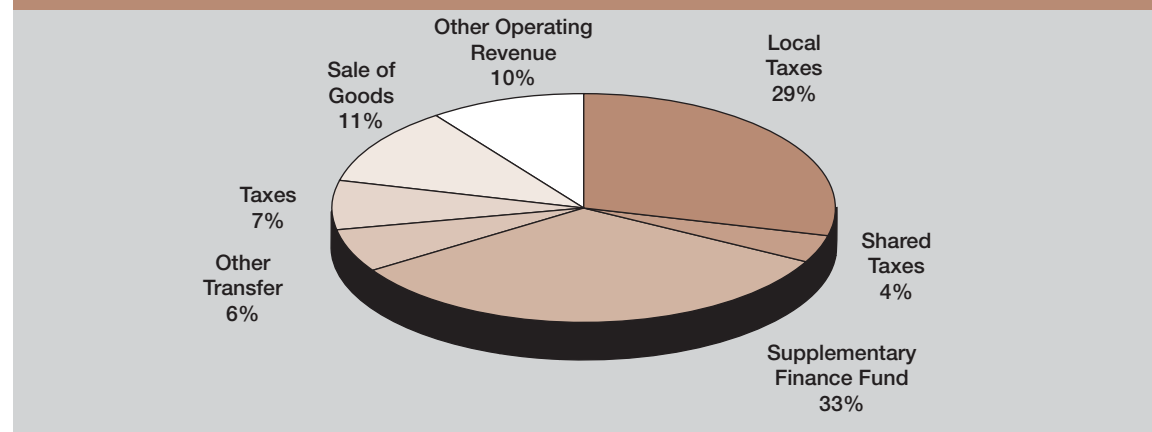
4.2. Current Revenue

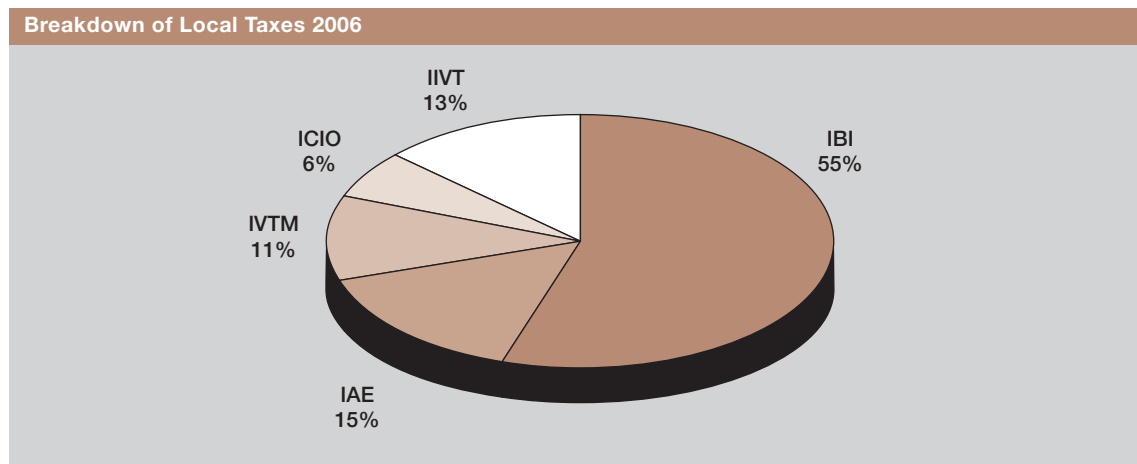
In 2006, the new Accounting Standards for Local Government came into effect, which, among other things, brought about a change in classification of current revenue.

The current revenue of the City of Barcelona and its dependent bodies consists of taxes, both local and those allocated by the Central Government (shared taxes); other fiscal revenue, mainly taxes for sale of services and for use of the public domain, revenue for the sale of goods and the provision of services; other operating revenue, which mainly include fines, rents, concessions and special uses, latepayment surcharges, surcharges and profit-sharing; current transfers and financial revenue.

The breakdown of current revenue is as follows:

Breakdown of Current Revenue 2006





55% of local taxes came from property tax (IBI). The rest of local taxes consist of the tax on economic activities (IAE), the tax on the increase in land value (IIVT), the tax on motor vehicles (IVTM) and construction tax (ICIO).

The new regulations governing the share in Central Government taxes came into effect in 2004. In the case of municipalities that are autonomous community or provincial capitals, or have a population of more than 75,000 inhabitants, this share is divided into two parts; on the one hand, the allocation of part of the returns from a range of Central Government taxes, less the allocation corresponding to the autonomous community, and on the other, the Supplementary Finance Fund, a non-earmarked transfer that grows at the same annual rate as certain Central Government taxes, and which includes the offset for loss of revenue caused by the reforms effected in the tax on economic activities. The taxes thus assigned are: 1.6875% corresponding to income tax; 1.7897% of Value Added Tax, and 2.0454% of the special taxes levied on beer, wines and spirits, intermediate products, alcohol and derivatives, hydrocarbons and tobacco.

2006 saw the definitive settlement of the fiscal year 2004, the base year for this new system. The outcome was a lower allocation of Central Government taxes than that initially expected, which resulted in a larger amount coming from the Supplementary Finance Fund. In 2006, revenue from shared taxes amounted to 82.8 million euros, while that from the Supplementary Finance Fund, including the IAE compensation, amounted to 756.2 million euros.

Sale of goods and provision of services, whether from tax or non-tax sources, or from other ordinary income, accounted for 28% of current revenue.

The remaining current transfers correspond essentially to specific resources from other public administration bodies, mainly from the Generalitat de Catalunya and local entities, as well as from private firms and non-profit organizations.

The growth in current revenue during the last five years has been an annual 6.3%, practically double that of inflation. This increase in revenue is not due to an increase in tax rates, but rather as a result of other causes, the most important

of which are: a) the gradual application of the new public land register values approved at Central Government level in 2001; b) the intense general activity in the building industry and property market during this period; c) the growing tendency for certain services to be partially paid for by users themselves, and d) the sustained growth in non-earmarked transfers from the Central Government, which have exceeded the average.

The structure of current revenue reflects the ongoing decrease in the contribution from local

taxes, which fell from 36.1% of current revenue in 2001 to 28.7% in 2006, and an increasing contribution in the rest of local revenue (in particular, income from the sale of goods and provision of services), which rose from 25.1% in 2001 to 28.1% in 2006. Likewise, current transfers have also gained ground in recent years, rising from 38.2% in 2001 to 39.1% in 2006. If shared taxes are also taken into account, a consequence of the new system regulating the share in Central Government taxes, with effect from 2004, this latter percentage rises to 42.7%.

Current Revenue (thousands of euros)					
	2002	2003	2004	2005	2006
Property Tax	303,460	319,100	333,329	346,753	370,744
Tax on Economic Activities	164,277	89,248	84,817	93,860	96,409
Tax on Motor Vehicles	76,197	74,350	74,686	73,541	74,918
Tax on Construction	21,136	32,208	34,484	33,974	37,922
Tax on Increase in Land Values	74,114	79,086	80,055	93,459	84,099
Subtotal	639,184	593,992	607,371	641,587	664,092
Shared Taxes: Income Tax, VAT and Special Taxes	-	-	89,923	93,235	82,802
Total Local Taxes	639,184	593,992	697,294	734,822	746,894
Other Fiscal Revenue: Taxes	125,797	135,560	137,385	162,495	158,184
Sale of Goods and Provision of Services	184,175	205,868	244,545	237,994	263,255
Other Operating Revenue	170,515	158,951	201,258	177,099	228,316
Total Local Revenue	1,119,671	1,094,371	1,280,482	1,312,410	1,396,649
Supplementary Finance Fund ⁽¹⁾	562,000	662,082	669,241	700,689	756,226
Other Current Transfers	133,802	142,670	100,336	125,679	146,838
Total Current Transfers	695,802	804,752	769,577	826,368	903,064
Financial Revenue	10,693	8,031	5,630	6,455	11,347
Total Current Revenue	1,826,166	1,907,154	2,055,689	2,145,233	2,311,060

(1) 2002 and 2003, Share in Central Government Revenue (PIE)

Consolidated current revenue in 2006 was 2,311 million euros, 7.7% more than in 2005, while the Consumer Price Index was 2.7%. 60% of current revenue was accounted for by local revenue and 40% by current transfers. Revenue

generated by property tax – the highest tax figure – exceeded 370 million euros, with an annual increase of 6.9%. This increase was the result of the gradual application of the new public register land values in accordance with

legislation introduced in 2001, given that the tax rate has undergone no change; it amounted to 0.75% of the official land value in general terms, and 0.85% for 10% of non-residential property with greater official land value. It is worth pointing out the increase in tax on construction, attributable in part to higher inspection rates on larger constructions, as well as the fall in taxation on the increase in land values, reflected by a decrease in activity, which has resulted in a lower number of direct

debit payments and a fall in the average amount.

Shared taxes were 11.2% less than in 2005, due to the redistribution between these assigned taxes and the Supplementary Finance Fund, once the new 2004 system of sharing in Central Government revenue, regulated by the Royal Decree Law 2/2004, dated March 5th, had been definitively settled. This law amended the previous legislation governing local taxes.

Current Revenue (percentages)					
	2002	2003	2004	2005	2006
Property Tax	16.6	16.7	16.2	16.2	16.1
Tax on Economic Activities	9.0	4.7	4.1	4.4	4.2
Tax on Motor Vehicles	4.2	3.9	3.6	3.4	3.2
Tax on Construction	1.2	1.7	1.7	1.6	1.6
Tax on Increase in Land Values	4.0	4.1	3.9	4.4	3.6
Subtotal	35.0	31.1	29.5	30.0	28.7
Shared Taxes: Income Tax, VAT and Special Taxes	-	-	4.4	4.3	3.6
Total Local Taxes	35.0	31.1	33.9	34.3	32.3
Other Fiscal Revenue: Taxes	6.9	7.1	6.7	7.6	6.8
Sale of Goods and Provision of Services	10.1	10.8	11.9	11.1	11.4
Other Operating Revenue	9.3	8.4	9.8	8.2	9.9
Total Local Revenue	61.3	57.4	62.3	61.2	60.4
Supplementary Finance Fund	30.8	34.7	32.5	32.7	32.7
Other Current Transfers	7.3	7.5	4.9	5.8	6.4
Total Current Transfers	38.1	42.2	37.4	38.5	39.1
Financial Revenue	0.6	0.4	0.3	0.3	0.5
Total Current Revenue	100.0	100.0	100.0	100.0	100.0

The most notable features in 2006 with regard to the rest of local revenue were as follows: as far as charges are concerned, the areas showing the largest increase were parking meters, due to the introduction of the new system regulating green area parking spaces; cemeteries and keep clear signs. On the other hand, decreases were

registered in urban permits, tow-trucks and vehicle clamps charges, as well as in the net income of service firms, in which throughout 2005 extraordinary settlements were carried out as a result of inspections undertaken in previous years. With regard to sale of goods and provision of services, the most notable feature

was the increase in revenue from selective waste collection, as well as the services provided by Barcelona de Serveis Municipals. This firm increased its revenue from underground car parks after the introduction of new facilities, and also from the zoological gardens, where the number of visitors rose by 6%, surpassing the figure of one million people, while the Tibidabo Amusement Park and the activities organised in the different areas of Montjuïc and the Fórum further accounted for a rise in revenue.

The remaining operating revenue amounted to 228 million euros in 2006. Increases were recorded in virtually section, principally in royalties, due to an increase in the amounts levied on the Zona Franca Consortium; late payment surcharges; rents and concessions, and also fines, both for traffic offences and violations of local bye-laws. Financial revenue practically doubled in comparison with the previous fiscal year, due to the greater average cash balance maintained throughout the year.

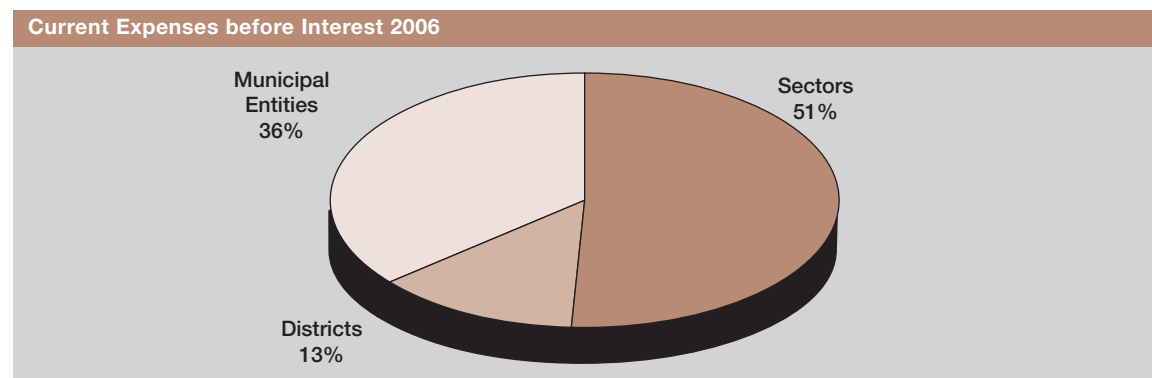
The Supplementary Finance Fund and the tax on economic activities compensation coming from the Central Government were in excess of 756 million euros, 7.9% more than in 2005. 2006

was also notable for the rise in transfers from the Generalitat de Catalunya, principally for social care and education, and also for transfers received through metropolitan charges on the treatment of municipal waste, a service transferred by the City of Barcelona to the Entidad Metropolitana de Servicios Hidráulicos y Tratamiento de Residuos (Metropolitan Hydraulic Services and Waste Treatment Agency).

4.3. Current Expenses

The City of Barcelona and its dependent entities provide a range of services that may be classified in the following manner, according to the municipal structure of organization:

- a) Personal services: education, culture, sport, youth, social services and civil rights.
- b) Urban and environmental services: street cleaning, refuse collection and sanitation; maintenance, paving, public lighting and water services; maintenance of parks, green areas and beaches; energy saving and renewable energy sources, environmental education and participation, surveillance and reduction in pollution.



c) Security and mobility: public security, fire and civil protection services, mobility, traffic and public transport, road safety and parking.

d) Urban planning: town planning and urban and territorial layout, urban landscape and housing.

e) Economic promotion: economic promotion of the city, employment and innovation, commerce, municipal market network, consumption, tourism and information technology.

f) General services: central administration, financial and tax management, asset management and citizen participation.

The evolution of consolidated current expenses during the last five years has been characterized by a 7.2% annual growth in operational expenses. Up until 2005, this growth was

partially offset by a reduction in financial expenses. Over the whole five-year period, the increase in expenses has mainly been centred on works, supplies and external services and current transfers. Both these areas have grown at an annual rate of 10.4% and 11.2%, respectively, as a consequence of efforts made to improve the quality of the services provided, especially in areas such as social services, maintenance and cleaning of public spaces, security and mobility. A change in the composition of expenses has also been observed during this same period. While financial expenses fell from 8.1% of the total current expenses in 2001 to 2.5% in 2006, works, supplies and external services and current transfers together rose from 48.4% in 2001 to 60.0% in 2006. Personnel expenses also fell from 36.7% in 2001 to 34.0% in 2006.

Current Expenses (thousands of euros)					
	2002	2003	2004	2005	2006
Personnel Expenses	481,799	493,273	517,555	543,793	568,027
Works, Supplies and External Services	489,849	516,203	592,007	643,286	702,936
Current Transfers	201,895	235,048	244,600	271,390	301,491
Provisions	85,742	79,975	83,480	54,843	58,081
Financial Expenses	87,871	71,147	60,598	39,909	41,623
Total Current Expenses	1,347,156	1,395,646	1,498,240	1,553,221	1,672,158

Current expenses in the 2006 fiscal year were 1,672 million euros, 7.7% more than in 2005. The 4.5% increase in personnel expenses reflects the expansion of the work force, as explained in the section Human Resources, as well as the 2% increase in salaries in accordance with the Law governing the 2006 State budget. Works, supplies and external services experienced a 9.3% growth over the

previous year, the most substantial increase being in works carried out for other firms. 2006 also saw a strong rise in street cleaning and waste collection as part of the scheme to improve public spaces, while social care services rose by almost 25% as a result of policies for the improvement of social welfare and assistance.

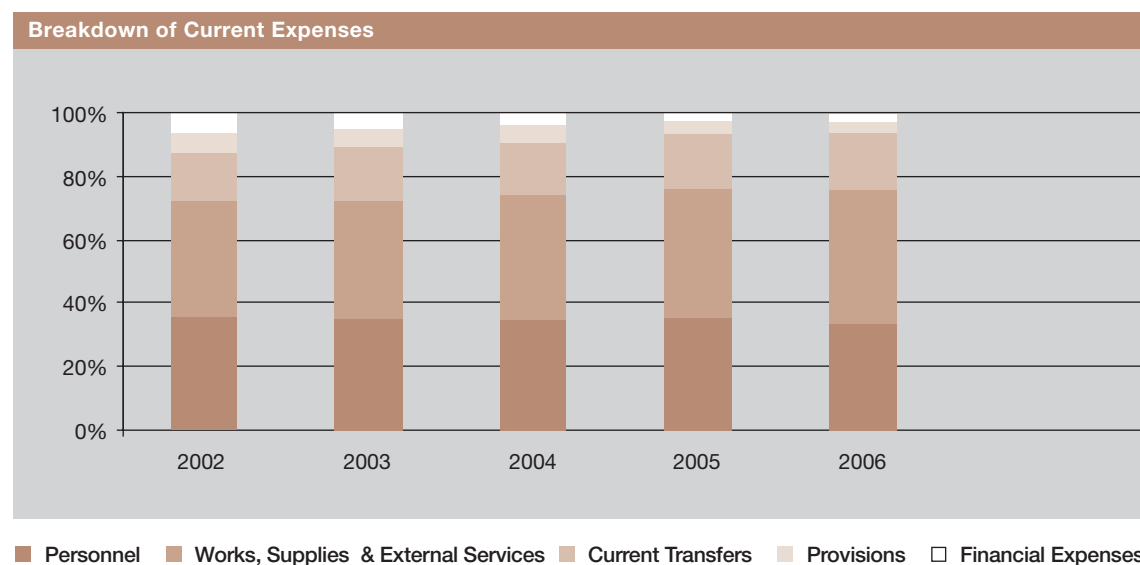
Current Expenses (percentages)					
	2002	2003	2004	2005	2006
Personnel Expenses	35.8	35.3	34.6	35.0	34.0
Works, Supplies and External Services	36.3	37.0	39.5	41.4	42.0
Current Transfers	15.0	16.8	16.3	17.5	18.0
Provisions	6.4	5.8	5.6	3.5	3.5
Financial Expenses	6.5	5.1	4.0	2.6	2.5
Total Current Expenses	100.0	100.0	100.0	100.0	100.0

Current transfers increased by an annual 11.1%. 45 million euros were devoted to public transport, a 26.1% rise in comparison with 2005. New buses and microbuses were brought into service, and the process of adapting the whole bus fleet for people with reduced mobility was completed, while both bus and underground systems were improved by increasing the frequency of these services.

Transfers to the Metropolitan Hydraulic Services and Waste Treatment Agency rose in proportion to the increase in income from the metropolitan charge on municipal waste. Furthermore, the

total transfer made by the City of Barcelona to the Mancomunitat de Municipis de Barcelona (Municipal Association of the Barcelona Metropolitan Area) showed an almost 4% increase over the previous year. One part of this transfer is a percentage of the Supplementary Finance Fund coming from the Central Government, in virtue of the agreement between the City of Barcelona and the Mancomunitat for the 2004-2007 period.

Despite the reduction in the level of debt, financial expenses rose slightly as a consequence of the increase in the interest rate.



4.4. Investments

Capital expenses over the last five years are the result of the municipal investment programmes included in the Municipal Action Plan (PAM) 2000-2003 and the PAM 2004-2007. Gross investment for this period is 3,307 million euros and net investment 2,681 million euros. 82% of capital expenses correspond to direct investment, whether in public use or associated with services. The rest corresponds to capital transfers to the Metropolitan Transport Authority (ATM), Barcelona Holding Olímpico, S. A. (HOLSA) and to cultural facilities. With regard to capital revenue, 62% came from the management of assets, principally from the sale of land, buildings and vacant lots, as well as the

sale of housing and business premises, undertaken by the Municipal Agencie for Housing. The remaining 38% came from capital transfers from the European Union, mainly for environmental projects; from the Central Government, for cultural facilities; from the Generalitat de Catalunya, for educational facilities and for the neighbourhood Law, and from other bodies and institutions for the urbanization of public spaces.

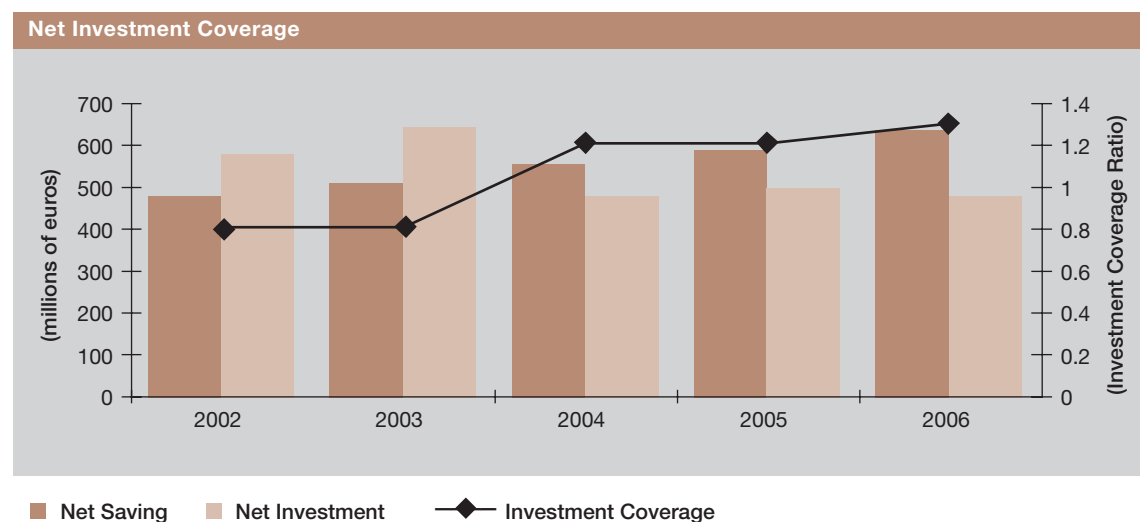
Investment coverage for the whole period, measured as gross savings over net investment, was for slightly more than one, bringing consolidated debt as of December 31st, 2006, down to below the level reached at the close of 2001.

Capital Revenue and Expenses (thousands of euros)					
	2002	2003	2004	2005	2006
Direct Investment					
General Use	352,186	341,422	218,940	235,051	266,906
Related to Services	312,687	300,918	220,611	216,970	246,374
Total Direct Investment	664,873	642,340	439,551	452,021	513,280
Capital Transfers					
HOLSA	53,817	55,970	58,209	60,537	62,958
Metropolitan Transport Authority	24,179	24,179	25,388	30,269	28,590
Non-municipal Entities	22,470	34,975	57,142	23,514	10,032
Total Transfers	100,466	115,124	140,739	114,320	101,580
Financial Investment	13,409	8,910	255	188	12
Total Capital Expenses	778,748	766,374	580,545	566,529	614,872
Capital Revenue					
Capital Transfers	70,723	75,632	28,894	19,549	46,043
Assets Management	128,921	49,439	69,750	47,932	89,504
Total Capital Revenue	199,644	125,071	98,644	67,481	135,547
Net Investment	579,104	641,303	481,901	499,048	479,325

Municipal Action Plan 2004-2007 includes more than 1,300 measures, of which 70% concern proximity (for an amount of less than 3 million euros). 35% of the measures concern urbanization (thoroughfares, green zones and the integral maintenance plan); 32% correspond to facilities and services (administrative

buildings, cultural facilities, social services, schools and markets); 15% concern land; 15% housing, and 3% car parks. These actions are managed by different operators; sectors and districts of the City of Barcelona and its municipal agencies and firms.

Capital Revenue and Expenses (percentages)					
	2002	2003	2004	2005	2006
Direct Investment					
General Use	60.8	53.2	45.4	47.1	55.7
Related to Services	54.0	46.9	45.8	43.5	51.4
Total Direct Investment	114.8	100.1	91.2	90.6	107.1
Capital Transfers					
HOLSA	9.3	8.7	12.1	12.1	13.1
Metropolitan Transport Authority	4.2	3.8	5.3	6.1	6.0
Non-municipal Entities	3.9	5.5	11.8	4.7	2.1
Total Transfers	17.4	18.0	29.2	22.9	21.2
Financial Investment	2.3	1.4	0.1	0.0	0.0
Total Capital Expenses	134.5	119.5	120.5	113.5	128.3
Capital Revenue					
Capital Transfers	12.2	11.8	6.0	3.9	9.6
Assets Management	22.3	7.7	14.5	9.6	18.7
Total Capital Revenue	34.5	19.5	20.5	13.5	28.3
Net Investment	100.0	100.0	100.0	100.0	100.0

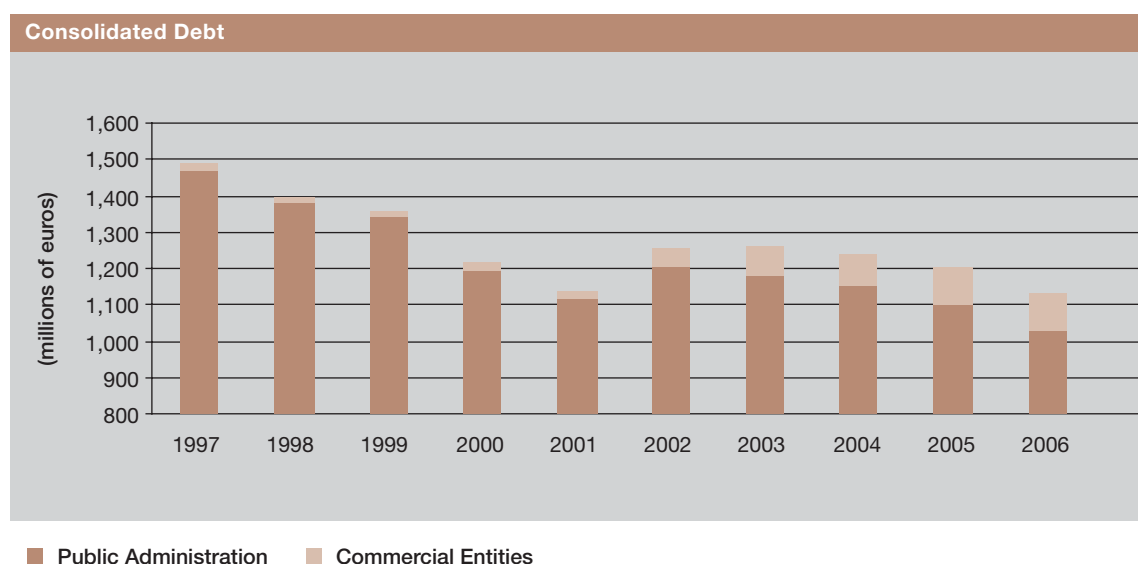


4.5. Financing

The City of Barcelona's consolidated debt as of December 31st, 2006, is 1,179 million euros, with a reduction of 91 millions as compared with December 31st, 2005. 90% of the debt

corresponds to the City of Barcelona and the remaining 10% to the Municipal Agencie for Housing and the Barcelona de Serveis Municipals group, entities which are mainly funded by commercial revenue.

Consolidated Financial Debt (thousands of euros)					
	12.31.02	12.31.03	12.31.04	12.31.05	12.31.06
Public Administration	1,265,113	1,244,525	1,206,640	1,148,353	1,061,206
Commercial Entities	62,239	91,793	104,387	121,520	117,637
Total Debt	1,327,352	1,336,318	1,311,027	1,269,873	1,178,843



Public Administration

Debt in the public administration sector corresponds entirely to the City of Barcelona's debt. In 2006, the City of Barcelona formalized no new debt operation and repaid bank loans to the amount of 87 million euros, in accordance with the terms laid down in the contracts of the operations.

Commercial Entities

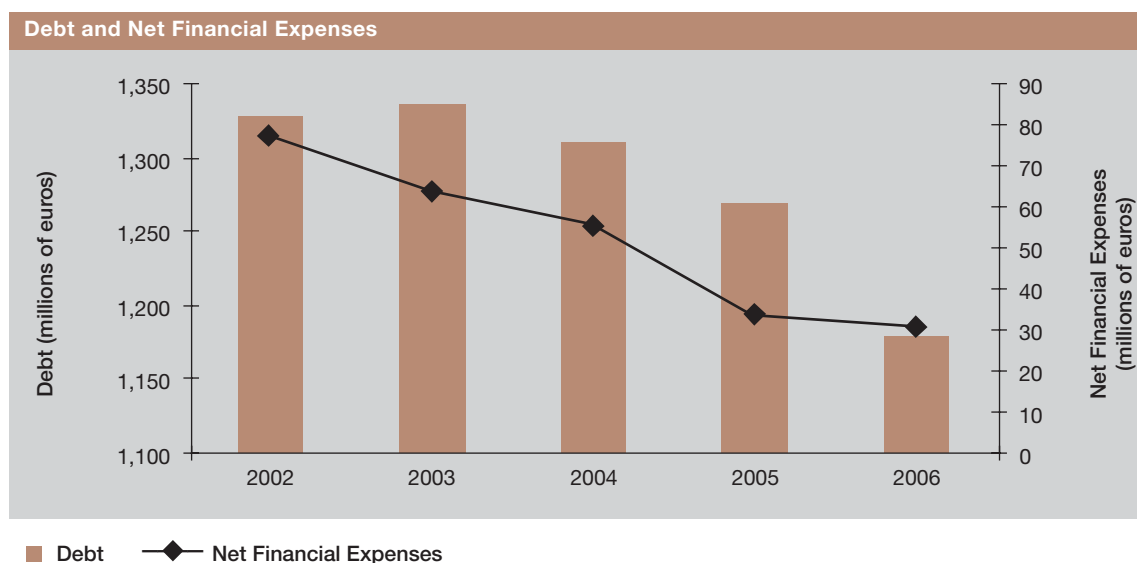
The debt of commercial entities was reduced overall by 4 million euros. While the Municipal Agencie for Housing's debt grew by 5 million euros, the Barcelona de Serveis Municipals groups's debt fell by 9 million euros.

Consolidated Financial Debt (thousands of euros)					
	12.31.02	12.31.03	12.31.04	12.31.05	12.31.06
European Union Market					
Bank Loans	567,506	664,141	675,644	709,671	618,641
Private Placement	276,621	240,374	260,000	340,000	340,000
Public Bond Issues	327,823	276,622	220,202	220,202	220,202
Subtotal	1,171,950	1,181,137	1,155,846	1,269,873	1,178,843
Non-European Union Market					
Private Placement	221	0	0	0	0
Public Bond Issues	155,181	155,181	155,181	0	0
Subtotal	155,402	155,181	155,181	0	0
Total Debt	1,327,352	1,336,318	1,311,027	1,269,873	1,178,843
Long-term Debt	1,324,198	1,336,231	1,311,027	1,269,873	1,178,843
Short-term Debt	3,154	87	0	0	0

The City of Barcelona's financial policy is aimed at controlling the increase in financial expenses, given a reasonable financial risk. For this reason, the financial strategy is based on obtaining resources in the financial markets of the Euro Zone; by using short-term debt

exclusively for covering transitory cash needs; by improving the profile of debt by maturities, maintaining annual contractual amortizations of debt substantially below gross saving, and by diversifying interest rate risk.

Consolidated Financial Debt (percentages)					
	12.31.02	12.31.03	12.31.04	12.31.05	12.31.06
European Union Market					
Bank Loans	42.8	49.7	51.6	55.9	52.5
Private Placement	20.8	18.0	19.8	26.8	28.8
Public Bond Issues	24.7	20.7	16.8	17.3	18.7
Subtotal	88.3	88.4	88.2	100.0	100.0
Non-European Union Market					
Private Placement	0.0	0.0	0.0	0.0	0.0
Public Bond Issues	11.7	11.6	11.8	0.0	0.0
Subtotal	11.7	11.6	11.8	0.0	0.0
Total Debt	100.0	100.0	100.0	100.0	100.0
Long-term Debt	99.8	100.0	100.0	100.0	100.0
Short-term Debt	0.2	0.0	0.0	0.0	0.0



Currently the City of Barcelona has no debt operations from outside the European Union. Slightly more than half the debt corresponds to bank loans and the rest to private placements on the German market and public bond issues.

Financial expenses in 2006 amounted to 41.6 million euros, 4.3% more than in 2005 due to the rise in interest rates on the financial markets. Nevertheless, net financial expenses fell by 9.5%. The average cost of debt increased from 3% in 2005 to 3.2% in 2006.

Fitch and Standard & Poor's upgraded the City of Barcelona's credit rating from AA to AA+, while Moody's Investors Service did so from Aa2 to Aa1.

4.6. Prospects

The position and prospects of the City of Barcelona's main financial figures are as follows:

The financial forecast are based on the following hypotheses: a) the Consumer Price Index (CPI) for 2007 is expected to be 3.4%, and an annual

3% during the rest of the period under consideration; b) the increase in Central Government taxes collection (ITE) is estimated at an annual 7%, and c) the three-month EURIBOR (Euro Interbank Offered Rate) interest rate will be on average 4% annually over the whole period.

The City of Barcelona's consolidated capital expenses for the period 2007-2011 is expected to exceed 3,500 million euros, based on the assumption that the financial conditions established by the 2004-2007 Municipal Action Plan will be kept in the future. These financial conditions are as follows: a) that gross savings from current operations represent at least 25% of current revenue, and b) that consolidated debt, including guarantees, is lower than 80% of current revenue.

The 2007 figures are based on the general trends anticipated in the initial budget approved for the above-mentioned fiscal period.

Current revenue for the coming years has been estimated according to the following hypotheses:

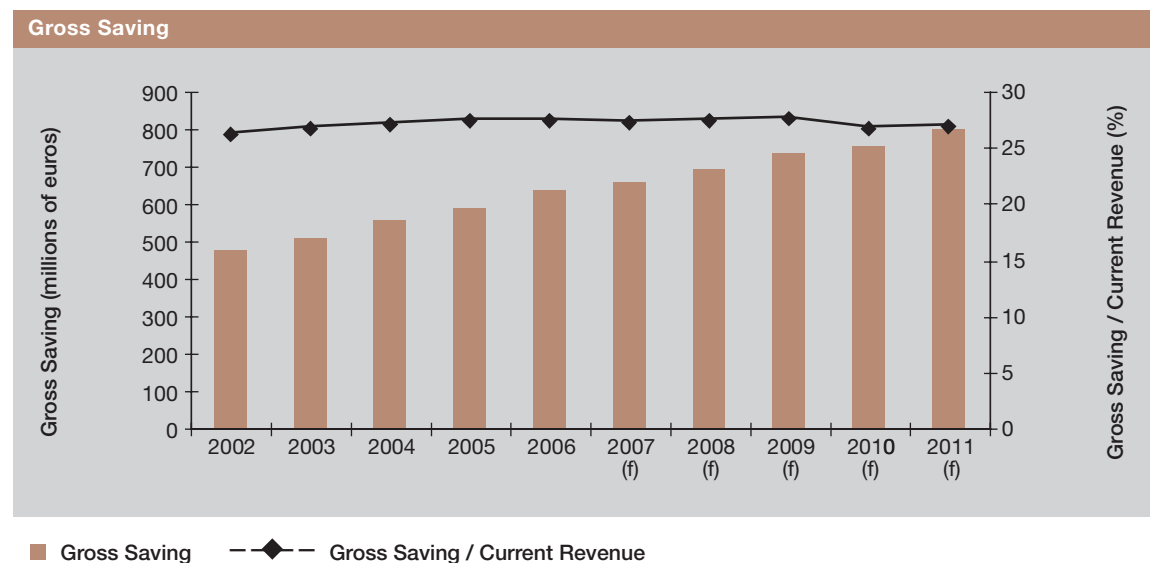
a) In general, from 2007 to 2011 local taxes will grow at the same rate as the inflation forecast. Shared taxes for 2007 are estimated according to information provided by the Ministry of Economy and the Treasury. In the coming years they are expected to grow by one percentage point greater than the CPI.

b) The new land values approved in 2001 will continue to be introduced into property tax. During 2007, this tax rate will be maintained at 0.75% of the official land value in general terms, and at 0.85% for 10% of non-residential property with greater official land value. Tax rates on the increase in land values and on constructions are 30% and 3.25%, respectively.

c) Revenue from charges, sale of goods and provision of services, as well as other operating revenue in 2007 are expected to grow at 4.4%, while from 2008 this figure is estimated to be 2.5% above the expected consumer price index.

d) The Supplementary Finance Fund for 2007 is based on the information provided by the Ministry of Economy and the Treasury. Over the rest of the period it is expected to grow by 7% on average.

e) The rest of revenue from current transfers is expected to grow annually by 2% above the rate of inflation.



Estimation of current expenses for the 2007-2011 period is based on the following hypotheses:

a) In 2007, personnel expenses will increase by 1% above the estimated rate of inflation, based on the conditions of the 2004-2007 collective

agreement. changes in category and the estimated evolution of the work force. Growth over the coming years is expected to be maintained at 1% above the rate of inflation.

b) Works, supplies and external services are expected to increase at an annual average of 6%.

c) Current transfers will increase on average at an annual rate of approximately 5.2%. The areas where greatest growth is expected are those devoted to the Municipal Association of the Barcelona Metropolitan Area, public transport and the Metropolitan Hidraulic Services and Waste Treatment Agency. Growth in current transfers during 2010 is estimated at 13.8%, since an increase in transfers to public transport is expected, once the payment of outstanding debt is completed.

d) The provision for bad debts is estimated by applying collection ratios to outstanding debts based on past experience and according to their period of maturity, bearing in mind the estimated evolution of local taxes and the balance of fines.

e) Financial expenses are based on the amount and structure of the estimated debt, and taking

into consideration the fact that the three-month EURIBOR interest rate will be an annual 4% average over the whole period.

As regards capital expenses, the figure for 2007 is based on the municipal investment programme included in the PAM 2004-2007. Estimates for the rest of the period are based on past experience. Over the whole 2007-2011 period, capital expenses in excess of 3,500 million euros are expected, with a more regular profile than that presented during the previous five-year period. A change in the composition of capital expenses is also expected, given that the agreement with HOLSA, which comes to an end in 2007, two years before the date initially established, will enable greater direct investment to be made. Furthermore, the reduction predicted in capital revenue comes as a result of the cessation of European funds.

Capital Revenue and Expenses (thousands of euros)					
	2007 (f)	2008 (f)	2009 (f)	2010 (f)	2011 (f)
Total Direct Investment	593,666	640,038	662,089	684,912	708,884
Capital Transfers					
HOLSA	27,075	0	0	0	0
Metropolitan Transport Authority	28,590	28,590	28,590	0	0
Non-municipal Entities	26,000	11,725	12,077	12,440	12,813
Total Transfers	81,665	40,315	40,667	12,440	12,813
Financial Investment	10,000	10,000	10,000	10,000	10,000
Total Capital Expenses	685,331	690,353	712,756	707,352	731,697
Capital Revenue					
Capital Transfers	22,500	2,000	2,000	2,000	2,000
Assets Management	41,500	30,000	30,000	30,000	30,000
Total Capital Revenue	64,000	32,000	32,000	32,000	32,000
Net Investment	621,331	658,353	680,756	675,352	699,697

In the light of the predicted evolution in gross saving and investment, a stabilization in the level of debt in absolute terms over the next few years is expected, as detailed in the table below:

Consolidated Financial Debt as of December 31st (millions of euros)						
	2006	2007 (f)	2008 (f)	2009 (f)	2010 (f)	2011 (f)
Public Administration	1,061	1,002	981	974	973	971
Commercial Entities	118	176	197	203	203	203
Total Debt	1,179	1,178	1,178	1,177	1,176	1,174
Guarantees	7	6	5	2	1	1
Total Debt and Guarantees	1,186	1,184	1,183	1,179	1,177	1,175
Total Risk / Current Revenue (%)	51.3	48.9	46.4	44.0	41.7	39.6

City of Barcelona Group Economic and Financial Position and Forecast (in thousands of euros)										
	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast	2011 Forecast
1. Current Revenue before Financial Revenue	1,815,473	1,899,123	2,050,059	2,138,778	2,299,713	2,414,069	2,539,734	2,672,559	2,812,973	2,961,435
2. Current Expenses before Financial Expenses	1,259,285	1,324,499	1,437,642	1,513,312	1,630,535	1,715,312	1,801,985	1,893,243	2,019,338	2,122,341
3. Primary Saving	556,188	574,624	612,417	625,466	669,178	698,757	737,749	779,316	793,635	839,094
Financial Revenue	10,693	8,031	5,630	6,455	11,347	6,898	7,105	7,318	7,538	7,764
Financial Expenses	87,871	71,147	60,598	39,909	41,623	43,199	44,844	44,838	44,790	44,746
4. Gross Saving	479,010	511,508	557,449	592,012	638,902	662,456	700,010	741,796	756,383	802,112
5. Net Investment	579,104	641,303	481,901	499,048	479,325	621,331	658,353	680,756	675,352	699,697
6. Surplus (Deficit)	(100,094)	(129,795)	75,548	92,964	159,577	41,125	41,657	61,040	81,031	102,415
Cash Variation	(35,650)	118,530	(55,399)	(55,864)	(74,810)	(40,756)	(41,051)	(59,849)	(79,921)	(101,370)
7. Cash Surplus (Deficit)	(135,744)	(11,265)	20,149	37,100	84,767	369	606	1,191	1,110	1,045
Assumption of Debt	1,132	2,299	5,142	4,054	6,263	0	0	0	0	0
8. Net Debt Variation	(134,612)	(8,966)	25,291	41,154	91,030	369	606	1,191	1,110	1,045
9. Total Outstanding Debt at Year-end	1,327,352	1,336,318	1,311,027	1,269,873	1,178,843	1,178,474	1,177,868	1,176,677	1,175,567	1,174,522

5

**City of Barcelona
2006 Annual Accounts
(along with the auditors'
report)**

A free translation of the report on the annual accounts originally issued in Catalan and prepared in accordance with generally accepted accounting principles for governmental entities in Spain. In the event of a discrepancy, the Catalan language version prevails

AUDITORS' REPORT ON ANNUAL ACCOUNTS

To the Mayor-President of
the Barcelona City Council:

We have audited the annual accounts of the BARCELONA CITY COUNCIL, consisting of the balance sheet as of December 31, 2006, the statement of revenues and expenses, the budget reconciliation statement and the related notes to the annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Corporation. Our responsibility is to express an opinion on these annual accounts taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain which require the examination, on a test basis, of evidence supporting the annual accounts and evaluation of their presentation, the accounting principles used as applicable to governmental entities in Spain and the estimates made.

For comparative purposes only, the Directors of the Corporation have presented for each item of the balance sheet, the statement of revenues and expenses and the statement of changes in financial position, the corresponding amounts for the previous year as well as the amounts for 2006. Our opinion refers exclusively to the annual accounts for 2006. On April 19, 2006, we issued our audit report on the 2005 annual accounts in which we expressed an unqualified opinion.

In our opinion, the accompanying annual accounts for the year 2006 give, in all material respects, a true and fair view of the net worth and financial position of the BARCELONA CITY COUNCIL as of December 31, 2006, and of the results of its operations as reflected in the statement of revenues and expenses and budget reconciliation statement referred to above, and its source and application of funds for the year then ended, and contain all the information, necessary for their interpretation and comprehension, in conformity with generally accepted accounting principles and standards for governmental entities in Spain, applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers Auditores, S.L.


Xavier Brossa Galofré
Partner

April 20, 2007

Gabinete Técnico
de Auditoría y Consultoría, S.A.



Enric Ribas Miràngels
Partner

City of Barcelona

Balance Sheet as of December 31, 2006 and 2005

(in thousands of Euros)

Assets		As of December 31, 2006	As of December 31, 2005
	Note		
Fixed Assets		6,330,138	5,878,878
Intangible Fixed Assets	3	5,629	2,978
Tangible Fixed Assets	3	6,207,580	6,157,562
Public Land Assets	3	221,506	6,020
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties	3	(590,578)	(632,946)
Fixed Assets Pending Classification and in Progress	3	795,506	558,102
Investments in Infrastructures and Assets for Public Use	3	5,422,441	5,325,527
Investments Assigned for Public Use	3 and 8	(5,422,441)	(5,325,527)
Investments Assigned for Public Use: HOLSA	2.3 and 3	24,629	73,055
Accumulated Depreciation	3	(528,281)	(474,772)
Long-term Financial Investment	4	190,120	188,879
Long-term Off-budget Receivables	5	4,027	-
Deferred Expenses	6	1,024	1,287
Current Assets		715,252	630,076
On-budget Receivable	7	575,342	623,180
Allowance for Bad Debt	7	(292,874)	(279,822)
		282,468	343,358
Other Off-budget Receivable		18,239	2,531
Public Administrations Receivable		-	5,962
Short-term Financial Investment		290,462	198,039
Cash		124,083	80,186
TOTAL ASSETS		7,046,414	6,510,241

Notes 1 to 20 of the attached report form an integral part of the balance sheet as of December 31, 2006.

City of Barcelona

Balance Sheet as of December 31, 2006 and 2005

(in thousands of Euros)

Liabilities		As of December 31, 2006	As of December 31, 2005
	Note		
Net Worth	8	4,987,660	4,340,476
Net Worth		7,455,680	7,380,701
Property Assigned to Municipal Agencies and Third Parties		(590,578)	(632,946)
Property Delivered for Public Use		(5,422,441)	(5,325,527)
Property Assigned by Municipal Agencies and Third Parties		52,822	52,311
Results of Previous Fiscal Years		2,865,937	2,345,599
Result of Fiscal Year		626,240	520,338
Deferred Income		335,168	343,492
Capital Transfers and Other Capital Income	9	238,628	274,817
Other Deferred Income	10	96,540	68,675
Long-term Provisions	11	98,207	77,948
Long-term Liabilities		985,631	1,148,473
Long-term Loans and Debentures	12	927,481	1,061,206
Long-term Guarantees and Deposits		23,930	14,212
Other Long-term Payables	13	9,591	-
Pluri-annual Transfers to HOLSA	2.3	24,629	73,055
Short-term Liabilities		639,748	599,852
Short-term Payables for Loans and Debentures	12	133,725	87,147
On-Budget Payables		366,703	379,136
Public Administration Payables	14	29,908	24,997
Other Off-budget Payables	15	81,993	69,491
Accrued Expenses	16	18,182	17,041
Amounts Pending Application		9,237	22,040
TOTAL LIABILITIES		7,046,414	6,510,241

Notes 1 to 20 of the attached report form an integral part of the balance sheet as of December 31, 2006.

Statements of Revenue and Expenses for the Fiscal Years Ended as of December 31, 2006 and 2005

(in thousands of euros)

Notes 1 to 20 of the attached report form an integral part of the statement of revenue and expenses as of December 31, 2006.

Report on the Annual Accounts for the Fiscal Year Ending December 31, 2006

Note 1 – Basis of Presentation

1.1. Accounting Policies

The annual accounts have been obtained from the City's accounting records for the fiscal year 2006 and have been prepared according to the generally accepted accounting principles for the Public Administrations in current Spanish legislation, in particular:

- a) Law 1/2006, of March 13, governing Barcelona's special regime.
- b) Law 7/1985, of April 2, governing the basis of law for local legislation.
- c) Royal Decree Law 781/1986, of April 18, approving the amendment to the current provisions for the local legislation.
- d) Legislative Decree 2/2003 of April 28, approving the amended text of the Municipal Law of the Local Government System of Catalonia.
- e) Legislative Royal Decree 2/2004, of March 5, approving the amended text of the Law Regulating Local Taxation (Law 39/1988, of December 28).
- f) Royal Decree 500/1990, implementing Law 39/1988.

- g) Normal Model of the Local Government Accounting Standards, order of November 23, 2004, taking effect on January 1, 2006.
- h) Documents on accounting principles issued by the Commission on Public Accounting Principles and Standards, created by resolution of the State Secretariat for the Treasury on December 28, 1990.
- i) Order of June 28th, 1999, on the deployment of Decree 94/1995, of February 21, on the financial monitoring of local entities.

1.2. Accounting System, Annual Accounts and General Account

In accordance with the Law 1/2006, governing Barcelona's special regime, the system of accounting information of the City of Barcelona consists mainly of the subsystems of the financial accounting, consolidation of accounts and budget accountancy.

The financial accounting is undertaken in accordance with the generally accepted accounting principles in order to offer a faithful rendering of the net worth and financial position of the City of Barcelona, and the results of its operations over the fiscal year. This is composed of:

- Balance sheet.
- Statement of revenue and expenses.
- Report.

The balance sheet has basically been drawn up according to the models established by the Local Government Accounting Standards (ICAL), applicable from January 1, 2006.

The statement of revenue and expenses has been drawn up in more detail than required by said standards in order to provide more thorough information on revenue and expenses.

The report is basically presented according to the models established by the said ICAL.

The figures contained in the documents composing these annual accounts are expressed in thousands of euros.

The consolidated accounts consists of the City of Barcelona accounts, those of its autonomous local agencies, public entities and dependent firms.

The budget account is composed of the budget results statement:

- Summary of status of revenue account budget.
- Summary of status of expenses account budget.
- Budget results.
- Budget Reserves

The budget results statement was approved by the Decree issued by the Mayor's Office on February 28, 2007. The general account will be submitted to the Municipal Council Plenum for approval, within the established statutory period.

1.3. Comparability of the Information

As a consequence of the entry into effect of Order EHA/4041/2004 on January 1, 2006, approving the new Local Government Accounting Standards, for the purpose of

presenting the annual accounts, and in order to ensure that the accounts for the fiscal year 2006 are comparable with those for the fiscal year 2005, certain entries from the fiscal year 2005 have been reclassified. This reclassification essentially affects the reclassification of accounts receivables and accounts payables between long-term and short-term, and the grouping of revenue entries of the statement of revenue and expenses.

In addition, in accordance with the basis of the account budget, from the fiscal year 2006 grants and capital transfers received by the City of Barcelona are recorded according to the accounting principle of correlation of revenue and expenses (see note 2.6).

Note 2 – Valuation Criteria

The most significant accounting criteria applied in drawing up the annual accounts are the following:

2.1. Tangible Fixed Assets

These include the City's assets and those in the public domain directly assigned to the provision of public services, which together constitute the local entity's long-term investments.

The assessment criteria for fixed assets are the following:

- a) Land and buildings. Additions made prior to January 1, 1992, are assessed according to an expert estimate of their current real market value made by an independent appraisal firm. For properties officially listed as of historic-

artistic interest, this value is equivalent to the cost of replacement. To this end, with regard to non-financial fixed assets, the document on accounting principles issued by the Commission on Public Accounting Principles and Standards defines replacement value as “the sum of the expenses necessary for the construction of an asset of identical nature and characteristics. In the case of buildings officially listed as of historic-artistic interest, this value should be that of reconstruction”. Subsequent additions are assessed at their purchasing price or, in the case of buildings received free of charge, at their appraised value..

- b) Machinery, installations, furniture, data-processing equipment and vehicles.
Additions are valued at their purchasing price.

- c) Fixed assets pending classification.
Additions are assessed at their purchasing price or cost of construction and are transferred to the corresponding tangible fixed assets caption or “Property delivered for public use” caption upon completion of the investment they require.

Repairs not contributing to an extension of the useful life, as well as maintenance costs, are charged directly to the statement of revenue and expenses. The costs of any additions or improvements extending the useful life of an asset are capitalized as an increase in its value.

The annual provision for depreciation is calculated by applying the straight-line method based on each asset’s estimated useful life. For property, this begins one month upon its incorporation into the City’s Asset Inventory.

	Estimated Years of Useful Life
Buildings	65
Property Assigned by Municipal Agencies or Third Parties	65
Technical Installations and Machinery	8-12,5
Vehicles	5
Fittings	6
Data-processing Equipment	4
Livestock	7
Bibliographic Fund and Others	8

The process of economic depreciation began in the fiscal year 1992. The estimated years of useful life corresponding to “Buildings” and “Property Assigned by Municipal Agencies and Third Parties” are determined according to the criteria of the aforementioned independent appraisal.

For properties with historic-artistic value, the depreciation is calculated based on the cost of

the fixed assets that would be required to replace them in terms of their capacity and usefulness. Therefore, the portion of the book value corresponding to the historic-artistic component of these structures, which amounts to 221,573 thousand euros, has been excluded from the calculation, in accordance with the aforementioned independent appraisal. This treatment is justified by the fact that the said

historic-artistic component is subject to maintenance, which guarantees its permanent value.

Property assigned by municipal agencies or third parties shows the value of the property assigned to the City of Barcelona, for their operation or use, coming from other entities.

The caption “Tangible Fixed Assets Assigned by Municipal Agencies and Third Parties” shows the book value of those assets freely assigned by the City of Barcelona to its municipal agencies and firms or to third parties for their operation or use, respectively.

When an asset is assigned, its retirement is recorded through a charge to the heading “Property Assigned to Municipal Agencies and Third Parties” on the balance sheet (see Note 8) and thus, it ceases to be amortized.

2.2. Public Land Assets

The Public Land Assets refers to the group of assets which, in accordance with Legislative Decree 1/2005, of July 26, approving the amendment of the Town Planning Law of Catalonia, and in accordance with the Barcelona Municipal Charter, are affected for the purposes of social interest established by law.

The balance of this caption as of January 1, 2006 has reclassified fulfilling the abovementioned regulations.

With this reclassification, the municipal properties included under this caption are as follows:

- Properties for social housing, administered by the City of Barcelona itself or municipal operators.
- Properties that have been awarded surface rights in favor of third parties, to build social housing, homes for the elderly, care centers and other social investments (Other Fixed Assets).
- Properties under investment projects which, once finished, are destined to be used for social housing and other social proceedings.

In previous fiscal years, these properties were grouped under the captions Tangible Fixed Assets, Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties, Fixed Assets Pending Classification and in Progress and Investments in Infrastructures and Assets for Public Use

The reclassification is included under the transfers column of the Fixed Assets movements statement.

2.3. Investment in Infrastructures and Assets Assigned to Public Use

The property delivered for public use include thoroughfare infrastructure (roads, pavement, sidewalks, public lighting, signs), the large facilities for public services (sewers and utility supplies), green spaces, trees, gardens and, in general, all assets constituting public property provided for the public use of citizens.

Additions made prior to January 1, 1992 are assessed according to the criteria described in Note 2.1. Subsequent additions are assessed at their purchasing price.

Upon completion of the investments in infrastructures and property for public use, their retirement is registered on the consolidated balance sheet with a charge to the "Property Delivered for Public Use" caption (see Note 8).

For the purposes of presentation, the assets caption on the balance sheet shows the assets assigned to municipal agencies or third parties for public use, as well as the corresponding compensatory sums to reflect their retirement. Likewise, Note 3 reflects the movements registered under these captions over the year.

Rule 220.2 of the Local Administration Standards in force until December 31, 2005 stated that, exceptionally, investments could be retained in the balance sheet even though they had been completed and assigned for public use. On December 31, 1994, in light of the extraordinary nature of the Olympic investments received from HOLSA, the City of Barcelona invoked this exception. Consequently, the assignment of these investments for public use for an initial cost of 353,533 thousand euros were debited to the caption "Property Delivered for Public Use" and credited to the caption "Investments Assigned for Public Use" over a period of time similar to that which would have applied had they been ordinary investments. This period reflects the rate of reduction in the associated liability, which is recorded under the caption "Pluri-annual Transfers to HOLSA" on the attached balance sheet.

The balance of the caption "Pluri-annual Transfers to HOLSA" was reduced by 48,426

thousand euros in 2006 with a credit to extraordinary results (see Note 17.6), according to the amount of HOLSA debt as of December 31, 2006. In addition, the accounts "Property Delivered for Public Use" and "Investments Assigned for Public Used" were debited and credited, respectively, for the aforementioned costs (see Note 3).

2.4. Long-term Financial Investment

Financial investments made by the City of Barcelona prior to January 1, 1992, in its municipal agencies and municipal firms, as well as other shareholdings, are recorded at their technical book value as of December 31, 1991. Subsequent additions are registered at their purchasing price.

As of December 31, 2006, the differences between the book value and the technical book value of those shareholdings with substantial losses have been provided for in the attached accounts (see Note 4).

2.5. On-budget Receivables

On-budget receivables are registered at their nominal value.

An allowance has been made established to cover bad debts.

The provision for bad debts is determined by applying the collectability ratio estimated by the City based on its past experience to the tax receivables currently under forcible collection and receivables for fines in both voluntary and enforced collection periods.

2.6. Capital Transfers and Other Capital Income

Upon their concession, capital transfers are recorded under the “Capital Transfers” caption in the liabilities column of the consolidated balance sheet and moved to assets when the investment they were financing is assigned for public use or, as described in Note 1.3, to the fiscal year’s results, in the proportion corresponding to the effective depreciation undergone and recorded in accounts, when the investment it finances has been a fixed asset.

Other capital income is registered at the time when the administrative operation producing it is carried out.

2.7. Other Deferred Revenue

Early collection on amounts deferred to years subsequent to the year of collection are recorded under the caption “Other Deferred Income” (see Note 10) save for the portion of such amounts that has been deferred to the immediately following year, which is recorded under the caption “Accrued Expenses” (see Note 16) under liabilities on the balance sheet prior to being credited to results.

2.8. Long-term Provisions

The balance of this caption reflects the provisions established to cover the economic costs of contingent or probable debts.

2.9. Classification of Long and Short-term Receivables and Debts

On the attached balance sheet, receivables, credits and debts that mature a period equal to or less than a year are classified as short-term ones. Those which mature within a period greater than a year are classified as long-term ones.

2.10. Revenue and Expenses

a) Financial and Budget Accounts

Revenue and expenses are primarily recorded in the statement of revenue and expenses in the fiscal year in which they occur, depending on the real flow of assets and services they represent and independently of the timing of the monetary or financial flow from which they are derived, except for those capital grants and transfers derived from agreements or conventions requiring the treatment described in Sections 2.6 and 2.10.b, respectively.

Revenue and expenses are included in the budget results account when the administrative measure recognizing the respective receivables and payables is taken.

b) Grants and Transfers Deriving from Agreements and Conventions

To record the expenses for transfers and grants stemming from agreements subscribed by

different parties, be they collaborative agreements, cooperative agreements, contract-programs or other similar agreements signed to co-finance or develop specific projects or activities (including capital grants to offset accumulated negative results), the grantor's obligation to pay arises at the moment when the debt matures and is liquid and payable on demand, in other words, when the requirements for payment have been met. The recognition of the grantor's payment obligation is recorded upon passage of the resolution by which the beneficiary's right to collect is recognized and quantified (approval of the budgets for each fiscal year).

c) Assigned Capital Transfers

This entry includes the City of Barcelona's contributions charged to the budget for financing investment processes not carried out by the municipal agencies or firms belonging to the municipal group.

2.11. Corporate Tax

Pursuant to Legislative Royal Decree 4/2004 of March 5, approving the Amended Text of the Corporate Tax Law, the City of Barcelona is exempt from payment of this tax and is not subject to the withholding of profits from their investments.

2.12. Environment

Expenses derived from actions intended to protect and improve the environment are recorded, where applicable, as expenses in the year they are incurred. This notwithstanding, should they entail incorporations to tangible fixed assets as a result of actions to minimize impacts on the environment or to protect and improve it, they are recorded as increased value of the fixed asset in question.

Note 3 – Intangible Fixed Assets, Tangible Fixed Assets and Infrastructures

The movement registered in the different tangible and intangible fixed asset and infrastructure accounts was as follows:

	12.31.2005	Additions	Retirements	Transfers	12.31.2006
Intangible Fixed Assets	2,978	160	–	2,491	5,629
Land	362,996	116,710	(37,039)	(3,237)	439,430
Buildings	5,019,300	35,535	(68,210)	30,424	5,017,049
Fixed Assets Assigned to Municipal Agencies and Third Parties	632,946	20	28,573	(70,961)	590,578
Vehicles	10,412	2,126	–	–	12,538
Machinery, Equipment, Installations and Tools	49,203	1,900	–	1,179	52,282
Data-processing Equipment	53,033	649	–	8,648	62,330
Office Furniture and Equipment	28,163	3,419	–	248	31,830
Other	1,509	34	–	–	1,543
Tangible Fixed Assets	6,157,562	160,393	(76,676)	(33,699)	6,207,580
Public Land Assets	6,020	19,975	(1,161)	196,672	221,506
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties	(632,946)	(20)	(28,573)	70,961	(590,578)
Fixed Assets Pending Classification	558,102	460,652	(4,126)	(219,122)	795,506
Investments in Infrastructures and Assets for Public Use	5,325,527	4,788	(747)	92,873	5,422,441
Investments Assigned for Public Use	(5,325,527)	(4,788)	747	(92,873)	(5,422,441)
Investments for Public Use: HOLSA	73,055	–	–	(48,426)	24,629
Gross Tangible and Intangible Fixed Assets and Infrastructures	6,164,771	641,160	(110,536)	(31,123)	6,664,272
Accumulated Depreciation	(474,772)	(57,417)	3,908	–	(528,281)
Net Tangible and Intangible Fixed Assets and Infrastructures	5,689,999	583,743	(106,628)	(31,123)	6,135,991

In accordance with applicable regulations, the City of Barcelona records the value of lands containing any type of building under the caption “Buildings”. This caption includes

2,351,858 thousand euros as of December 31, 2006, and 2,322,252 thousand euros as of December 31, 2005, corresponding to the value of lands containing buildings.

Additions over the fiscal year include the following:

Investments Carried Out Directly by the City of Barcelona	168,837
Capital Transfers for Investments:	
– Investments carried out by decentralized entities (autonomous local agencies, public entities and municipal firms), pursuant to the terms of the Decree issued by the Mayor's Office on April 3, 1997	276,545
– Investments carried out by third parties	3,410
Investments Financed by Third Parties	99,278
Assets Received on Exchange	71,267
Reversion of Assets on Concession	21,823
	641,160

Retirements carried out over the fiscal year include the following:

By Sale	33,132
By Free Property Ownership Assignments to Municipal Agencies and Other Administrations	25,419
By Delivery of Assets on Exchange	22,842
By Free Assignment of Surface Rights to Municipal Agencies and Other Administrations	24,447
By Free Assignment of Assets to Municipal Firms	4,126
Others	570
	110,536

Transfers for the fiscal year were as follows:

Property Delivered for Public Use	92,873
Property Assigned to Municipal Agencies and Third Parties	(70,962)
VAT Receivable from Treasury for Assisted Contributions Registered at the Time as Greater Fixed Asset Value	18,245
Long-term Receivables for Disposal of Fixed Assets	(4,060)
Tangible Fixed Assets Profits	(4,523)
Tangible Fixed Assets Losses	1,803
Property Assigned by Municipal Agencies and Third Parties	(1,623)
Others	(630)
	31,123

Additions in accumulated depreciation (57,417 thousand euros) include provisions for the fiscal year amounting to 54,545 thousand euros, as well as other additions charged to expenses in previous fiscal years (2,872 thousand euros), corresponding to property that has been reverted in 2006. The retirements from amortizations correspond to sales and exchange of assets amounting to 3,908 thousand euros.

The details of investments assigned for public use is as follows:

Buildings	10,409
Equipments	7,250
Parks and Forests	1,245,009
Mixed	304,019
Systems	649,317
Thoroughfares	2,418,542
Municipal Assets of an Artistic Nature	111,107
Urban Furniture	73,224
Property for Public Use: HOLSA	603,496
Others	68
Total	5,422,441

In addition, the purchasing cost of the items completely written off as of December 31, 2006 is as follows:

Vehicles	6,383
Machinery, Equipment, Installations and Tools	11,502
Data-processing Equipment	35,958
Office Furniture and equipment	12,464
Others	411
Total	66,718

The policy of the Group is to contract the insurance policies that are considered necessary in order to cover the possible risks that could affect the fixed asset elements.

Note 4 – Long-term Financial Investments

The movement registered under the long-term financial investments account over the fiscal year 2006 was as follows:

	12.31.2005	Additions	Retirements	Transfers	12.31.2006
Financial Investments	169,872	114	(22,476)	(102)	147,408
Sale of Long-term Fixed Assets	20,587	34,561	–	(10,856)	44,292
Long-term Deposits and Guarantees	262	–	–	–	262
Provision for Depreciation of Financial Fixed Assets	(1,842)	–	–	–	(1,842)
Total	188,879	34,675	(22,476)	(10,958)	190,120

Additions for sale of long-term fixed assets were as follows:

Assignment of Surface Rights: Charges to be Levied in Future Fiscal Years	20,971
Property to be Received in Future for Exchange Operations	6,121
Credit Selling of:	
– Land Assets	5,089
– Public Land Assets	2,380
Total	34,561

Within the analytical framework of the chart of accounts and pursuant to the approval of the new ICAL, 22,244 thousand euros corresponding to the long-term financial investment of the municipal agencies have been cancelled and debited to extraordinary results (Note 17.6).

Pursuant to firm restructuring undergone by the Barcelona Tecnologia, SA and Telecom Vallès, SA firms, the City of Barcelona has ceased to hold a share in these entities.

The items registered for transfers in the sale of long-term fixed assets account were as follows:

Reception of Assets on Exchange for Operations Formalized in Previous Fiscal Years:	
– From Public Land Assets	4,060
– Off-budget Receivables for Amounts to be Collected in 2007 from Operations to be Included in that Budget	6,796
Total	10,856

The financial investments carried out by the City of Barcelona as of December 31, 2006, are shown in the table below:

Long-term Financial Investments. Data as of December 31, 2006

Name	Interest Held %	Net Worth as of 12.31.06 Before Result (1)	2006 Fiscal Year Result (1)	Technical Book Value 12.31.06 (1)	Book Value of the Holding 12.31.06 (*)
Municipal Agencies:					
Autonomous Local Agencies					
MA Disabled Persons	100	654	212	866	–
MA Urban Landscape and Quality of Life	100	1,350	241	1,591	–
MA Mies Van Der Rohe Foundation	100	6,277	198	6,475	–
MA Education	100	4,546	560	5,106	–
MA IT Services	100	667	317	984	–
MA Town Planning	100	2,029	55	2,084	–
MA Finances	100	909	542	1,451	–
MA Markets	100	5,516	44	5,560	–
Public Entities					
MA Housing	100	38,119	(1,762)	36,357	–
MA Culture	100	2,216	2	2,218	–
MA Parks and Gardens	100	2,430	390	2,820	–
MA Barcelona Sports	100	78	(83)	(5)	–
Total		64,791	716	65,507	–
Municipal Firms					
Barcelona de Serveis Municipals Group (2)	100	178,130	17,066	195,196	69,809
Barcelona d'Infraestructures Municipals Group (2)	100	16,269	508	16,777	12,949
Informació i Comunicació de Barcelona, SA	100	1,597	48	1,645	1,500
Barcelona Activa, SA, SPM	100	2,291	39	2,330	2,013
SM Barcelona Gestió Urbanística, SA	100	522	55	577	61
Total		198,809	17,716	216,525	86,332
Interest of Less than 50%					
Barcelona Holding Olímpic, SA (HOLSA)	49	43,161	35	43,196	42,878
Barcelona Sagrera Alta Velocitat, SA	25	150	–	150	150
Barcelona Emprèn CR, SA	22.99	1,391	(93)	1,298	1,598
Barcelona Ventures SGEGR, SA	22.99	121	(9)	112	102
Barcelona Regional AMDUI, SA	20.63	374	3	377	271
Fira 2000, SA	12.77	14,691	(159)	14,532	14,220
Port Fòrum Sant Adrià, SL	5	14	1	15	15
Total		59,902	(222)	59,680	59,234
Total Financial Investments					145,566
Long-term Guarantees and Deposits					262
Long-term Disposal of Fixed Assets					23,236
Future Property Exchange					21,056
Total Long-term Financial Investments					190,120

(*) Figure in the City of Barcelona's individual accounts as of December 31, 2006.

(1) Adjusted to interest held.

(2) Net Worth includes negative consolidation differences, which for the Barcelona de Serveis Municipals group amount to 2,652 thousand euros and for the Barcelona d'Infraestructures Municipals group 355 thousand euros.

The items for the Barcelona de Serveis Municipals, SA group and the Barcelona d'Infraestructures Municipals, SA group are as follows (Data as of December 31, 2006):

Name	Interest Held %	Net Worth as of 12-31-06 Before Result (1)	2006 Fiscal Year Result (1)	Net Worth as of 12.31.06 (1)
Barcelona de Serveis Municipals, SA Group				
Barcelona de Serveis Municipals, SA	100	160,136	10,179	170,315
Parc d'Atraccions Tibidabo, SA	100	7,130	1,159	8,289
Tractament i Selecció de Residus, SA	58.64	19,248	2,237	21,485
Selectives Metropolitanes, SA (2)	58.64	1,064	792	1,856
Solucions Integrals per als Residus, SA (2)	58.64	1,489	453	1,942
Carreras i Fontanals, SA (2)	58.64	57	(8)	49
Cementiris de Barcelona, SA	51	31	852	883
Serveis Funeraris de Barcelona, SA	51	7,767	5,053	12,820
Transports Sanitaris Parets, SL (3)	26.01	32	21	53
Mercabarna, SA (4)	50.69	28,500	3,297	31,797
Barcelona d'Infraestructures Municipals, SA Group				
Barcelona d'Infraestructures Municipals, SA	100	15,402	108	15,510
Pronoubarris, SA	100	595	103	698
22 Arroba Bcn, SA	100	6,927	26	6,953
Agència de Promoció del Carmel i Entorns, SA	100	90	28	118
Proeixample, SA	62.12	6,217	236	6,453
Foment de Ciutat Vella, SA	51	3,714	40	3,754

(1) Adjusted to interest held.

(2) Interest held through Tractament i Selecció de Residus, SA.

(3) Interest held through Serveis Funeraris de Barcelona, SA.

(4) Provisional annual accounts.

The balance sheet and the statement of revenue and expenses for the fiscal year 2006 refer to the City of Barcelona individually. The changes resulting from the application of consolidation criteria to the City of Barcelona's individual annual statements are as follows (in thousands of euros):

	City of Barcelona	Consolidated
Fixed Assets	6,331,162	6,804,202
Current Assets	715,252	916,387
Total Assets	7,046,414	7,720,589
Capital Before Results	4,361,420	4,532,122
Rest of Long-term Liabilities	1,419,006	1,761,346
Current Liabilities	639,748	776,952
Result of Fiscal Year	626,240	650,169
Total Liabilities	7,046,414	7,720,589
Ordinary Revenue	2,039,749	2,311,060
Ordinary Expenses	1,631,103	1,885,282
Extraordinary Results	217,594	224,391
Results of Fiscal Year	626,240	650,169

The directors intend to draw up separate consolidated annual statements and accounts.

The table below shows the total amounts corresponding to the City of Barcelona's transactions and balances with its municipal agencies, municipal firms and with other firms in which it holds and interest:

	Current and Capital Transfers	Other Expenses	Revenue	Accounts Receivable	Accounts Payable
Municipal Agencies	303,785	3,290	7,800	2,165	82,534
Municipal Firms	104,152	367	67,576	10,837	74,098
Firms in which the City Holds an Interest	69,876	84	0	0	3,449
Total	477,813	3,741	75,376	13,002	160,081

Note 5 – Long-term Off-budget Receivable

Includes the long-term maturity amounts to be collected, deriving from the deferment and division of tax receivables owing to the City of Barcelona.

Note 6 – Deferred Expenses

As of December 31, 2006, the only deferred expenses were those corresponding to note and bond issues and loan arrangements. The movements registered in the account were as follows:

Loan Arrangement Expenses	
Balance as of December 31, 2005	1,287
Expenses for Arrangement of New Operations	–
Allocation to Results as Financial Expenses	(263)
Balance as of December 31, 2006	1,024

The allocation to results as final expenses is made annually and is calculated in a linear manner until the maturity of the formalized operations.

Note 7 – On-budget Receivable

On-budget receivables as of December 31, 2006, were classified according to their nature as shown below:

Item	Receivable
Direct Taxes	174,142
Indirect Taxes	12,402
Charges and Other Revenues	282,931
Current Transfers	50,709
Capital Gains	10,967
Disposal of Real Investments	588
Capital Transfers	43,603
Total Receivable	575,342

The amounts and movements registered in the account for the provision for bad debts as of December 31, 2006, were as follows:

Balance as of December 31, 2005	279,822
Amount Charged to Statement of Revenue and Expenses	53,841
Bad Debts Written off	(40,789)
Balance as of December 31, 2006	292,874

The provision for bad debts is determined by applying the estimated collectability ratio estimated by the City of Barcelona based on its past experience to the tax receivables currently under forcible collection (168,378 thousand euros) and receivables for fines in both voluntary and enforced collection periods (195,734 thousand euros)..

Note 8 – Net Worth

The amounts and movements registered in the net worth accounts over the fiscal year ended December 31, 2006, were as follows:

	Net Worth	Property Assigned to Municipal Agencies and Third Parties (see Note 2.2)	Property Delivered for Public Use (see Note 2.3)	Property Assigned by Municipal Agencies and Third Parties (see Note 2.1)	Results of Previous Fiscal Years	Results of Fiscal Year 2006	Total
Initial Balance	7,380,701	(632,946)	(5,325,527)	52,311	2,345,599	520,338	4,340,476
Results 2006	–	–	–	–	–	626,240	626,240
Allocation of 2005 Results	–	–	–	–	520,338	(520,338)	–
Change in Property Assigned to Third Parties	–	42,368	–	–	–	–	42,368
Change in Property Assigned by Third Parties	–	–	–	511	–	–	511
Transfer of Capital Transfers (Note 9)	74,979	–	–	–	–	–	74,979
Property Delivered for Public Use (Note 3)	–	–	(92,873)	–	–	–	(92,873)
Additions Delivered for Public Use (Note 3)	–	–	(4,788)	–	–	–	(4,788)
Retirements Delivered for Public Use (Note 3)	–	–	747	–	–	–	747
Final Balance	7,455,680	(590,578)	(5,422,441)	52,822	2,865,937	626,240	4,987,660

Note 9 – Capital Transfers and Other Capital Income

The movements under this caption on the attached balance sheet for the fiscal year ended December 31, 2006, were as follows:

Balance as of 12.31.05	Transfer and Other Income Received	Transfer to Net Worth (Note 8)	Transfer to Results (Note 17.6)	Balance as of 12.31.06
274,817	53,525	(74,979)	(14,735)	238,628

Of the 14,735 thousand euros transferred to results, 13,466 thousand euros correspond to amortizations from previous years of the financed investments.

Note 10 – Other Deferred Income

The movement registered under this caption over 2006 was as follows:

Balance as of December 31, 2005	68,675
Additions during Fiscal Year	30,666
Transfer to Accrued Expenses (Note 16)	(2,801)
Balance as of December 31, 2006	96,540

The balance as of December 31, 2006, corresponds revenue received in advance for the usage of assets under municipal ownership. The revenue received in advance is transferred annually to the statement of revenue and expenses in accordance with the straight-line method over the period corresponding to the assignment, which is set at 2080 at the latest.

Note 11 – Long-term Provisions

The purpose of the “Long-term Provisions” account is to cover possible future commitments whose maturity dates and amounts cannot yet be known with certainty.

The movements under this caption were as follows:

Balance as of December 31, 2005	77,948
Amount Charged to “Miscellaneous Expenses”	27,219
Application of the Provision to its Purpose:	
- Payable to Extraordinary Results	(6,960)
Balance as of December 31, 2006	98,207

The purpose of this account is to cover contingencies of a generic nature that might arise from the activity itself, as well as the provisions for court cases and legal claims.

Note 12 – Loans and Debentures

The outstanding amount as of December 31, 2006, corresponding to long-term loans and debentures subscribed by the City of Barcelona can be broken down as follows:

Loans and Debentures			
Description	Outstanding Amount as of 12.31.2006	Long-term	Short-term
Banking System	501,004	487,481	13,523
Private Investment	340,000	340,000	0
Public Issues	220,202	100,000	120,202
Total Debt	1,061,206	927,481	133,725

The part of the long-term debt which matures in less than a year is reclassified under the caption “Short-term Payables for Loans and Debentures”.

The movements of subscribed long-term loans and debentures during the fiscal year 2006 were as follows:

Balance as of December 31, 2005	1,148,353
New Operations	0
Contractual Repayments	(87,147)
Balance as of December 31, 2006	1,061,206

As of December 31, 2006, there were unexecuted stand-by lines for a total of 238 million euros.

The debit profile by maturities as of December 31, 2006, was as follows:

Maturity	Amount
2007	133,725
2008	121,705
2009	123,523
2010	112,020
2011	103,721
2012	93,721
2013	20,721
2014	92,754
2015	112,754
2016	32,754
2017 and Beyond	113,808
Total	1,061,206

The average interest rate over the 2006 fiscal year was 3.2%.

As of December 31, 2006, 66.0% of the City of Barcelona's financial debt had a fixed interest rate and 34.0% had a floating interest rate.

Note 13 – Other Long-term Payables

The caption "Other Long-term Payables" records debts with suppliers of tangible assets maturing in a period longer than a year. Movements during the fiscal year 2006 were as follows:

Balance as of December 31, 2005	–
Additions during the Fiscal Year	17,325
Transfers to Other Off-budget Payables (Note 15)	(7,734)
Balance as of December 31, 2006	9,591

Note 14 – Public Administrations

The breakdown of these accounts is as follows:

	Credit
Value Added Tax	4,390
Personal Income Tax	6,544
Social Security	18,974
Balance as of December 31, 2006	29,908

Note 15 – Other Off-budget Payables

The balance for this caption is as follows:

Deposits Received	25,002
Short-term Suppliers of Fixed Assets	9,384
Bonus Payments to Personnel in 2007 for Attendance and Punctuality in 2006 as well as the June Holiday Bonus	17,114
Other Payables	11,280
Payable to Administrations for IAE and IBI surcharges	19,213
Other Short-term Off-budget Payables	81,993

The movement for short-term suppliers of fixed assets during the fiscal year 2006 was as follows:

Balance as of December 31, 2005	3,300
Transfers to Other Long-term Payables (Note 13)	7,734
Retirements during the Fiscal Year	(1,650)
Balance as of December 31, 2006	9,384

Note 16 – Accrued Expenses

The “Accrued Expenses” account under liabilities on the attached balance sheet reflects the City of Barcelona’s definite liabilities as of December 31, 2006, in accordance with their accrual periods and regardless of the date of requirement of payment on demand, and is as follows:

Accrued Unmatured Interest as of December 31, 2006	7,868
Prepaid Income of Can Tunis Nou Housing Development	7,513
Short-term Transfer of Deferred Income (see Note 10)	2,801
Total	18,182

Note 17 – Statement of Results for Fiscal Year 2006

17.1. Personnel Expenses

This entry includes the wages and salaries of the City of Barcelona personnel, social security and other welfare expenses.

17.2. Welfare Benefits

Welfare benefits include the amounts paid by the City of Barcelona in 2006 as grants to class D and E employees as well as to the cleaning staff, parking attendants, night watchmen and the Municipal Police Force gold medal, amounting to 1,376 thousand euros.

17.3. Works, Supplies and Subcontracted Services

This entry corresponds to the purchase of goods and services needed for municipal activities to run smoothly, as well as for the conservation and maintenance of investments. It includes the service contracts subscribed by the City of Barcelona with different private firms to enhance the functioning of the city, such as, for example, those for refuse collection and street cleaning.

17.4. Current Transfers (Expenses)

For those activities carried out by autonomous local agencies, public entities and municipal firms corresponding to the provision of public

services that fall within the scope of operation of the City of Barcelona, through direct management as delegated by the City in accordance with the current terms of legislation (the Law governing the basis of law for local legislation and the Regulation for works, activities and services of local entities), the City of Barcelona transfers the budgetary financing. This is reflected under the caption "Current

Transfers" on the attached statement of revenue and expenses.

Such budget current transfer is established bearing in mind the assumptions of a balanced budget set out in the Law regulating local taxation.

The main payees were as follows:

Autonomous Local Agencies (City of Barcelona)	173,575
Municipal Public Entities (City of Barcelona)	122,701
Municipal Firms (City of Barcelona)	99,578
Municipal Association of the Barcelona Metropolitan area and EMSHTR	118,047
Consortia	34,932
Non-profit Organizations	9,063
Metropolitan Transport Authority	45,041
Firms	9,233
Autonomous Community	4,883
Others	27,259
Total	644,312

17.5. Capital Transfers (Expenses)

This entry includes the transfers made by the City of Barcelona from its budget for financing those investment processes not carried out by municipal agencies or firms belonging to the municipal economic group.

The main payees were as follows:

Municipal Public Entities (City of Barcelona)	7.370
Municipal Firms (City of Barcelona)	4.574
Barcelona Holding Olímpic, SA	62.958
Consortia	162
Metropolitan Transport Authority	28.590
Others	2.930
Total	106.584

17.6. Extraordinary Results

Extraordinary results can be broken down as follows:

	Expenses	Revenue
Pluri-annual Transfers to HOLSA (see Note 2.3)	–	48,426
Fixed Assets	39,853	206,581
Modification of Receivables, Payables and Provisions	62,412	47,749
Reversion of Assets on Concession (Note 3)	–	21,823
Disposal of Financial Investments: Municipal Agencies (Note 4)	22,244	–
Capital Transfers Allocated to Results	–	14,735
Other Extraordinary Results	–	2,789
Net Extraordinary Result		217,594

17.7. Sale of Goods and Services

This entry mainly includes public prices charged for the provision of services, as well as revenue derived from the provision of services under private regime.

tax on motor vehicles, which is a tax levied on the ownership thereof, irrespective of the vehicle's class or category; taxes on construction, installations and works, levied according to the cost of the project for which the license has been requested; tax on the increase in urban land value, a direct tax levied on the increases registered in the value of these lands made evident upon their transfer.

17.8. Other Operating Revenue

Other operating revenue essentially comprises interest and profit-sharing, public prices for the private use or special operation of municipal assets in the public domain (such as parking lots, newsstands, outdoor tables for bars and restaurants, etc.), fines and other penalties for offences.

This caption also includes the amount resulting from the assignment of Central Government taxes, as a consequence of the entry into effect of the new model of financing for the public sector, approved by Law 51/2002, of December 27, of the reform of Law 39/1988, of December 28, Regulating Local Taxation.

17.9. Taxes

This group includes the following local taxes: property tax, levied on property; tax on economic activities, levied on certain business activities, in accordance with the type of activity, the space occupied and the location;

17.10. Other Tax Revenue

Grouped under the caption "Other Tax Revenue" are, basically, the charges for the sale of services and use of the public domain.

**17.11. Currents Grants and Transfers
(Revenue)**

This caption includes the amounts received from the Central Government Supplementary Finance Fund, as well as the earmarked grants from the Central Government, the autonomous community and local entities.

Note 18 – Other Information

As of December 31, 2006, the guarantees provided by the City of Barcelona to cover credit operations amounted to 3,715 thousand euros.

The fees to be received by PriceWaterhouseCoopers Auditores, S.L. and Gabinete Técnico de Auditoría y Consultoría, S.A., for auditing services and the expenses incurred for the provision thereof in fiscal year 2006 came to 696 thousand euros, including VAT. Pursuant to the terms of the adjudication of the audit tender, these fees, invoiced to the City of Barcelona, include those of the municipal agencies and firms forming part of the City group, and the appropriate portion thereof will be duly charged each of them.

Note 19 – Statement of Changes in Financial Position for the 2006 and 2005 Fiscal Years

Application of Funds	2006 Fiscal Year	2005 Fiscal Year	Source of Funds	2006 Fiscal Year	2005 Fiscal Year
Acquisition of Fixed Assets:			Funds from Operations	519,748	580,113
Tangible Fixed Assets (1)	432,987	394,226	Sale of Tangible Fixed Assets (1)	57,351	28,212
Financial Fixed Assets	1,659	15,180	Transfers of Fixed Assets to Off-budget Receivables	25,041	–
Long-term Off-budget Receivables	4,027	–	Disposal of Financial Fixed Assets	–	1,472
Repayment of Long-term Loans and Debentures	133,725	87,146	Net Change in Long-term Guarantees and Deposits	9,718	991
Pluri-annual Transfers to HOLSA	48,426	50,375	Capital Grants	53,525	28,501
Loan Arrangement Expenses	–	314	Deferred Income	3,522	388
Revenue Transfers to Short-term Liabilities	2,801	–	Long-term Debts	–	100,000
Total Funds Applied	623,625	547,241	Total Funds Obtained	668,905	739,677
Sources of Funds in Excess of Applications of Funds (Increase in Working Capital)	45,280	192,436	Application of Funds in Excess of Sources of Funds (Decrease in Working Capital)	–	–
Total	668,905	739,677	Total	668,905	739,677

Change in Working Capital	2006 Increase	2006 Decrease	2005 Increase	2005 Decrease
Accounts Receivable	–	51,144	26,677	–
Short-term Financial Investments	92,423	–	148,289	–
Cash	43,897	–	42,142	–
Accounts Payable	–	39,896	–	24,672
Total	136,320	91,040	217,108	24,672
Increase in Working Capital	45,280	–	192,436	–
Decrease in Working Capital	–	–	–	–

The funds obtained from operations were as follows:

	2006	2005
Net Results for the Fiscal Year	626,240	520,338
Provision for Depreciation (see Note 3)	54,545	57,066
Deferred Expenses (see Note 6)	263	248
Allocation of Long-term Provisions (see Note 11)	27,219	38,901
Financial Investment Provision (see Note 4)	–	–
Deferred Income Transferred to Results (see Note 10)	–	(2,277)
Application of Provision for Financial Fixed Assets (see Note 4)	–	–
Net Result of Fixed Assets	(166,824)	(7,201)
Capital Grants Transferred to Results (see Note 9)	(14,735)	–
Application of Long-term Provisions (see Note 11)	(6,960)	(26,962)
Funds Generated Through Operations	519,748	580,113

(1) Basically includes sales and investment of assets affecting budget.

Note 20 – Budgetary Information

2006 Budget Account

Summary of Status of Revenue Account Budget (in thousands of euros)

Caption	Initial Budget	Final Budget	Net Receivables	Receipts
1 Direct Taxes	651,355	651,355	680,229	642,702
2 Indirect Taxes	68,509	68,509	72,044	68,837
3 Taxes and Other Revenue	244,845	293,796	390,522	261,756
4 Current Transfers	854,428	876,249	876,043	833,242
5 Capital Gains	26,185	34,199	48,441	38,567
6 Disposal of Real Property	21,000	57,234	57,353	57,234
7 Capital Transfers	34,361	57,101	41,437	21,487
8 Financial Assets	0	47,667	0	0
9 Financial Liabilities	35,000	36,330	10,897	10,897
Total	1,935,683	2,122,440	2,176,966	1,934,722

Summary of Status of Expense Account Budget (in thousands of euros)

Caption	Initial Budget	Final Budget	Payables	Paid
1 Personnel Expenses	301,909	312,754	301,559	298,844
2 Current Goods and Service Expenses	374,999	423,804	405,040	283,913
3 Financial Expenses	44,872	43,650	35,352	35,342
4 Current Transfers	622,532	650,860	642,939	559,728
6 Real Property	383,179	180,173	151,004	106,213
7 Capital Transfers	118,045	422,710	384,943	281,619
8 Financial Assets	3,000	12	12	12
9 Financial Liabilities	87,147	88,477	88,326	88,146
Total	1,935,683	2,122,440	2,009,175	1,653,817

Budget Result

(in thousands of euros)

Net Non-financial On-budget Receivables

Revenue (Cap. 1 to 7)	2,166,069
Revenue (Cap. 8)	0
Total	2,166,069

Net Non-financial On-budget Payables

Expenses (Cap. 1 to 7)	1,920,837
Expenses (Cap. 8)	12
Total	1,920,849

Gross Saving	245,220
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Adjustments

Revenue (Cap. 9)	10,897
Expenses (Cap. 9)	88,326

Change in Financial Liabilities (Cap. 9)	(-) 77,429
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Net Saving	167,791
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Adjustments

Positive Financial Deviations	(-)25,346
Negative Financial Deviations	8,887
Payables Financed with Budget Reserves	30,758

Adjusted Budget Result	182,090
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Budget Reserves

(in thousands of euros)

1. (+) CASH FUNDS	414,546
2. (+) RECEIVABLES PENDING	568,112
(+) current budget	242,243
(+) previous budgets	333,099
(+) off-budget operations	2,008
(-) collections pending definitive application	(9,238)
3. (-) PAYABLES PENDING	450,101
(+) current budget	355,358
(+) previous budgets	11,047
(+) off-budget operations	83,696
(+) payments pending	0
I. Total Budget Reserves (1+2-3)	532,557
II. Bad debts outstanding	292,874
III. Affected financing excess	32,241
IV. Budget Reserces for general expenses (I-II-III)	207,442

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**The City of Barcelona Group
2006 Consolidated Accounts
(along with the auditor's report)**

A free translation of the report on the consolidated annual accounts originally issued in Catalan and prepared in accordance with generally accepted accounting principles for governmental entities in Spain. In the event of a discrepancy, the Catalan language version prevails

AUDITORS' REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the Mayor-President of
the Barcelona City Council:

We have audited the consolidated annual accounts of the BARCELONA CITY COUNCIL AND MUNICIPAL AGENCIES AND CITY-OWNED COMPANIES, which comprise the Consolidated Group, consisting of the consolidated balance sheet as of December 31, 2006, the consolidated statement of revenues and expenses, and the related notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the Corporation. Our responsibility is to express an opinion on these consolidated annual accounts taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and evaluation of their presentation, the accounting principles used as applicable to governmental entities in Spain and the estimates made.

For comparative purposes only, the Directors of the Corporation have presented for each item of the consolidated balance sheet, the consolidated statement of revenues and expenses and the consolidated statement of changes in financial position, the corresponding amounts for the previous year as well as the amounts for 2006. Our opinion refers exclusively to the consolidated annual accounts for 2006. On April 19, 2006, we issued our audit report on the 2005 consolidated annual accounts in which we expressed an unqualified opinion.

In our opinion, the consolidated accompanying annual accounts for the year 2006 give, in all material respects, a true and fair view of the net worth and financial position of the BARCELONA CITY COUNCIL AND MUNICIPAL AGENCIES AND CITY-OWNED COMPANIES (Consolidated Group) as of December 31, 2006, and of the results of its operations as reflected in the consolidated statement of revenues and expenses and its source and application of fund for the year then ended, and contain all the information necessary for their interpretation and comprehension, in conformity with generally accepted accounting principles and standards for governmental entities in Spain, applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers Auditores, S.L.

Gabinete Técnico
de Auditoría y Consultoría, S.A.

Xavier Brossa Galofré
Partner


Enric Ribas Miràngels
Partner

April 20, 2007

The City of Barcelona Group
Consolidated Balance Sheets as of December 31, 2006 and 2005

(in thousands of euros)

Assets		As of December 31, 2006	As of December 31, 2005
	Note		
Intangible Fixed Assets	4 a)	50,039	50,071
Intangible Fixed Assets		70,743	67,243
Provisions and Depreciations		(20,704)	(17,172)
Tangible Fixed Assets and Infrastructures	4 b)	6,584,506	6,124,821
Tangible Fixed Assets		6,804,885	6,745,640
Public Land Assets		221,506	6,020
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties		(590,578)	(632,946)
Fixed Assets Pending Classification and in Progress		828,975	580,976
Investments in Infrastructures and Assets for Public Use		5,422,441	5,325,527
Investment Assigned for Public Use		(5,422,441)	(5,325,527)
Investments for Public Use: HOLSA	3.3	24,629	73,055
Accumulated Depreciation and Provisions		(704,911)	(647,924)
Long-term Financial Investments		135,962	124,754
Interests in Associated Firms	5	51,764	52,122
Other Financial Investments	6	84,198	72,632
Long-term Trade Receivables	3.7	30,871	28,154
Fixed Assets		6,801,378	6,327,800
Deferred Expenses	7	2,824	3,261
Inventories	3.6	44,701	51,005
Provisions		(1,805)	(1,438)
		42,896	49,567
Accounts Receivable	8	679,774	694,608
Provisions	8	(303,145)	(288,519)
		376,629	406,089
Public Administrations Receivable	16	22,567	23,968
Short-term Financial Investments		317,337	238,267
Cash		155,117	102,326
Accrued Expenses		1,840	1,929
Current Assets		916,387	822,146
Total Assets		7,720,589	7,153,207

Notes 1 to 20 of the attached report form an integral part of the consolidated balance sheet as of December 31, 2006.

The City of Barcelona Group
Consolidated Balance Sheets as of December 31, 2006 and 2005

(in thousands of euros)

Liabilities		As of December 31, 2006	As of December 31, 2005
	Note		
Capital		5,182,291	4,512,143
Net Worth	9.1	4,355,363	3,814,700
Net Worth		10,321,617	9,726,300
Property Assigned to Municipal Agencies and Third Parties		(590,578)	(632,946)
Property Delivered for Public Use		(5,422,441)	(5,325,528)
Property Assigned by Municipal Agencies and Third Parties		46,765	46,874
Income Allocable to the City of Barcelona	9.2	650,169	536,193
Consolidated Income		661,786	545,539
Income Allocable to Minority Interests	11	(11,617)	(9,346)
Consolidated Reserves	10	176,759	161,250
Minority Interests	11	69,491	73,586
Capital Transfers and Other Capital Income	12	271,194	303,718
Other Deferred Income	13	171,661	129,276
Provisions for Contingencies and Expenses	14	111,633	93,656
Long-term Loans and Debentures	15	1,042,828	1,180,840
Long-term Guarantees and Deposits		25,100	15,403
Other Long-term Payables	3.7	44,810	36,253
Pluri-annual Transfers to HOLSA	3.3	24,629	73,055
Long-term Liabilities		6,943,637	6,417,930
Short-Term payables for Loans and Debentures	15	136,015	89,033
Accounts Payable		387,049	380,955
Payable to Public Agencies	16	56,168	45,531
Other Non-trade Payables		158,904	167,771
Accrued Expenses	17	38,816	51,987
Current Liabilities		776,952	735,277
Total Liabilities		7,720,589	7,153,207

Notes 1 to 20 of the attached report form an integral part of the consolidated balance sheet as of December 31, 2006.

The City of Barcelona Group
Consolidated Statement of Revenue and Expenses for the Fiscal Years Ended. December 31, 2006 and 2005
(in thousands of euros)

	Note	2006	2005	Note	2006	2005
Personnel Expenses	19.1	568,027	543,793	Taxes	19.4	746,894
Works, Supplies and Subcontracted Services	19.2	702,866	642,579	Other Tax Revenue	19.5	158,184
Financial Expenses		41,623	39,909	Sale of Services	19.6	263,255
Current Transfers	19.3	301,491	271,390	Other Operating Revenue	19.7	203,147
Provision to Allowance for Bad Debts and Others	8	58,081	54,843	Current Transfers	19.8	903,064
Share in Operating Result of Firms Accounted for by the Equity Method	2.2	70	707	Financial Revenue		11,347
				Other Revenue		25,169
Total Operating Expenses		1,672,158	1,553,221	Total Operating Revenue		2,311,060
Operating Result Before Capital Transfers		638,902	592,012			2,145,233
Capital Transfers	19.3	101,580	114,320			
Operating Result After Capital Transfers		537,322	477,692			
Provision for Depreciation of Fixed Assets	4	87,581	85,566			
Extraordinary Expenses	19.9	107,033	7,721	Extraordinary Revenue	19.9	331,424
Pre-tax Consolidated Surplus		674,132	553,893			169,488
Corporate Income Tax	16	12,346	8,354			
Consolidated Surplus		661,786	545,539			
Surplus Allocated to Minority Interest	11	11,617	9,346			
Surplus Allocated to the City of Barcelona		650,169	536,193			
TOTAL		2,642,484	2,314,721	TOTAL	2,642,484	2,314,721

Notes 1 to 20 of the attached report form an integral part of the statement of revenue and expenses as of December 31, 2006.

City of Barcelona and its Municipal Agencies and Firms

Report on the Consolidated Annual Statement for the Year 2006

Note 1 - Nature of the Consolidated Group

The City of Barcelona Group is comprised of the City of Barcelona, its municipal agencies (autonomous local agencies and public entities) and municipal firms that complement the City's activities through functional specialization and management improvement to offer maximum efficiency in service to its citizens.

Note 2 – Basis of Presentation and Consolidation Principles

2.1. Accounting Policies

The consolidated annual accounts are drawn up based on the audited individual accounts of each of the consolidated entities. The annual accounts of the City of Barcelona and its municipal agencies are prepared according to the accounting principles set out for public administrations in current Spanish legislation, in particular:

- a) Law 1/2006, of March 13, governing Barcelona's special regime.
- b) Law 7/1985, of April 2, governing the basis of law for local legislation.
- c) Royal Decree Law 781/1986, of April 18, approving the amendment to current provisions for the local legislation.

d) Legislative Decree 2/2003, of April 28, approving the amended text of the Municipal Law of the Local Government System of Catalonia.

e) Legislative Royal Decree 2/2004, of March 5, approving the amended text of the Law Regulating Local Taxation (Law 39/1988, of December 28).

f) Royal Decree 500/1990, implementing Law 39/1988.

g) Normal Model of the Local Government Accounting Standards, order of November 23, 2004, taking effect on January 1, 2006.

h) Documents on accounting principles issued by the Commission on Public Accounting Principles and Standards, created by resolution of the State Secretariat for the Treasury on December 28, 1990.

i) Order of June 28, 1999, on the implementation of Decree 94/1995, of February 21, on the financial monitoring of local entities.

The annual accounts of the municipal public entities and municipal firms are drawn up in accordance with the Corporations Law, as amended, and with the directives set out in the Spanish General Accounting Plan approved by Royal Decree 1643/90.

The figures contained in the documents composing these annual consolidated accounts are expressed in thousands of euros.

The consolidated balance sheet has basically been drawn up according to the models

established by the Local Government Accounting Standards (ICAL) applicable from January 1, 2006. The consolidated statement of revenue and expenses has been drawn up in more detail than required by the said standards in order to provide more thorough information on revenue and expenses and, thereby, offering a faithful rendering of the net worth and financial position of the City of Barcelona group and the results of its operations over the fiscal year, in accordance with the accounting principles and standards applied to the sphere of public administration and accounting. The report is

basically presented according to the models established by said ICAL.

The budget statements corresponding to the City of Barcelona and its municipal agencies were approved by the Decree issued by the Mayor's office on February 28, 2007. The general account of the City of Barcelona and its municipal agencies, as well as the annual accounts of the municipal firms, will be submitted to the Municipal Council Plenum for approval within the established statutory period.

2.2. Consolidated Principles

The fully consolidated municipal agencies and municipal companies are as follows (data as of December 31, 2006):

Name	Interest Held %	Net Worth as of 12.31.06, Before Results	2006 Fiscal Year Results	Technical Book Value 12.31.06	Book Value of the Holding 12.31.06 (*)
Municipal Agencies:					
Autonomous Local Agencies					
MA Disabled Persons	100	654	212	866	–
MA Urban Landscape and Quality of Life	100	1,350	241	1,591	–
MA Mies Van Der Rohe Foundation	100	6,277	198	6,474	–
MA Education	100	4,546	560	5,106	–
MA IT Services	100	667	317	984	–
MA Town Planning	100	2,029	55	2,084	–
MA Finances	100	909	542	1,451	–
MA Markets	100	5,516	44	5,560	–
Public Entities					
MA Housing	100	38,119	(1,762)	36,357	–
MA Culture	100	2,216	2	2,218	–
MA Parks and Gardens	100	2,430	390	2,820	–
MA Barcelona Sports	100	78	(83)	(5)	–
Subtotal Municipal Agencies		64,791	716	65,506	–
Municipal Firms					
Barcelona de Serveis Municipals Group (1)	100	178,130	17,066	195,196	69,809
Barcelona d'Infraestructures Municipals Group (1)	100	16,269	508	16,777	12,949
Informació i Comunicació de Barcelona, SA	100	1,597	48	1,645	1,500
Barcelona Activa, SA, SPM	100	2,291	39	2,330	2,013
SM Barcelona Gestió Urbanística, SA	100	522	55	577	61
Subtotal Municipal Firms		198,809	17,716	216,525	86,332
Total		263,600	18,432	282,031	86,332

(*) Included in the individual financial statements of the City of Barcelona as of December 31, 2006.

(1) Net worth includes the negative differences of consolidation, which for the Barcelona de Serveis Municipals group amount to 2,652 thousand euros and for the Barcelona d'Infraestructures Municipals group to 355 thousand euros.

The details of the consolidated annual accounts of the Barcelona de Serveis Municipals and Barcelona d'Infrastructures Municipals groups are shown in the table below (data as of December 31, 2006):

Name	Interest Held %	Net Worth as of 12.31.06 Before Results (1)	2006 Fiscal Year Results (1)	Net Worth as of 12.31.06 (1)
Barcelona de Serveis Municipals Group				
Barcelona de Serveis Municipals, SA (BSM)	100	160,135	10,179	170,314
Parc d'Atraccions Tibidabo, SA	100	7,130	1,159	8,289
Tractament i Selecció de Residus, SA	58.64	19,248	2,237	21,485
Selectives Metropolitanes, SA (2)	58.64	1,064	792	1,856
Solucions Integrals per als Residus, SA (2)	58.64	1,489	453	1,942
Carreras i Fontanals, SA (2)	58.64	57	(8)	49
Cementiris de Barcelona, SA	51.00	31	852	883
Serveis Funeraris de Barcelona, SA (SFB)	51.00	7,767	5,053	12,820
Transports Sanitaris Parets, SL (3)(4) (TSP)	26.01	32	21	53
Mercabarna, SA (5)	50.69	28,500	3,297	31,797
Barcelona d'Infrastructures Municipals Group				
Barcelona d'Infrastructures Municipals, SA	100	15,402	108	15,510
Pronoubarris, SA	100	595	103	698
22 Arroba Bcn, SA (6)	100	6,927	26	6,953
Agència de Promoció del Carmel i Entorns, SA	100	90	28	118
Proeixample, SA	62.12	6,217	236	6,453
Foment de Ciutat Vella, SA	51.00	3,714	40	3,754

(1) Adjusted according to the percentage of the interest held.

(2) Holding through Tractament i Selecció de Residus, SA.

(3) Holding through Serveis Funeraris de Barcelona, SA.

(4) Despite a 26% holding, it is on the perimeter of full consolidation since BSM controls (51%) SFB and now the latter controls (51%) TSP.

(5) Provisional data.

(6) Includes Mediacomplex, SA data.

Pursuant to article 289.2 of Decree 179/1995, of June 13, approving the regulations for works, activities and services of local entities, once the periods of life stipulated in the bylaws of the mixed capital firms ProEixample, SA and Foment de Ciutat Vella, SA, have expired, all of their assets in conditions of normal use,

as well as their liabilities, will revert to the City of Barcelona. Likewise, the assets and liabilities for the provision of cemetery and cremation services will revert to the City of Barcelona once the term of management assigned to Cementiris de Barcelona, SA has expired.

The changes during the fiscal year 2006 in what is included in the consolidation accounts were due to the following developments:

Barcelona d'Infraestructures Municipals, SA went on to increase its interest from 51% to 62.12%.

- The incorporation into the Barcelona de Serveis Municipals Group of the newly created firm Cementiris de Barcelona, SA. The incorporation of the new firm was approved at the City of Barcelona's Municipal Council Plenum of March 24, 2006 and came into effect on January 1, 2006, as a result of the partial division at the Serveis Funeraris de Barcelona, SA firm, contributing financial unity consisting of public municipal cremation and cemetery services rendered by this newly created firm.
- At the General Shareholder's Meeting of the Proeixample, SA firm on June 30, 2006 they agreed to increase its share capital, and so

On the other hand, the way public services at central markets are administered was changed from being indirect administration through the mixed-capital firm Mercados de Abastecimientos de Barcelona, SA to direct administration by the City of Barcelona through its own management, in accordance with article 188.5 of regulations for works, activities and services of local entities, approved by Decree 179/1995, of June 13.

The entities consolidated by the equity method (as the City of Barcelona holds, directly or indirectly, more than 20% of their share capital, but is not a majority or controlling shareholder) include the following mixed capital firms:

Name	Interest Held %	Net Worth as of 12.31.06 Before Results (1)	2006 Fiscal Year Results (1)	Net Worth as of 12.31.06 (1)
Barcelona Holding Olímpic, SA (HOLSA)	49,00	43,161	35	43,196
Mediacomplex, SA (2)	33,30	6,637	(6)	6,631
Barcelona Sagrera Alta Velocitat, SA	25,00	150	–	150
Barcelona Emprèn, SCR, SA (3)	22,99	1,391	(93)	1,298
Barcelona Ventures, SGEGR, SA (3)	22,99	121	(9)	112
Barcelona Regional, AMDUI, SA (4)	20,63	374	3	377
Total		51,834	(70)	51,764

(1) Adjusted according to the percentage of the interest held.

(2) Indirect shareholding via 22 Arroba Bcn, SA belonging to the Barcelona d'Infraestructures Municipals Group.

(3) The City of Barcelona holds a direct interest of 19.54% and an indirect interest, through the Institut de Cultura de Barcelona, of 3.45%.

(4) The City of Barcelona holds a direct interest of 17.65% and an indirect interest, through Mercabarna, SA, of 2.98%.

- During the month of April the Mediacomplex, SA firm increased its share capital and since the 22@Bcn, SA firm did not intervene in this operation, its holding went from 49% to 33.3%.
- The Barcelona Ventures firm was created from the partial split of the Barcelona Emprèn SCR, SA firm, resulting in the segregation of its branch of management activities and financial assets administration. This firm restructuring also meant a change in the City of Barcelona's direct interest and indirect interest via the Municipal Agency for Culture, as reflected in the previous chart.

The remaining interest of less than 20% held by the City of Barcelona and Municipal Group entities in other firms appear under the caption "Other Financial Investments" (see Note 6).

When applying consolidation methods, the following principles are borne in mind:

- Third parties holding interest in the Group (mixed firms) are considered a minority interests.
- All significant balances and transactions between consolidated entities are eliminated in the process of consolidation.
- All significant aspects of the entities included in the individual annual accounts of the entities comprising the consolidated group are subject to prior homogenization, both with regard to temporary provisions, where applicable, and to the assessment criteria applied.

2.3. Comparability of the Information

As a consequence of the entry into effect of Order EHA/4041/2004 on January 1, 2006, approving the new Local Government Accounting Standards, for the purpose of presenting the consolidated annual accounts, and in order to ensure that the accounts for fiscal year 2006 are comparable with those for fiscal year 2005, certain entries from fiscal year 2005 have been reclassified. This reclassification essentially affects the reclassification of accounts receivable and accounts payable between long-term and short-term, and the grouping of revenue entries of the consolidated statement of revenue and expenses.

In addition, in accordance with the basis of the account budget, grants and capital transfers received by the City of Barcelona are recorded according to the accounting principle of correlation of revenue and expenses (see Note 3.8).

Nota 3 – Valuation Criteria

The most significant accounting criteria applied in drawing up the annual consolidated accounts are the following:

3.1. Intangible and Tangible Fixed Assets

a) Intangible Fixed Assets

Intangible fixed assets basically include:

- Administrative concessions. These mainly correspond to the concessions granted by

third parties to Barcelona de Serveis Municipals, SA and refer to the four parking lots currently in use, the Barcelona Nord bus station and the shopping center at the Hospital del Mar. The period of concession oscillates between 30 and 50 years. These rights are recorded at the purchasing value of the assets to which they correspond, which primarily includes the cost of constructing the aforementioned parking lots and facilities.

- Data processing programs. These are recorded at their purchasing price. Maintenance expenses are recorded as they occur through debits to the results.

The annual provision for the depreciation of administrative concessions is calculated by applying the straight-line method to the useful life of the corresponding assets, beginning one month from when the asset in question is put into use, as shown in the following chart:

	Estimated Years of Useful Life
Civil Works	49
Machinery, Installations, Tools and Furniture	12-15

For those assets operated under concession whose useful life is greater than the concession period, the corresponding provisions are made for the reversion funds, for the purpose of covering the net book value of the revertible assets on the date of reversion (see Note 14).

The annual provision for the depreciation of data-processing applications is calculated by applying the straight-line method to their useful life, which is estimated at 4 years.

b) Tangible Fixed Assets

These include the City's assets and those in the public domain directly assigned for the provision of public services, which together constitute the local economic group's long-term investments

Regarding the assessment criteria for fixed assets, it is necessary to distinguish:

The City of Barcelona

- Land and buildings. Additions made prior to January 1, 1992, are assessed according to an expert estimate of their current real market value made by an independent appraisal firm. For properties officially listed as of historic-artistic interest, this value is equivalent to the cost of replacement. To this end, with regard to non-financial fixed assets, the document on accounting principles issued by the Commission on Public Accounting Principles and Standards defines replacement value as "the sum of the expenses necessary for the construction of an asset of identical nature and characteristics. In the case of buildings officially listed as of historic-artistic interest, this value should be that of reconstruction". Subsequent additions are assessed at their purchasing price or, in the case of buildings received free of charge, at their appraised value.
- Machinery, installations, and data-processing equipment and vehicles. Additions are valued at their purchasing price.
- Fixed assets pending classification. Additions are assessed at their purchasing price or cost of construction and are transferred to the

corresponding tangible fixed assets caption or “Property delivered for public use” caption upon completion of the investment they require.

Municipal Agencies and Companies

- Tangible fixed assets are valued at their purchasing price, except for those corresponding to Mercabarna, SA, which are shown updated in accordance with the provisions of State Budget Laws 50/1979, 74/1980 and 9/1983 and the Royal Decree Law 7/1996, which in 1996 signified an impact of 24,281 thousand euros. As of December 31, 2006 the net effect was 16,634 thousand euros, entailing a charge to the caption “Provision for depreciation of Fixed Assets” on the 2006 consolidated statement of revenue and expenses of 505 thousand euros; the charge to this caption for 2007 is estimated at 504 thousand euros.

Repairs not contributing to an extension of the useful life, as well as maintenance costs, are charged directly to the consolidated statement of revenue and expenses. The costs of any additions or improvements extending the useful life of an asset are capitalized as an increase in its value.

The annual provision for the depreciation of tangible fixed assets is calculated by applying the straight-line method based on each asset’s estimated useful life, basically beginning one month upon its incorporation into the inventory.

	Estimated Years of Useful Life
Buildings	33-65
Technical Installations and Machinery	8-16
Vehicles	5-10
Fittings	6-13
Data-processing Equipment	4-6
Others	8-10

The City of Barcelona’s process of economic depreciation began in the fiscal year 1992. The estimated years of useful life corresponding to the caption “Buildings” are determined according to the criteria of the aforementioned independent appraisal.

For properties with historic-artistic value, the depreciation is calculated based on the cost of the fixed assets that would be required to replace them in terms of their capacity and usefulness. Therefore, the portion of the book value corresponding to the historic-artistic component of these structures, which amounts to 221,573 thousand euros, has been excluded from the calculation, in accordance with the aforementioned independent appraisal. This treatment is justified by the fact that the said historic-artistic component is subject to maintenance, which guarantees its permanent value.

Property assigned by third parties shows the value of the property assigned to the City of Barcelona, for their operation or use, coming from other entities.

The caption “Tangible Fixed Assets Assigned by Municipal Agencies and Third Parties” shows the book value of those assets freely assigned by the City of Barcelona to its municipal

agencies and firms or to third parties for their operation or use, respectively.

When an asset is assigned, its retirement is recorded through a charge to the heading “Property Assigned to Municipal Agencies and Third Parties” on the balance sheet (see Note 9.1) and thus, it ceases to be amortized.

3.2. Public Land Assets

The Public Land Assets refers to the group of assets which, in accordance with Legislative Decree 1/2005 of July 26, approved by the amendment of the Town Planning Law of Catalonia, and in accordance with the Barcelona Municipal Charter, are affected for the purposes of social interest established by law.

The balance of this caption as of January 1, 2006 has reclassified fulfilling the abovementioned regulations.

With this reclassification, the municipal properties included under this caption are as follows:

- Properties for social housing, administered by the City of Barcelona itself or municipal operators.
- Properties that have been awarded surface rights in favor of third parties, to build social housing, homes for the elderly, care centers and other social investments (Other Fixed Assets).
- Properties under investment projects which, once finished, are destined to be used for social housing and other social proceedings.

In previous fiscal years, these properties were grouped under the captions Tangible Fixed

Assets, Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties, Fixed Assets Pending Classification and in Progress and Investments in Infrastructures and Assets for Public Use.

The reclassification is included under the transfers column of the Fixed Assets movements statement.

3.3. Investments in Infrastructure and Assets for Public Use

The property delivered for public use include thoroughfare infrastructure (roads, pavement, sidewalks, public lighting, signs), the large facilities for public services (sewers and utility supplies), green spaces, trees, gardens and, in general, all assets constituting public property provided for the public use of citizens.

Additions made prior to January 1, 1992 are assessed according to the criteria described in Note 3.1.b. Subsequent additions are assessed at their purchasing price.

Upon completion of the investments in infrastructures and property for public use, their retirement is registered on the consolidated balance sheet with a charge to the “Property Delivered for Public Use” caption (see Note 9.1).

For the purposes of presentation, the assets caption on the consolidated balance sheet shows the assets assigned to municipal agencies or third parties for public use, as well as the corresponding compensatory sums to reflect their retirement. Likewise, Note 4.b reflects the movements registered under these captions over the year.

Rule 220.2 of the Local Administration Standards in force until December 31, 2005 stated that, exceptionally, investments could be retained in the balance sheet even though they had been completed and assigned for public use. On December 31, 1994, in light of the extraordinary nature of the Olympic investments received from HOLSA, the City of Barcelona invoked this exception. Consequently, the assignment of these investments for public use for an initial cost of 353,533 thousand euros were debited to the caption "Property Delivered for Public Use" and credited to the caption "Investments Assigned for Public Use" over a period of time similar to that which would have applied had they been ordinary investments. This period reflects the rate of reduction in the associated liability, which is recorded under the caption "Pluri-annual Transfers to HOLSA" on the attached consolidated balance sheet.

The balance of the caption "Pluri-annual Transfers to HOLSA" was reduced by 48,426 thousand euros in 2006 with a credit to extraordinary results (see Note 19.9), according to the amount of HOLSA debt as of December 31, 2006. In addition, the accounts "Property Delivered for Public Use" and "Investments Assigned for Public Used" were debited and credited, respectively, for the aforementioned costs (see Note 4.b).

3.4. Investments and Short-term Financial Investments

Equity securities representing more than 20% of the share capital in dependent firms that are not fully consolidated are assessed by applying the equity method criteria mentioned in Note 2.2, on the basis of the annual accounts.

All other securities are recorded on the consolidated balance sheet at their purchasing price. The differences between the book value and the technical book value of those shareholdings with substantial losses have been provided for in the attached consolidated annual accounts.

Short-term financial investments are registered at their purchase price or selling price, if less.

3.5. Deferred Expenses

The caption "deferred expenses" includes goodwill for the amount of 1,729 thousand euros arising from the positive consolidation difference corresponding to the amounts yielded by the acquisition of shares in the Parc d'Atraccions Tibidabo, SA and the Societat Transports Sanitaris Parets, SL firms, and the value of these firms' net worth on their date of acquisition in fiscal years 2002 and 2005, respectively.

Goodwill is amortized linearly over a period of 20 years, given that this is the estimated period during which it will contribute to profits for the Group.

3.6. Inventories

Inventories as of December 31, 2006, mainly correspond to lands to be used for construction activities and real estate promotion, both currently underway and completed, which are recorded at their purchasing price or production cost, depending on the direct costs incurred.

Where appropriate, the necessary provision for depreciation is used to reduce these values to their real market value.

3.7. Accounts receivable

These are recorded at their nominal value. An allowance has been established to cover bad debts, based on the following criteria:

- In the case of the City of Barcelona, the provision for bad debts is determined by applying the collectability ratio estimated by the City based on its past experience to the tax receivables currently under forcible collection and receivables for fines in both voluntary and enforced collection periods.
- In the case of municipal agencies and firms, this allowance is made for receivables whose recovery is deemed uncertain.

The caption “Long-term Trade Receivables” on the attached consolidation balance sheet includes mainly the debts to be collected. They are recorded at their nominal value, due to their correlation to the caption “Other Long-term Accounts Payable” under liabilities on the same balance sheet. The maximum maturity date of these debts is 2035.

3.8. Capital Transfers and Other Capital Income

The following criteria are applied to record received capital transfers and other capital income, in accordance with the applicable legislation:

- Upon their concession, capital transfers are recorded under the “Capital Transfers” caption in the liabilities column of the consolidated balance sheet and moved to assets when the investment they were

financing is assigned for public use or, as described in Note 2.3, to the fiscal year’s results, in the proportion corresponding to the effective depreciation undergone and recorded in accounts, when the investment it finances has been a fixed asset.

- Other capital income is registered at the time when the administrative operation producing it is carried out.

3.9. Other Deferred Income

Early collection on amounts deferred to years subsequent to the year of collection are recorded under the caption “Other Deferred Income” (see Note 13) save for the portion of such amounts that has been deferred to the immediately following year, which is recorded under the caption “Accrued Expenses” (see Note 17) under liabilities on the consolidated balance sheet prior to being credited to results.

3.10. Classification of Long and Short-term Receivables and Debts

On the attached consolidated balance sheet, receivables, credits and debts that mature a period equal to or less than a year are classified as short-term ones. Those which mature within a period greater than a year are classified as long-term ones.

3.11. Revenue and Expenses

a) General Criteria

Revenue and expenses are primarily recorded in the consolidated statement of revenue and

expenses in the fiscal year in which they occur, depending on the real flow of assets and services they represent and independently of the timing of the monetary or financial flow from which they are derived, except for those capital grants and transfers derived from agreements or conventions requiring the treatment described in Sections 3.8 and 3.11.b, respectively.

b) Grants and Transfers Derived from Agreements and Conventions

To record the expenses for transfers and grants stemming from agreements subscribed by different parties, be they collaborative agreements, cooperative agreements, contract-programs or other similar agreements signed to co-finance or develop specific projects or activities, the grantor's obligation to pay arises at the moment when the debt matures and is liquid and payable on demand, in other words, when the requirements for payment have been met. The recognition of the grantor's payment obligation is recorded upon passage of the resolution by which the beneficiary's right to collect is recognized and quantified (approval of the budgets for each fiscal year).

c) Assigned Capital Transfers

This entry includes the City of Barcelona's contributions charged to the budget for financing investment processes not carried out by the municipal agencies or firms belonging to the municipal group.

3.12 Provisions for Contingencies and Expenses

The balance of this caption reflects the provisions established to cover the economic costs of contingent or probable debts.

3.13. Corporate Tax

Pursuant to Legislative Royal Decree 4/2004 of March 5, approving the Amended Text of the Corporate Tax Law, the City of Barcelona and its autonomous local agencies are exempt from payment of this tax and are not subject to the withholding of profits from their investments.

For public business entities and municipal companies, the corporate tax is calculated based on their book result, which need not necessarily be the same as their fiscal result, the latter being construed as the taxable income for the tax, given that the corresponding long-term differences are taken into account. Pursuant to the abovementioned amended corporate tax law and article 25 of the Law on local taxation, municipal firms are eligible for a 99% rebate on taxes paid on their earnings from activities classified as public service under this legislation.

3.14. Environment

Expenses derived from actions intended to protect and improve the environment are recorded, where applicable, as expenses in the year they are incurred. This notwithstanding, should they entail incorporations to tangible fixed assets as a result of actions to minimize impacts on the environment or to protect and improve it, they are recorded as increased value of the fixed asset in question.

Note 4 – Intangible Fixed Assets, Tangible Fixed Assets and Infrastructures

a) Intangible Fixed Assets

The movement registered in the different accounts under intangible fixed assets was as follows:

	12.31.05	Additions	Retirements	Transfers	12.31.06
Start-up Expenses	16	–	–	73	89
R-D Expenses	605	–	(33)	–	572
Concessions, Patents, Licenses and Trademarks	54,663	7,192	(151)	(11,738)	49,966
Data-processing Applications	12,731	793	(876)	(1,969)	10,679
Rights on Assets Under Financial Leasing	3,469	–	(2)	(446)	3,021
Others	(4,241)	3,272	(58)	7,443	6,416
Intangible Fixed Assets	67,243	11,257	(1,120)	(6,637)	70,743
Accumulated Depreciation	(17,172)	(7,166)	188	3,446	(20,704)
Net Intangible Fixed Assets	50,071	4,090	(932)	(3,191)	50,039

The main entry under the caption “Concessions” (21,841 thousand euros) corresponds to the parking lots managed by Barcelona de Serveis Municipals, SA. (See Note 3.1.a), the cumulative depreciation of which came to 8,436 thousand euros.

The following items have been completely written off as a December 31, 2006:

	Thousands of euros
Concessions, Patents and Trademarks	4,888
Data-processing Applications	4,408
R-D Expenses	542
Others	258
Total	10,096

b) Tangible Fixed Assets and Infrastructures

The movement registered in the different accounts for tangible fixed assets and infrastructures was as follows:

	12.31.05	Additions	Retirements	Transfers	12.31.06
Lands and Buildings (*)	5,743,305	141,032	(105,934)	33,739	5,812,142
Fixed Assets Assigned to Municipal Agencies and Third Parties	632,946	20	28,573	(70,961)	590,578
Land and Properties	6,376,251	141,052	(77,361)	(37,222)	6,402,720
Vehicles	14,201	2,613	(757)	380	16,437
Machinery, Equipment, Installations and Tools	239,260	6,172	(4,378)	(20,044)	221,010
Data-processing Equipment	59,640	1,641	(9)	10,350	71,622
Office Furniture and Equipment	32,302	4,105	(429)	31,355	67,333
Others	23,986	3,637	(2,323)	463	25,763
Other Fixed Assets	369,389	18,168	(7,896)	22,504	402,165
Total Tangible Fixed Assets	6,745,640	159,220	(85,257)	(14,718)	6,804,885
Public Land Assets	6,020	19,975	(1,161)	196,672	221,506
Tangible Fixed Assets Assigned to Municipal Agencies and Third Parties	(632,946)	(20)	(28,573)	70,961	(590,578)
Fixed Assets Pending Classification	580,976	498,283	(4,269)	(246,015)	828,975
Infrastructures and Assets for Public Use	5,325,527	4,788	(747)	92,873	5,422,441
Investments Assigned for Public Use	(5,325,527)	(4,788)	747	(92,873)	(5,422,441)
Investments for Public Use: HOLSA	73,055	–	–	(48,426)	24,629
Gross Tangible Fixed Assets and Infrastructures	6,772,745	677,458	(119,260)	(41,526)	7,289,417
Accumulated Depreciation and Provisions	(647,924)	(83,560)	9,634	16,939	(704,911)
Net Tangible Fixed Assets and Infrastructures	6,124,821	593,898	(109,626)	(24,587)	6,584,506

(*) In accordance with applicable regulations, the group entities record the value of lands containing any type of building under the caption "Buildings". This caption includes 2,848,253 thousand euros as of December 31, 2006 and 2,696,897 thousand euros as of December 31, 2005, corresponding to the value of lands containing buildings.

Additions over the fiscal year include the following:

Investments Carried out Directly by the City of Barcelona	168,837
Investments Carried out by Dependent Entities, Pursuant to the Terms of the Decree of April 3 rd , 1997, issued by the Mayor's Office	276,545
Other Investments Carried out by Dependent Entities	58,121
Investments Carried out by Third Parties	3,409
Investment Financed by Third Parties	99,278
Assets Received on Exchange	71,268
Total	677,458

- Included in the caption, "Other Investments Carried out by Dependent Entities are:
- Renovation of the Parc del Tibidabo rides and funicular train.
 - Housing built on behalf of the Municipal Agency of Housing.
 - Improvement and modernization of Mercabarna facilities.
 - Expansion of the network of parking lots, renovation of the fleet of tow trucks, improvement of the AREA program, construction of the Olympic Museum and the adaptation of spaces at the Zoo and the Fòrum esplanade by Barcelona de Serveis Municipals, SA.
 - Substitution of two turbines at Tractament i Selecció de Residus, SA energy plants.
 - Completion of the Sant Gervasi funerary parlour by Serveis Funeraris de Barcelona, SA.

Retirements carried out over the fiscal year are as follows:

By Sale	33,132
By Free Property Ownership Assignments to Municipal Agencies and Other Administrations	25,419
By Delivery of Assets on Exchange	22,842
By Free Assignments of Surface Rights to Municipal Agencies and Other Administrations	24,447
By free Assignment of Assets to Municipal Firms	4,126
Fixed Asset Reconstruction	5,635
Others	3,659
Total	119,260

Transfers for the fiscal year were as follows:

Property Delivered for Public Use	92,873
Property Assigned to Municipal Agencies and Third Parties	(70,961)
VAT Receivable from Treasury for Assisted Contributions Registered at the Time as Greater Fixed Asset Value	18,245
Long-term Receivables for Fixed Assets Sale	(4,060)
Tangible Fixed Assets Profits	(9,546)
Tangible Fixed Assets Losses	1,803
Intangible Fixed Asset Transfers	(2,834)
Others	(933)
Total	24,587

Thus the main components of the transfers for the fiscal year are mainly offset by the net worth accounts (see Note 9.1).

The details of “Investments Assigned for Public Use” is as follows:

Buildings	10,409
Equipments	7,250
Parks and Forests	1,245,009
Mixed	304,019
Systems	649,317
Thoroughfares	2,418,542
Municipal Assets of an Artistic Nature	111,107
Urban Furniture	73,224
Property for Public Use: HOLSA	603,496
Others	68
Total	5,422,441

The elements totally written off as of December 31, 2006 are the following:

Machinery, Equipment, Installations and Tools	40,220
Data-processing Equipment	42,203
Office Furniture and Equipment	19,453
Vehicles	7,832
Others	8,327
Total	118,035

The policy of the Group is to contract the insurance policies that are considered necessary in order to cover the possible risks that could affect the fixed asset elements.

Note 5 – Interest Associated Firms

This heading reflects the investments made in dependent firms that are not fully consolidated but, rather, are consolidated by the equity method, as shown in the following chart:

Barcelona Holding Olímpic, SA (Holsa)	43,196
Mediacomplex, SA	6,631
Barcelona Sagrera Alta Velocitat, SA	150
Barcelona Emprèn, SCR, SA	1,298
Barcelona Ventures, SGEGR, SA	112
Barcelona Regional, AMDUI, SA	377
Total	51,764

Note 6 – Other Financial Investments

The balance of this caption reflects the interests of less than 20% held in different firms by the City of Barcelona and the entities belonging to the Municipal Group, as well as other credits and long-term deposits and guarantees, as shown in the following chart:

Investment Portfolio	30,457
Deposits and Guarantees	3,714
Other Long-term Credits	50,027
Total	84,198

The investment portfolio can be broken down as follows:

	Firms	%	Investment		Net Book
	Owner	Interest	Cost	Provisions	Value as of
		Held			12.31.06
Transferència i Reciclatge de Runes, SA	SIRESA	17.59	180	–	180
Clavegueram de Barcelona, SA	BSM	17.50	631	–	631
Catalana d'Iniciatives, CR, SA	BSM	13.45	7,289	–	7,289
Fira 2000, SA	AB	12.77	14,770	(550)	14,220
GL Events CCIB, SL	BSM	12.00	241	–	241
Districlima, SA	TERSA	11.73	1,020	(108)	912
Ecoparc del Mediterrani, SA	TERSA	11.73	960	(309)	651
Ecoparc de Barcelona, SA	TERSA	11.73	383	(233)	150
Hotel Miramar de Barcelona, SA	BSM	10.00	1,562	(174)	1,388
Gestora de Runes de la Construcció, SA	TERSA	8.21	135	–	135
Recuperació d'Energia, SA	TERSA	4.69	34	–	34
Funeràries de Catalunya, SA	SFB	4.46	30	–	30
Port Fòrum Sant Adrià, SL	AB	5.00	15	–	15
Ecoparc del Besòs, SA	TERSA	2.93	386	–	386
Catalunya Carsharing, SA	BSM	2.89	50	(23)	27
Túnels i Accessos de Barcelona, SA	BSM	2.82	3,568	–	3,568
Grand Tibidabo, SA	PATSA	0.03	11	(11)	–
Investment Fund	MCBN	–	600	–	600
Total Investment Portfolio			31,865	(1,408)	30,457

Other long-term credits can be broken down as follows:

Sale of Long-term Fixed Assets	44,292
State Treasury Receivable for Early Corporate Tax	3,981
Long-term Clients and Receivables	1,405
Others	349
Total	50,027

Note 7 –Deferred Expenses

The balance of this caption corresponds, on the one hand, to note and bond and loan arrangement expenses, which registered the following movements:

	Loan Arrangement Expenses
Balance as of December 31, 2005	1,287
Expenses for Arrangement of New Operations	–
Allocation to Results as Financial Expenses	(263)
Balance as of December 31, 2006	1,024

The allocation to results as final expenses is made annually and is calculated in a linear manner until the maturity of the formalized operations.

On the other hand, it includes the goodwill stemming from the acquisition in 2002 of 100% of the share capital of Parc d'Atraccions Tibidabo, SA by Barcelona de Serveis Municipals, SA and 51% of the Societat Transports Sanitaris Parets, SL by Serveis

Funeraris de Barcelona, SA in 2005. This goodwill stems from the positive consolidation difference arising from the amount paid for the acquisition of the shares and the net worth of acquired firms, and it will be amortized linearly over a period of 20 years, as this is the period for which it is estimated that it will contribute to the obtaining of profits for the group. The movement registered under this caption was as follows:

	Goodwill
Balance as of December 31, 2005	1,842
Increased by new Acquisitions of Firms	–
Amortization for the Year	(113)
Balance as of December 31, 2006	1,729

The remainder of the balance for this caption, 71 thousand euros, corresponds to the financial expenses of financial leasing operations.

Note 8 -Accounts Receivable

Accounts receivable are classified as follows:

a) By the City of Barcelona	566,702
Direct taxes	174,142
Indirect taxes	12,402
Charges and Other Revenue	269,793
Current Transfers	36,967
Capital Gains	10,967
Disposal of Real Investments	588
Capital Transfers	43,603
Others	18,240
b) By Municipal Agencies and Companies	113,073
Total Receivable	679,775

The amounts and movements registered in the account for the provision of bad debts were as follows:

Balance as of December 31, 2005	288,519
Amount Charged to Statement of Revenue and Expenses	55,909
Bad Debts Written Off	(494)
Allocation to Extraordinary Results	(40,789)
Balance as of December 31, 2006	303,145

The provision for bad debts is determined by applying the estimated collectability ratio estimated by the City of Barcelona based on its past experience to the tax receivables currently under forcible collection (168,378 thousand euros) and receivables for fines in both voluntary and enforced collection periods (195,734 thousand euros).

The provision for the fiscal year, 55,909 thousand euros is shown under liabilities on the consolidated statement of revenue and expenses, along with other provisions for sundry items amounting to 2,172 thousand euros.

Note 9 –Net Worth and Results

9.1. Net Worth

The amounts and movements registered in the net worth accounts during the fiscal year were as follows:

	Net Worth	Property Assigned to Municipal Agencies and Third Parties (see Notes 3.2 and 4.b)	Property Delivered for Public Use (see Notes 3.3 and 4.b)	Property Assigned by Municipal Agencies and Third Parties	Total
Initial Balance	9,726,300	(632,946)	(5,325,528)	46,874	3,814,700
Allocation of City of Barcelona Results 2005	520,338	–	–	–	520,338
Change in Property Assigned to Third Parties	–	42,368	–	–	42,368
Change in Property Assigned by Third Parties	–	–	–	(109)	(109)
Transfer of Capital Transfers	74,979	–	–	–	74,979
Property delivered for Public Use	–	–	(96,913)	–	(96,913)
Final Balance	10,321,617	(590,578)	(5,422,441)	46,765	4,355,363

Property assigned by municipal agencies and third parties reflects the value of those assets assigned to the City of Barcelona by other entities for operation or use.

9.2. Results

The consolidated result allocable to the City of Barcelona can be broken down as follows:

Results of the City of Barcelona	626,240
Aggregate Result of Municipal Agencies and Firms	32,876
Share in Results by Equity Method	(70)
Consolidation Adjustments	2,740
Consolidated Results	661,786
Result Allocable to Minority Interests Before Interim Dividends (Note 11)	(11,617)
Results Allocable to the City of Barcelona	650,169

Note 10 – Consolidated Reserves

The consolidated reserves and their movement can be broken down as follows:

	Balance as of 12.31.05	2005 Result (a)	Transfers and Others	Balance as of 12.31.06
Fully Consolidated	160,391	15,328	1,142	176,861
MA Housing	21,137	1,140	(432)	21,845
MA Disabled Persons	668	(617)	(84)	(33)
MA Mies Van der Rohe Foundation	117	87	–	204
MA IT Services	3,122	1,365	118	4,605
MA Town Planning	1,393	238	(24)	1,607
MA Finances	2,756	26	(420)	2,362
MA Markets	5,782	65	(382)	5,465
MA Parks and Gardens	1,556	874	579	3,009
MA Education	7,529	(1,049)	(1,677)	4,803
MA Culture	3,572	(176)	183	3,579
MA Barcelona Esports	–	78	–	78
MA Urban Landscape and Quality of Life	1,295	54	1	1,350
Barcelona de Serveis Municipals Group (b)	93,986	12,359	(953)	105,392
Barcelona d'Infraestructures Municipals Group (c)	2,241	769	366	3,376
Informació i Comunicació de Barcelona, SA	2,173	60	3,170	5,403
Barcelona Activa, SA	12,277	32	809	13,118
SM Barcelona Gestió Urbanística, SA	787	23	(112)	698
By the Equity Method	859	(64)	(897)	(102)
Barcelona Holding Olímpic, SA	893	35	(645)	283
Barcelona Ventures SGEGR, SA	–	(9)	12	3
Barcelona Emprèn, SCR, SA	(45)	(93)	(264)	(402)
Barcelona Regional, AMDUI, SA	11	3	–	14
Total	161,250	15,264	245	176,759

(a) Adjusted according to the interest held.

(b) Barcelona de Serveis Municipals Group includes information regarding the parent firm and firms in which it holds an interest (Parc d'Atraccions del Tibidabo, SA, Tractament i Selecció de Residus, SA, Serveis Funeraris de Barcelona, SA, Cementiris de Barcelona, SA and Mercabarna, SA) aggregated together.

(c) Barcelona d'Infraestructures Municipals Group includes information regarding the parent firm and firms in which it holds an interest (Pro Nou Barris, SA, 22 Arroba Bcn, SA, Agència de Promoció del Carmel i Entorns, SA, ProEixample, SA and Foment de Ciutat Vella, SA) aggregated together (see Note 2.2).

To calculate the consolidation reserves, the book and technical book values of the interests held, the dividends collected over the 2006 fiscal year and other consolidated adjustments were used to homogenize receivables and payables between the City of Barcelona and some of its dependent firms.

The main component of the “Transfers and others” column correspond to the correction of the existing temporary difference between provision for capital transfers and execution of the works and services financed by them.

Note 11 – Minority Interests

The balance of this caption reflects the proportion of the net worth and results for the fiscal year of those dependent municipal firms included in the consolidation belonging to shareholders or associates who are not members of the consolidated Group. Specifically, the figures refer to the Barcelona de Serveis Municipals and Barcelona d’Infraestructures Municipals Groups, and can be broken down as follows:

	Capital	Reserves	Fiscal year Results	Interim Dividend	Total
BSM Group:					
TERSA Group	5,973	9,339	2,473	–	17,785
SFB Group	3,830	5,155	4,910	(1,470)	12,425
Cementiris de Barcelona, SA	30		818		848
Mercabarna	7,003	20,681	3,208	–	30,892
Total	16,836	35,175	11,409	(1,470)	61,950
BIM Group:					
Foment de Ciutat Vella, SA	2,945	623	38	–	3,606
Proeixample, SA	2,846	919	170	–	3,935
Total	5,791	1,542	208	–	7,541
TOTAL	22,627	36,717	11,617	(1,470)	69,491

Note 12 – Capital Transfers and Other Capital Income

The amounts and movements registered under this caption were as follows:

Balance as of December 31, 2005	303,718
Additions	58,659
Transfer to Current Revenue	(402)
Transfer to Net Worth	(74,979)
Transfer to Extraordinary Revenue	(15,802)
Balance as of December 31, 2006	271,194

Of the 15,802 thousand euros transferred to results, 13,466 thousand euros correspond to amortizations from previous years of the financed investments.

Note 13 – Other Deferred Income

The movement under this caption is as follows (see Note 3.9):

Balance as of December 31, 2005	129,276
Additions	62,823
Transfer to Revenue for the Year	(876)
Transfer to Short-term	(7,199)
Delivery of Assets to the City of Barcelona	(12,363)
Balance as of December 31, 2006	171,661

By nature 153,423 thousand euros correspond to revenue received in advance for the usage of assets under municipal ownership and 18,240 thousand euros to urban development fees payable by the owners of sites included in the urban planning co-operation actions, which co-finance municipal investments in the territory falling within the co-operation sphere. The revenue received in advance is transferred annually to the consolidated statement of revenue and expenses in accordance with the straight-line method over the period corresponding to the assignment or award, which is set at 2077 at the latest. The urban development fees are charged for deliveries to the City of Barcelona of actions financed by them. Only in the case of public works and does the City activate the corresponding

fixed assets, which it credits to extraordinary results.

The most significant additions correspond basically to charges for surface rights and urban development fees to the City of Barcelona and Barcelona de Gestió Urbanística, SA.

The amount transferred to short term is the one set to be applied to the consolidated statement of revenue and expenses for the 2007 fiscal year and is shown in the caption “Accrued Expenses” of the liabilities of the balance sheet for the fiscal year ended December 31, 2006.

The retirements for delivery correspond to the co-operative actions transferred to the City of Barcelona by the group’s managerial entities.

Note 14 – Provisions for Contingencies and Expenses

The composition and movement under this caption is as follows:

	Balance as of 12.31.05	Provisions and transfers	Allocations	Balance as of 12.31.06
Court Cases and Legal Claims	77,948	27,219	(6,960)	98,207
Major Overhauls	5,801	1,118	(1,587)	5,332
Reversion Funds	2,075	236	(21)	2,290
Others	7,832	1,106	(3,134)	5,804
Total	93,656	29,679	(11,702)	111,633

The balance for the provision for court cases and legal claims and for other provisions are intended to cover a variety of possible future commitments, whose maturity dates and amounts cannot yet be known with certainty.

The provision for court cases and legal claims has been charged to the caption

“Works, Supplies and Subcontracted Services”.

The provisions for major overhauls include funds created by Barcelona de Serveis Municipals, SA, in order to cover pluri-annual repair expenses and the partial replacement of certain fixed assets.

Note 15 – Debentures and Loans

The outstanding amount as of December 31, 2006, corresponding to long-term loans and debentures can be broken down as follows:

Description	Outstanding Amount
European Union Market	
• Bank Loans	618,640
• Capital Market	560,203
Subtotal	1,178,843
Non-European Union Market	
• Capital Market	–
Subtotal	–
Total Long-term Debt	1,178,843

The part of the long-term debt which matures in less than a year is reclassified under the caption “Short-term Payables for Loans and Debentures”.

The movements of subscribed long-term loans and debentures were as follows:

Balance as of December 31, 2005	1,269,873
Additions:	
• New Operations	18,892
Disposals:	
• Contractual Repayments	(93,107)
• Early Amortization and Amortization by Debt Replacement and Assignment	(16,815)
Balance as of December 31, 2006	1,178,843

The debt profile by maturities as of December 31, 2005 was as follows:

Maturity	Amount
2007	136,015
2008	123,844
2009	125,918
2010	118,458
2011	110,259
2012	100,362
2013	27,469
2014	103,413
2015	119,726
2016	39,844
2017 and beyond	173,535
Total	1,178,843

As of December 31, 2006 there were unexecuted stand-by lines for a total of 247,612 thousand euros.

The average interest rate over the 2006 fiscal year was 3.2 %.

As of December 31, 2006, 59.4% of the long-term consolidated financial debt had a fixed interest rate and 40.6% had a floating interest rate.

Note 16 –Public Administrations

The breakdown of these accounts is as follows:

Item	Debit Balance	Credit Balance
Social Security	27	24,389
Value Added Tax	17,325	13,878
Personal Income Tax	–	11,763
Corporate Tax	4,625	5,438
Others	590	700
Total	22,567	56,168

Inspection is pending for Group entities of those fiscal years not prescribed for all applicable taxes. No significant additional liabilities are expected by entities as a result of possible inspections.

Note 17 – Accrued Expenses

This accounts reflects the Group's definite liabilities as of December 31, 2006, in accordance with their accrual periods and regardless of the date of requirement of payment on demand, as well as the capital grants given to the Group pending allocation. It has the following composition:

Capital and Current Transfers	11,898
Grave Assignments	1,342
Urban Planning Fees for Infrastructure Actions	5,680
Prepaid Income on Can Tunis Housing Development	7,513
Other Advanced Revenue	2,677
Accredited Unmatured Interest as of December 31, 2006	7,868
Current Transfers Given	1,171
Other Deferred Expenses	670
Total	38,819

Accredited and unmatured payments to personnel are shown under the caption "Other Non-trade Payables" and amount to 34,864 thousand euros.

Note 18 – Other Information

As of December 31, 2006, the guarantees provided by the group to cover credit operations amounted to 6,740 thousand euros.

The fees to be received by PriceWaterhouseCoopers Auditores, S.L. and Gabinete Técnico de Auditoría y Consultoría, S.A., for auditing services and the expenses incurred for the provision thereof in fiscal year 2006 came to 696 thousand euros, including VAT. Pursuant to the terms of the adjudication of the audit tender, these fees, invoiced to the City of Barcelona, include those of the municipal agencies and firms forming part of the City group, and the appropriate portion thereof will be duly charged each of them.

Note 19 – Statement of Revenue and Expenses

19.1. Personnel Expenses

This entry includes the wages and salaries of Group personnel, social security payments and other welfare expenses.

19.2. Works, Supplies and Subcontracted Services

This entry corresponds to the purchase of goods and services needed for municipal activities to run smoothly, as well as for the conservation and maintenance of investments. It includes the service contracts subscribed by the Group with different private firms to enhance the functioning of the city, such as, for example, those for refuse collection and street cleaning.

19.3. Current and Capital Transfers (Expenses)

These entries include the current and capital transfers made by the Group, from its own

budget or on behalf of third parties, to external entities, companies and individuals in order to finance their operating expenses or investments. The main payees were as follows:

Current Transfers	301,491
Municipal Association of the Barcelona Metropolitan area and EMSHTR	118,047
Consortia	63,162
Non-profit Organizations	24,467
Metropolitan Transport Authority	45,041
Firms	16,144
Autonomous Community	5,058
Others	29,572
Capital Transfers	101,580
Barcelona Holding Olímpic, SA	62,958
Consortia	5,904
Metropolitan Transport Authority	28,590
Others	4,128
Total	403,071

19.4 Taxes

This group includes the following local taxes: property tax, levied on property; tax on economic activities, levied on certain business activities, in accordance with the type of activity, the space occupied and the location; tax on motor vehicles, which is a tax levied on the ownership thereof, irrespective of the vehicle's class or category; taxes on construction, installations and works, levied according to the cost of the project for which the license has been requested; tax on the increase in urban land value, a direct tax levied on the increases registered in the value of these lands made evident upon their transfer.

This caption also includes the amount resulting from the assignment of Central Government

taxes, as a consequence of the entry into effect of the new model of financing for the public sector, approved by Law 51/2002, of December 27, of the reform of Law 39/1988, of December 28, Regulating Local Taxation.

It can be broken down as follows:

Property tax	370,744
Tax on Economic Activities	96,409
Tax on the Increase in Land Value	84,099
Assignment of Central Government Taxes	82,802
Tax on Motor Vehicles	74,918
Tax on construction, installations and works and other replaced taxes	37,922
Total	746,894

19.5 Other Tax Revenue

Grouped under the caption "Other Tax Revenue" are, basically, the charges for the sale of services and use of the public domain.

19.6 Sale of Services

This caption includes the charges and public prices invoiced for the provision of services and the revenue obtained by the entities within the sphere of their regular activities.

19.7 Other Operating Revenue

The other ordinary administration revenue basically includes those fines and other penalties for offenses, interest and late payment surcharges, income from concessions and special uses and profits-sharing. The caption can be broken down as follows:

Fines	129,232
Concessions and Special Uses	41,092
Profits-sharing	9,583
Late Payment Surcharges and Surcharges on Collection Proceedings	23,240
Total	203,147

19.8 Current Transfers (Revenue)

This caption includes the amounts received from the Central Government Supplementary Finance Fund, as well as the earmarked grants from the

European Union, Central Government, the autonomous community and local entities, as detailed below:

Central Government	759,110
Generalitat of Catalonia	87,156
Local Entities	52,315
European Union	2,076
Non-profit Institutions	620
Private Firms	595
Other Entities	1,192
Total	903,064

19.9 Extraordinary Results

Extraordinary results can be broken down as follows:

	Note	Expenses	Revenue
Fixed Assets		42,618	211,748
Modification of Receivables, Payables and Provisions		62,714	49,996
Pluri-annual Transfers to HOLSA	3,3	–	48,426
Capital Transfers Allocated to the Results	12	–	15,802
Other Extraordinary Results		1,701	5,452
Total		107,033	331,424
Net Extraordinary Result		224,391	

Note 20 – Statements of Changes in Financial Position for the 2006 and 2005 Fiscal Years

Applications of Funds	2006 Fiscal Year	2005 Fiscal Year	Source of Funds	2006 Fiscal Year	2005 Fiscal Year
			Funds Obtained	590,505	555,325
Acquisition of Fixed Assets:			Sale of Fixed Assets:		
• Tangible and Intangible	507,872	401,596	• Tangible and Intangible	96,417	35,862
• Financial	10,347	24,215	• Financial	–	401
			Fixed Assets Transfers	25,041	–
Long-term Trade Receivable	2,718	–	Long-term Trade Receivable	–	9,164
Deferred Expenses	–	526			
Minority Interests	–	–	Minority Interests	7,522	4,557
Capital Transfers and Other Capital Income	74,979	13,759	Capital Transfers	58,659	35,073
Transfer of Deferred Income to Short-term	7,199	7,029	Deferred Income	62,823	25,384
Applications of Deferred Income for Assignment of Assets	12,363	9,583	Long-term Loans	18,892	124,872
Applications of Provisions for Contingencies and Expenses	4,742	2,671	Long-term Guarantees and Deposits	9,697	861
Repayment and Transfer to Short-term of Long-term Debentures	156,904	95,335			
Other Long-term Payables	–	3,070	Other Long-term Payables	8,557	–
Pluri-annual Transfers to HOLSA	48,426	50,375			
Total Applications	825,550	608,159	Total Sources	878,113	791,499
Changes in Working Capital (Increase)	52,563	183,340	Change in Working Capital (Decrease)	–	–
Total	878,113	791,499	Total	878,113	791,499

Change in Working Capital	2006		2005	
	Increase	Decrease	Increase	Decrease
Inventories	–	6,671	9,286	–
Accounts Receivable	–	29,460	40,182	–
Short-term Financial Investments	79,070	–	164,314	–
Cash	52,791	–	20,122	–
Accounts Payable	–	43,167	–	50,564
Total	131,861	79,298	233,904	50,564
Increase in Working Capital	52,563	–	183,340	–
Decrease in Working Capital	–	–	–	–

The funds obtained from operations were as follows:

	Note	2006	2005
Net Surplus for the Fiscal Year	–	650,169	536,193
Net Results on Fixed Assets	19.9	(164,147)	(90,997)
Provisions for Depreciation	–	87,581	85,566
Provisions for Contingencies and Expenses	14	29,679	41,293
Deferred Expenses	7	437	355
Applications of Long-term Provisions	19.8	(6,960)	(25,979)
Deferred Income Transferred to Statement of Revenue and Expenses	13	(876)	(868)
Capital Grants Transferred to Results	12	(16,204)	(1,608)
Changes in Provisions for Financial Investments	6	(861)	1,317
Result of Minority Interests	11	11,617	9,346
Share by Equity Method	2.2	70	707
Funds from Operations		590,505	555,325

7

Five-year Data

City of Barcelona (2002-2006)

	2002	2003	2004	2005	2006	Annual Growth (%)
Personnel	6,638	6,689	6,657	6,578	6,755	0.2%

Economic Position (thousands of euros)

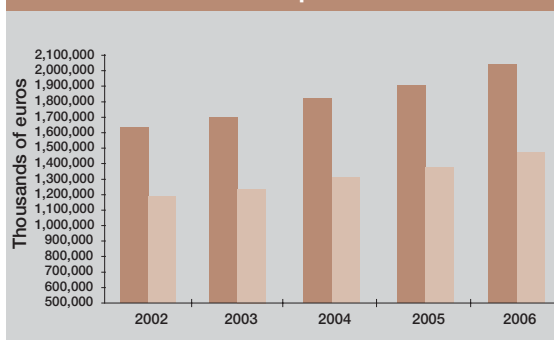
Current Revenue	1,631,204	1,697,039	1,821,239	1,905,643	2,039,749	5.9%
Current Expenses	1,187,549	1,237,225	1,313,656	1,372,890	1,469,974	5.6%
Gross Saving	443,655	459,814	507,583	532,753	569,775	6.5%
Net Investments	517,074	571,594	432,129	414,124	437,158	5.7%
Cash Surplus (Deficit)	-112,810	20,674	37,799	58,288	87,147	-

Total Debt as of 12/31	1,265,113	1,244,439	1,206,640	1,148,353	1,061,206	-1.6%
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Ratios

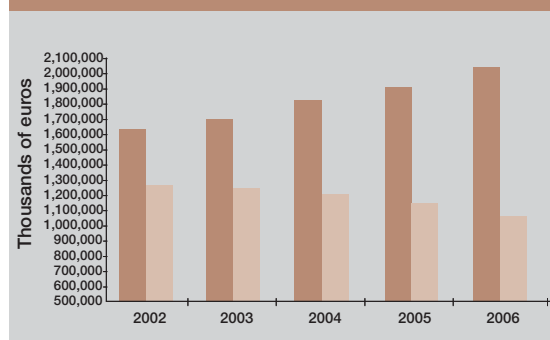
Gross Saving / Current Revenue (%)	27.2	27.1	27.9	28.0	27.9
Interest Coverage (x)	6.7	8.2	10.4	17.7	22.2
Capital Expenditure Coverage (x)	0.9	0.8	1.2	1.3	1.3
Capital Expenditure / Total Expenses (%)	36.5	34.8	26.9	25.0	26.7
Debt / Current Revenue (%)	77.6	73.3	66.3	60.3	52.0
Debt / Primary Saving (x)	2.4	2.4	2.1	2.0	1.8
Average Life of Long-term Debt (years)	5.6	5.2	5.9	6.0	5.4

Current Revenue and Expenses



■ Current Revenue ■ Current Expense

Current Revenue and Total Debt



■ Current Revenue ■ Total Debt as of 12/31

Direct and Indirect Capital Expenditures



■ Direct Capital Expenditure ■ Indirect Capital Expenditure

Debt Ratings

Moody's Investors Service: Aa1 (December 2006)

Rating & Investment

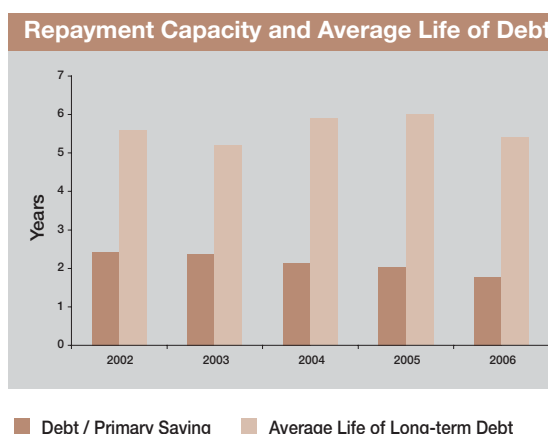
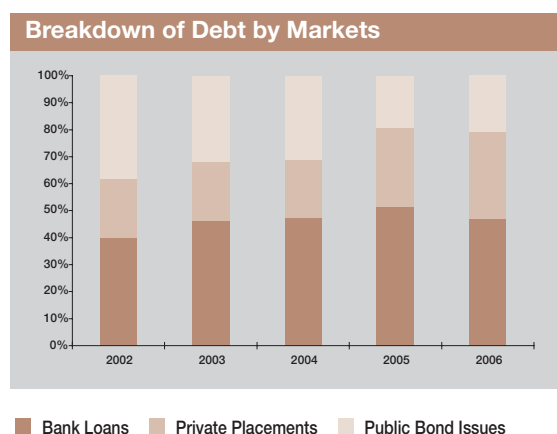
Information: AAA (August 2006)

Standard & Poor's: AA+ (April 2006)

Fitch: AA+ (February 2006)

City of Barcelona (2002-2006)

	2002	2003	2004	2005	2006	Annual Growth (%)
Balance Summary (thousands of euros)						
Fixed Assets	5,556,938	5,736,516	5,605,084	5,689,999	6,135,991	3.2%
Long-term Financial Investments	159,902	165,676	176,578	188,879	190,120	3.4%
Deferred Expenses	4,074	1,321	1,221	1,287	1,024	-36.0%
Long-term Accounts Receivable	0	0	0	0	4,027	-
Fixed Assets	5,720,914	5,903,513	5,782,883	5,880,165	6,331,162	3.2%
Accounts Receivable	268,645	339,809	325,174	351,851	300,707	2.7%
Cash	209,312	61,608	87,794	278,225	414,545	66.5%
Current Assets	477,957	401,417	412,968	630,076	715,252	19.3%
Total Assets	6,198,871	6,304,930	6,195,851	6,510,241	7,046,414	4.3%
Net Worth	3,978,509	4,043,023	4,052,779	4,340,476	4,987,660	5.8%
Capital Transfers Received	219,351	273,627	246,316	274,817	238,628	7.6%
Long-term Loans and Debentures	1,265,113	1,244,439	1,206,640	1,148,353	1,061,206	-1.6%
Pluriannual Transfers to HOLSA	204,255	164,179	123,430	73,055	24,629	-36.4%
Other Long-term Liabilities	85,480	125,181	149,794	160,835	228,268	30.7%
Long-term Liabilities	5,752,708	5,850,449	5,778,959	5,997,536	6,540,391	4.0%
Accounts Payable	446,163	454,481	416,892	512,705	506,023	8.5%
Short-term Loans	0	0	0	0	0	-
Current Liabilities	446,163	454,481	416,892	512,705	506,023	8.5%
Total Liabilities	6,198,871	6,304,930	6,195,851	6,510,241	7,046,414	4.3%



Public Administration Debt (2002-2006)

	2002	2003	2004	2005	2006	Annual Growth (%)
Debt (millions of euros)						
Central Government	313,780	308,374	311,088	307,542	302,888	-0.6%
Regional Government	46,461	48,993	51,977	56,782	57,690	5.7%
Local Authorities	21,522	22,914	24,153	25,480	27,461	6.5%
Spanish Municipalities	16,507	17,819	18,910	20,215	22,292	7.7%
City of Barcelona	1,265	1,244	1,207	1,148	1,061	-1.6%

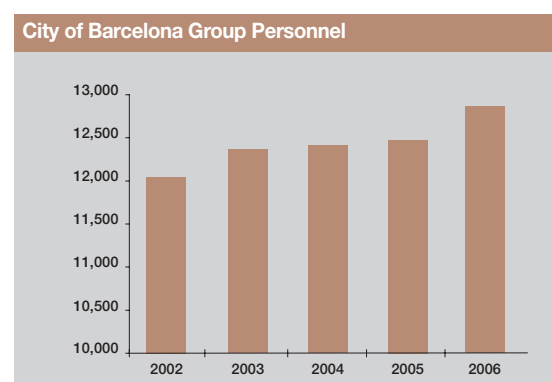
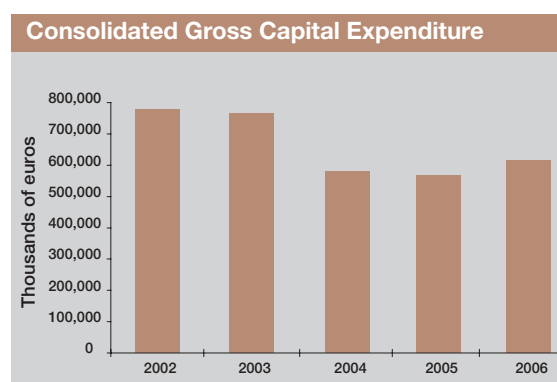
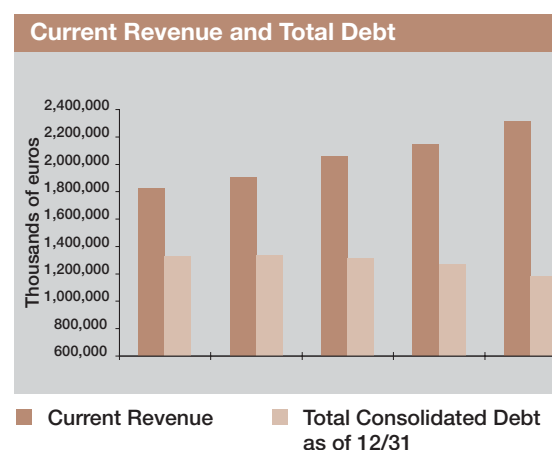
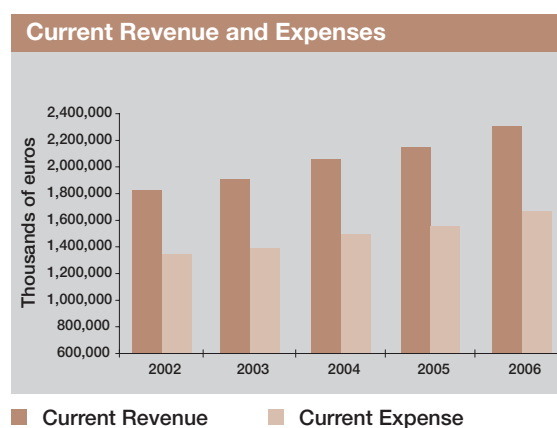
Source: Bank of Spain (www.bde.es/infoest) and City of Barcelona

City of Barcelona Group (2002-2006)

	2002	2003	2004	2005	2006	Annual Growth (%)
Personnel	12,045	12,366	12,410	12,475	12,859	1.3%
Economic Position (thousands of euros)						
Current Revenue	1,826,166	1,907,154	2,055,689	2,145,233	2,311,060	6.3%
Current Expenses	1,347,156	1,395,646	1,498,240	1,553,221	1,672,158	6.0%
Gross Saving	479,010	511,508	557,449	592,012	638,902	7.1%
Net Investment	579,104	641,303	481,901	499,048	479,325	6.8%
Cash Surplus (Deficit)	-135,743	-11,266	20,149	37,102	84,766	-
Total Consolidated Debt as of 12/31	1,327,351	1,336,318	1,311,027	1,269,873	1,178,843	-0.2%

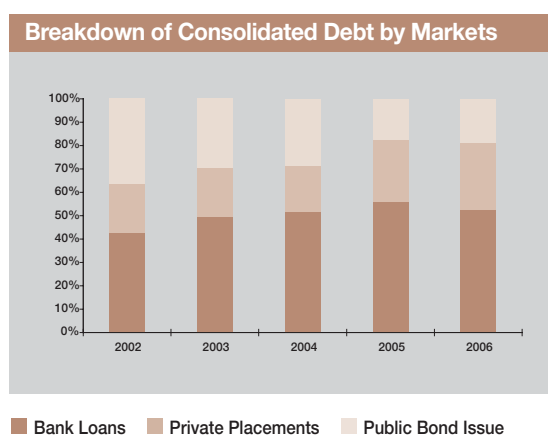
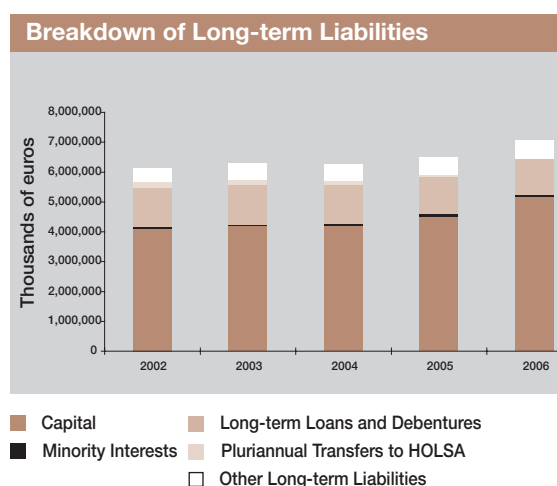
Ratios

Gross Saving / Current Revenue (%)	26.2	26.8	27.1	27.6	27.6
Interest Coverage (x)	7.2	9.1	11.1	18.7	22.1
Capital Expenditure Coverage (x)	0.8	0.8	1.2	1.2	1.3
Capital Expenditures / Total Expenditures (%)	36.6	35.4	27.9	26.7	26.9
Debt / Current Revenue (%)	72.7	70.1	63.8	59.2	51.0
Debt / Primary Saving (x)	2.4	2.3	2.1	2.0	1.8
Average Life of Long-term Debt (years)	5.8	5.6	6.4	6.5	6.0



City of Barcelona Group (2002-2006)

	2002	2003	2004	2005	2006	Annual Growth (%)
Balance Summary (thousands of euros)						
Intangible Fixed Assets	44,193	38,662	47,005	50,071	50,039	10.3%
Tangible Fixed Assets and Infrastructures	5,880,853	6,105,480	5,995,141	6,124,821	6,584,506	3.5%
Financial Intangible Assets	73,069	92,707	102,257	124,754	135,962	10.6%
Accounts Receivable for Long-term Trade Operations	35,805	34,452	37,318	28,154	30,871	-3.9%
Deferred Expenses	6,122	3,292	3,090	3,261	2,824	-21.8%
Fixed Assets	6,040,042	6,274,593	6,184,811	6,331,061	6,804,202	3.6%
Inventories	36,215	43,724	40,281	49,567	42,896	3.1%
Accounts Receivable	358,242	413,540	391,268	431,986	401,036	4.1%
Cash	269,423	146,037	156,157	340,593	472,455	36.7%
Current Assets	663,880	603,301	587,706	822,146	916,387	14.6%
Total Assets	6,703,922	6,877,894	6,772,517	7,153,207	7,720,589	4.6%
Capital	4,101,585	4,183,935	4,204,316	4,512,143	5,182,291	6.0%
Minority Interests	57,908	63,977	69,029	73,586	69,491	2.9%
Long-term Loans and Debentures	1,324,197	1,336,231	1,311,027	1,269,873	1,178,843	-0.1%
Pluriannual Transfers to HOLSA	204,255	164,179	123,430	73,055	24,629	-36.4%
Other Long-term Liabilities	437,730	531,666	540,262	578,306	624,398	10.4%
Long-term Liabilities	6,125,675	6,279,988	6,248,064	6,506,963	7,079,652	4.3%
Accounts Payable	575,093	597,819	524,453	646,244	640,937	8.6%
Short-term Loans	3,154	87	0	0	0	-100.0%
Current Liabilities	578,247	597,906	524,453	646,244	640,937	8.3%
Total Liabilities	6,703,922	6,877,894	6,772,517	7,153,207	7,720,589	4.6%



Consolidated Debt of the City of Barcelona: Public Administration and Commercial Entities (2002-2006)

	2002	2003	2004	2005	2006	Annual Growth (%)
(millions of euros)						
Public Administration	1,265	1,245	1,207	1,148	1,061	-1.9%
Commercial Entities	62	92	104	122	118	36.3%
Total Debt	1,327	1,336	1,311	1,270	1,179	-0.2%



Ajuntament de Barcelona