

Investing in Water

– with the World Water Index

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Investing in Water – with the World Water Index

WATER – BLUE GOLD

Water provision is becoming the key challenge of the 21st century. In the face of global shortages and rising consumption, the politics and economy in the water sector are facing considerable challenges.

Life on earth would be impossible without the bond between a single oxygen and two hydrogen atoms: Man consists of approximately 60 percent water and a loss of only 15 percent of this amount is fatal.

Former UN General Secretary, Boutros Ghali is attributed with making the prediction that “future wars will be fought over water”. (1) Although it seems to be available in abundance, man can only make use of a small fraction for industry, agriculture and his own needs.

It is impossible to say exactly how much water there is on the planet in total as the amount of water trapped in the atmosphere and deep in the earth’s crust can only be estimated. Less and less, however, is available for human use: In the last 100 years water consumption has increased by a factor of seven and the available fresh water reserves have shrunk by 40 percent since 1970 alone. (2)

The provision of water is one of the key challenges of the 21st century. According to calculations by the United Nations, by 2050 the earth’s fresh water resource will have to be shared by over nine billion people (3); even today over four million people die each year as a result of contaminated drinking water. Over one billion people have no access at all to a safe water supply (4).

In the face of this global shortage and increasing consumption, the politics and economy in the water sector are facing considerable challenges.

Those businesses whose expertise, technology and products are needed for supplying water and disposing of waste water find themselves at centre stage in overcoming these challenges. Suppliers, whose field of activity is in the areas of water utilities, water infrastructure and water purification, are looking at significant growth potential – a potential that is prompting increasing interest with investors too.

1 Lehn, H., Steiner, M., Mohr, H. (1996): Wasser – die elementare Ressource: Leitlinien einer nachhaltigen Nutzung

2 Maude Barlow/Tony Clark (2003): Blaues Gold – Das globale Geschäft mit dem Wasser

3 United Nations (2005): Population Challenges and Development Goals

4 Vgl. European Environment Agency (2005): Effectiveness of Urban Wastewater Treatment policies in selected countries, http://reports.eea.eu.int/eea_report_2005_2/en/FINAL_2_05_Waste_water_Web.pdf

THE SOCIÉTÉ GÉNÉRALE WORLD WATER INDEX TURBO

With the new Index Turbo warrant in the World Water Index (WOWAX) investors have the opportunity to profit from the development of the 20 largest global organisations in the areas of water utilities, water infrastructure and water treatment.

The Turbo warrant mirrors the performance of the index. Société Générale will adjust the bid and offer price for the Turbo on a continuous basis.

OUR PARTNERS

SAM Group

The renowned SAM Group (Sustainable Asset Management) is responsible for the composition of the index. SAM was established in 1995 as an independent asset management company focusing on sustainability. Their clients include banks, asset managers, insurance companies, businesses, pension funds, foundations and private customers. SAM assesses over 1,000 companies each year with respect to economic, ecological and social criteria. The services provided by the organisation include products in the areas of asset management, private equity and indexes. Together with Dow Jones and STOXX Ltd. SAM has launched the first family of sustainability indexes to measure the increase in value of companies that assume a position at the forefront of their sector with regards to sustainability.

SAM monitors the entire investment universe and is responsible for the composition of the index.

Dow Jones Indexes

Dow Jones Indexes is the name behind “the Dow”, the most quoted and best known index in the world. In addition to this legendary yardstick, Dow Jones Indexes maintains an index family that includes over 5,000 market indicators: Part of this is the Dow Jones Wilshire Index, the broadest benchmark index worldwide. Likewise Europe’s leading stock index, the Dow Jones STOXX Index that is globally integrated in the Dow Jones Index family. They are produced, maintained and operated by STOXX Limited, a joint venture between Deutsche Börse AG, Dow Jones & Company and SWX Group. Further examples of well-known index families are, amongst others, the global family of the Dow Jones Titans Index, the Dow Jones and Dow Jones STOXX Select Dividend Index, the Dow Jones and Dow Jones STOXX Sustainability Index as well as the Dow Jones Islamic Market Index that are used around the world.

Furthermore, Dow Jones Indexes has specialised in calculating indexes together with clients according to their individual requirements, and supporting them during production with Dow Jones Indexes' own know-how and the necessary infrastructure.

Dow Jones Indexes undertakes the daily calculation of the WOWAX Index and provides all relevant data for index adjustment. The calculation follows the Dow Jones Indexes Standard that has established itself in the market.

Taken all the above into consideration, SAM group can with reasonable consideration, either add or remove components, choose a replacing component, define and change component weights within the Index.

WOWAX Index calculation principles follow the same principles as presented in the following Dow Jones link: http://www.stoxx.com/indexguides/stoxx/djstoxx_indexguide.pdf

INDEX METHODOLOGY

In order to be included in the WOWAX Index companies must fulfil various qualitative criteria. The primary source of revenue of the selected companies is from one of the following investment clusters as determined according to the current definition:

- Water utilities
- Water infrastructure
- Water treatment

The companies belong to the largest in their sectors based on their free-float market capitalisation and the stock

demonstrates, in addition, a sufficiently high liquidity. An index review with respect to the component companies is performed on a six-monthly basis, a re-weighting of the component stocks every quarter. If companies, that become listed on a stock exchange via an IPO, qualify for inclusion in the WOWAX, a recompilation of the index can also take place at the time of the quarterly adjustment. The WOWAX Index is conceived as a performance index (total return) meaning that dividend payments are reinvested.

THE WOWAX AT ISSUE

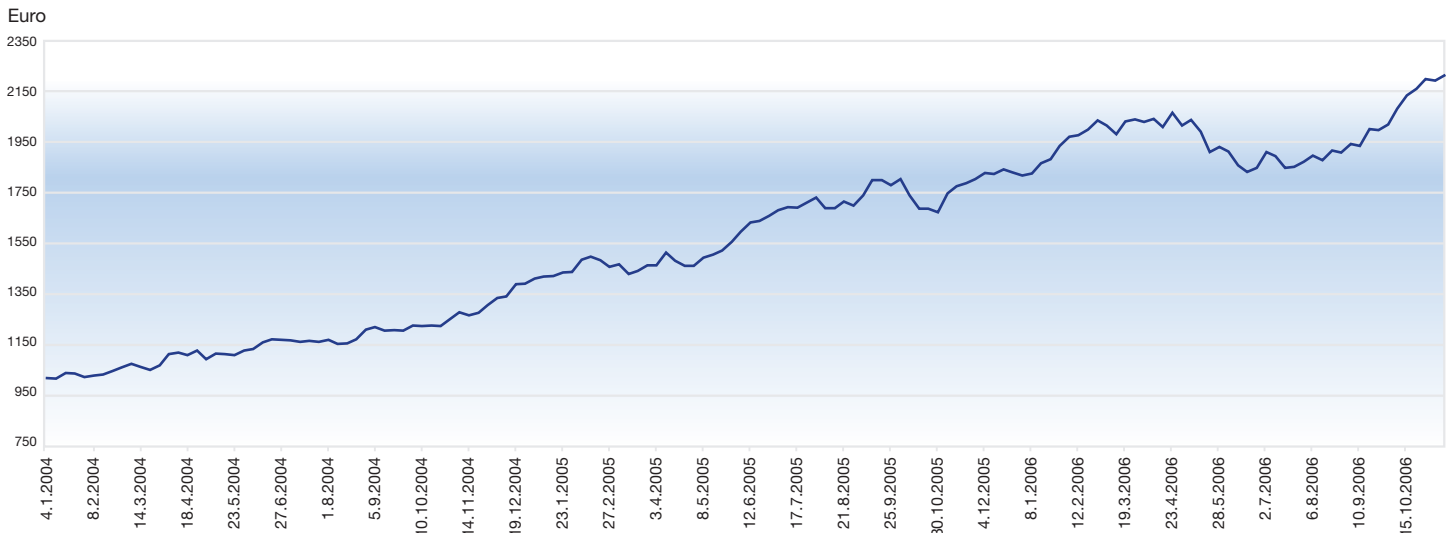
Real-time index calculation was begun on the 2nd February 2006 at 1950.39 index points. The index was historically back-calculated, and as a result, weighting was last equalised at the quarterly adjustment in June 2006.

The composition of the WOWAX is assessed on a six monthly basis. Changes to the composition of the index are implemented according to the closing price on the third Fridays of June and December and are effective from the following trading day.

The weighting of the component stocks in the WOWAX is equalised every quarter. This takes place in conjunction with the adjustment of the index data (e.g. number of shares, free-float factor). The new data, as well as the new weighting of the shares, is implemented according to the closing price on the third Fridays in March, June, September and December and is effective from the following trading day.

The weighting factors are calculated based on the closing prices two days prior to the corresponding adjustment date.

THE WOWAX INDEX





COMPANY	ISIN	RIC	REFERENCE EXCHANGE	WEIGHT
AWG PLC	GB0033126615	AWG.L	London Stock Exchange	5.15%
United Utilities PLC	GB0006462336	UU.L	London Stock Exchange	4.99%
Severn Trent PLC	GB00B1FH8J72	SVT.L	London Stock Exchange	3.23%
Pennon Group PLC	GB00B18V8630	PNN.L	London Stock Exchange	5.29%
Northumbrian Water Group PLC	GB0033029744	NWG.L	London Stock Exchange	5.64%
Uponor Oyj	FI0009002158	UNR1V.HE	Helsinki Stock Exchange	5.64%
Techem AG	DE0005471601	TNHG.DE	Frankfurt Stock Exchange	5.99%
Woongjin Coway Co. Ltd.	KR7021240007	021240.KS	Korea Stock Exchange	5.07%
Hyflux Ltd.	SG1J47889782	HYFL.SI	Stock Exchange of Singapore	4.73%
Kurita Water Industries Ltd.	JP3270000007	6370.T	Tokyo Stock Exchange	4.84%
Geberit AG Reg.	CH0008038223	GEBN.S	Swiss Exchange	5.06%
Kelda Group PLC	GB0009877944	KEL.L	London Stock Exchange	5.08%
Sociedad General de Aguas de Barcelona	ES0141330C19	AGS.MC	Madrid Stock Exchange	5.37%
Dionex Corp.	US2545461046	DNEX.OQ	NASDAQ	5.14%
Veolia Environnement S.A.	FR0000124141	VIE.PA	Euronext Paris	5.14%
Nalco Holding Co.	US62985Q1013	NLC.N	New York Stock Exchange	5.01%
Pentair Inc.	US7096311052	PNR.N	New York Stock Exchange	5.09%
Aqua America Inc.	US03836W1036	WTR.N	New York Stock Exchange	4.87%
Tetra Tech Inc.	US88162G1031	TTEK.OQ	NASDAQ	4.91%
Walter Industries Inc.	US93317Q1058	WLT.N	New York Stock Exchange	3.76%

As at 15 November 2006.

THE BUSINESSES IN DETAIL

AWG PLC, www.awg.com

AWG PLC is the parent company of Anglian Water Morrison. Anglian Water is responsible for the water supply and waste water treatment for 6 million customers in East Anglia and Hartlepool. The company has a 36,000 kilometre mains water network, operates over 1,000 sewage treatment works and is one of the largest water utilities in the UK.

Aqua America Inc., www.aquaamerica.com

Aqua America Inc. is the largest stock exchange listed water utility in the USA. The company is responsible for the water supply and waste water disposal for 2.5 million inhabitants in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, Maine, Missouri, New York and South Carolina. In addition, Aqua America offers consultancy services in the areas of water and sewage.

Dionex Corp., www.dionex.com

Dionex develops, produces and markets chromatographs and extraction systems that are used for the separation, isolation and identification of chemicals and other substances. The US group's products are used in a multitude of fields, most notably for quality assurance during the treatment of water.

Geberit AG Reg., www.geberit.com

Geberit gets water flowing in buildings – from supply to usage and finally disposal. The company's product spectrum is designed for new constructions as well as for renovations and modernisations. It comprises six product lines in the areas of sanitary systems (installation and flushing systems, apparatus connections) and pipeline systems (building drainage, supply systems).

Hyflux Ltd., www.hyflux.com

Hyflux is one of the leading Asian companies in the water treatment field. The firm has been involved for over ten years in the manufacture and application of membranes and related technologies for water filtration. Hyflux's largest market is China.

Kelda Group PLC, www.keldagroup.com

Kelda Group is responsible for the water supply and disposal services in various regions of the UK and USA. The water supply and waste water disposal needs of 4.7 million customers in Yorkshire are met by Yorkshire Water, Kelda's English subsidiary. Kelda's US subsidiary, Aquarion, provides the corresponding services for almost 700,000 inhabitants of Connecticut, New York, Massachusetts and New Hampshire.

Kurita Water Industries Ltd., www.kurita.co.jp/english/index.html

Kurita offers a broad palette of products, technologies and services in the area of water treatment. The company's product line includes chemicals at the one end and plants for the treatment of water and waste water in manufacturing processes and sewage treatment works at the other. Kurita's value added chain encompasses the manufacture and sale as well as the maintenance of the products.

Nalco Holding Co., www.nalco.com

Nalco develops, produces and sells products and technologies used for water treatment. The company is the largest global manufacturer of chemicals for the treatment of water and waste water, and offers a variety of services in the area of water analysis.

**Northumbrian Water Group PLC, www.nwg.co.uk**

Northumbrian Water is the water supplier in the north-east of England and – with its affiliates Essex and Suffolk Water – provider of the corresponding services in the south-east of the country. The company is responsible for supplying water to and disposing of waste water for 4.3 million customers.

Pennon Group PLC, www.pennon-group.co.uk

Pennon's subsidiary, South West Water Services, is charged with providing for the water and sewerage needs of the English counties of Devon and Cornwall as well as parts of Somerset and Dorset. South West Water has over 1.5 million customers and maintains a mains water network 16,000 kilometres in length.

Pentair Inc., www.pentair.com

Pentair is a diversified company with its headquarters in the USA. The firm is one of the leading global providers of innovative products – in particular pumps, filters and tanks – for the transportation as well as the treatment and storage of water.

Severn Trent PLC, www.severn-trent.com

Severn Trent and its subsidiaries, Severn Trent Water and Severn Trent Laboratories, is active both as a water utility and in the water treatment sector. The group's largest area of activity is in the water utility sector. With over 8 million customers in the heart of the country, the company is one of the most important water supply and waste water disposal service providers in Great Britain.

Sociedad General de Aguas de Barcelona, www.agbar.es

Sociedad General de Aguas de Barcelona, Agbar for short, is one of the largest water companies in the world. The company supplies water to and disposes of the waste water for 18 million inhabitants in Spain and is involved in supplying water to a further 20 million inhabitants of Andorra, Argentina, Brazil, Chile, Columbia, Cuba, Mexico and Uruguay.

Tetra Tech Inc., www.tetrattech.com

Tetra Tech is a US consultancy with expertise in every aspect of the value added chain in the water sector. The company supports industrial and residential customers in protecting water resources, ground water treatment and in the management of water catchment areas.

United Utilities PLC, www.unitedutilities.com

United Utilities is responsible for the water supply and waste water disposal service in north-west England. In this region the company covers the water needs of around 7 million customers and is thereby one of the biggest players in the English water sector. Furthermore, United Utilities has in the past few years established an international presence and is now also active as a water utility in Australia, Bulgaria, Canada, Estonia, India, the Philippines and Poland.

Uponor Oyj, www.uponor.com

Uponor is a leading global supplier of plastic piping systems for sanitary installations as well as the provision of municipal hot and cold water. The company is currently active in over 100 countries. Uponor earns the majority of its revenue in Europe.

Veolia Environnement S.A., www.veolia.com/en

With 110 million customers Veolia Environnement is the largest water utility in the world. The company operates the water supply and waste water treatment works for local authorities and industrial facilities in 55 countries. The company earns the majority of its water revenue in France.

Walter Industries Inc., www.walterind.com

Via its subsidiaries U.S. Pipe and Mueller Water Products, Walter Industries provides pipes, pumps and valves for drinking and waste water infrastructure. The company's customers include construction firms as well as municipal and private water companies.

Techem AG, www.techem.com

Techem AG is a European service provider to the housing and real estate industries, in the fields of energy and water metering, allocation and billing. Through its core business, Energy Services, the Company offers energy and water billing services, and sells and leases associated metering and measuring devices, including radio-controlled devices, water meters and heat cost allocators. Techem AG is based in Eschborn, Germany and owns subsidiaries throughout Europe and in Asia.

Woongjin Coway Co. Ltd.

Woongjin Coway Co. Ltd. develops, manufactures, maintains, and markets environment related products, such as water purifiers, air cleaners and water softeners. In addition, the company provides water testing services.

www.sglistedproducts.fi

Lisätietoja: 0800 119 156

Bloomberg: SGFI

Reuters: SGFIN