

**Budapest
Sewage
Works Ltd.**

**Business report
2008**

Introduction

Last year the Budapest Sewage Works Ltd. (Fővárosi Csatornázási Művek Zrt., hereinafter „the Company”) has been successful in the fields of development of sewage disposal and treatment, increasing operational safety as well as environment protection.

The Company spent HUF 8.6 billion on investments in 2008. Network reconstruction remained at the previous year’s high level, the renewed network length was 19 km, while the investment value of sewer constructions reached HUF 4.4 billion. The modernization of the treatment plants went on. The energy self-sufficiency of the South-Pest plant increased, a series of investments increasing technical-economic efficiency was started or finished in the reporting period. Further advances were made in the field of waste handling and management as well. The North-Pest plant received and treated wastewaters from North-Buda through the conduit installed under the Danube. The implementation of the North-Pest digestion unit came to an end and the trial operation was also carried out. The build up of the nutrient removal capacity went on. Following the completion of the investment expected in 2009, the phosphorus and nitrogen concentration of discharged treated wastewater will significantly decrease.

54% of the invoiced wastewater is treated biologically, nutrient removal is comprehensive at 15% and partial at 39%. The fact that both wastewater treatment plants have functioned continuously and efficiently has meant a great stride forward in the field of wastewater treatment. The parameters of the effluent water of our wastewater treatment plants have remained within the threshold limits. In 2008, the quantity of collected wastewater and rainwater increased by 4.1%, more precisely the invoiced wastewater quantity fell short of the previous year’s value by 4.5%.

In 2008, the Company operated according to the quality assurance and environment-focused control systems as per standards ISO 9001 and ISO 14001.

The basic administration and technical tasks have been fulfilled under balanced financial conditions. As the collective result of cost savings and revenues, the profit after tax of the Company reached HUF 5 billion. During the year, the financial situation of the Company remained solid – despite the decrease of the invoiced wastewater quantities – and it has retained its continuous liquidity. In conclusion, it can be stated that the Company – taking into account its existing technical and financial possibilities – operated the public utilities efficiently and successfully in 2008 as well.

Budapest, March 2009

György Palkó
General Manager

Table of contents

Introduction	3
Organization and legal position of the Company	7
Scope of activities	10
Equity position	12
Technical specifications of the sewage works	16
Financial position	23
Sewer charges	27
Business performance and results	28
Investments and developments	37
Maintenance	44
Environment protection	47
Human resources	55
Information technology	59
Communication	60
Appendix	63

Organization and legal position of the Company

The General Assembly of the Municipality of Budapest transferred shares representing 25% + 1 vote of the Company's asset and specific operating and management control rights to a consortium formed by Berliner Wasser Betriebe (B.W.B.) and Compagnie Générale des Eaux (C.G.E.) for a period of 25 years. The contract was signed on 19 November 1997. Using the possibility set forth in the Share Purchase Agreement, C.G.E. and B.W.B. established the Sewage Operating Holding Limited at the end of 1998.

In the meantime, C.G.E. changed its name to Vivendi. On 6 June 2000, B.W.B. transferred its shares to Berlinwasser Holding AG.

On 26 March 2002, Vivendi transferred its shares – with indicating intermediate ownership of Vivendi Universal – to Vivendi Environnement, whose current name is Veolia Environnement S.A.

Owners:

- The Municipality of Budapest
- Berlinwasser Holding AG
- Veolia Environnement S.A.
- Sewage Holding Operating Ltd.
- 3 small investors

Name of the Company: Budapest Sewage Works Ltd.
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Postal address: 1426 Budapest 72, PO Box 114.
Telephone: (+36 1) 455-4100
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E-mail: center@fcsm.hu

Board of Directors:

1 January - 31 December

Lajos Nemes – chairman

dr. Rózsa Bóta

dr. Zoltán Bolvári

Karl-Heinz Zorn

Bernt Thümmel

György Palkó

Philippe Guitard

Supervisory Board:

January 1 – February 6

Dieter Ernst – chairman

Étienne Petit

dr. Andrea Szolnoki

Attila Ughy

László Zsinka

György Hunvald

*

Devánszkiné dr. Katalin Molnár

Andrea Aranyosi

Attila Dancs

Istvánné Loszmann

László Tuba

*Unfilled capital committee seat

February 7 - December 31

Dieter Ernst – chairman

Étienne Petit

dr. Andrea Szolnoki

Attila Ughy

László Zsinka

György Hunvald

Emese John

Devánszkiné dr. Katalin Molnár

Andrea Aranyosi

Attila Dancs

Istvánné Loszmann

László Tuba

Independent auditor:

Virágh Gabriella

Ernst & Young Kft.

Company management:

György Palkó

General Manager

dr. Éva Medovárszki

Deputy General Manager

Bernt Thümmel

Technical Deputy Manager

Organization of the company

In 2008, three Directors' measures were taken on organizational changes. Part of the changes was technical, which is to say the organization's name changed and at the other group of changes, the management of the organization changed, maintaining the same tasks. The greatest change was that a new department was created under the name of Network and Contracting Department under the management of the technical deputy general manager (with the fusion of two departments).

Only the transport activities of the Maintenance Department remained under the management of the general deputy general manager under the name of Vehicle Operations Department.

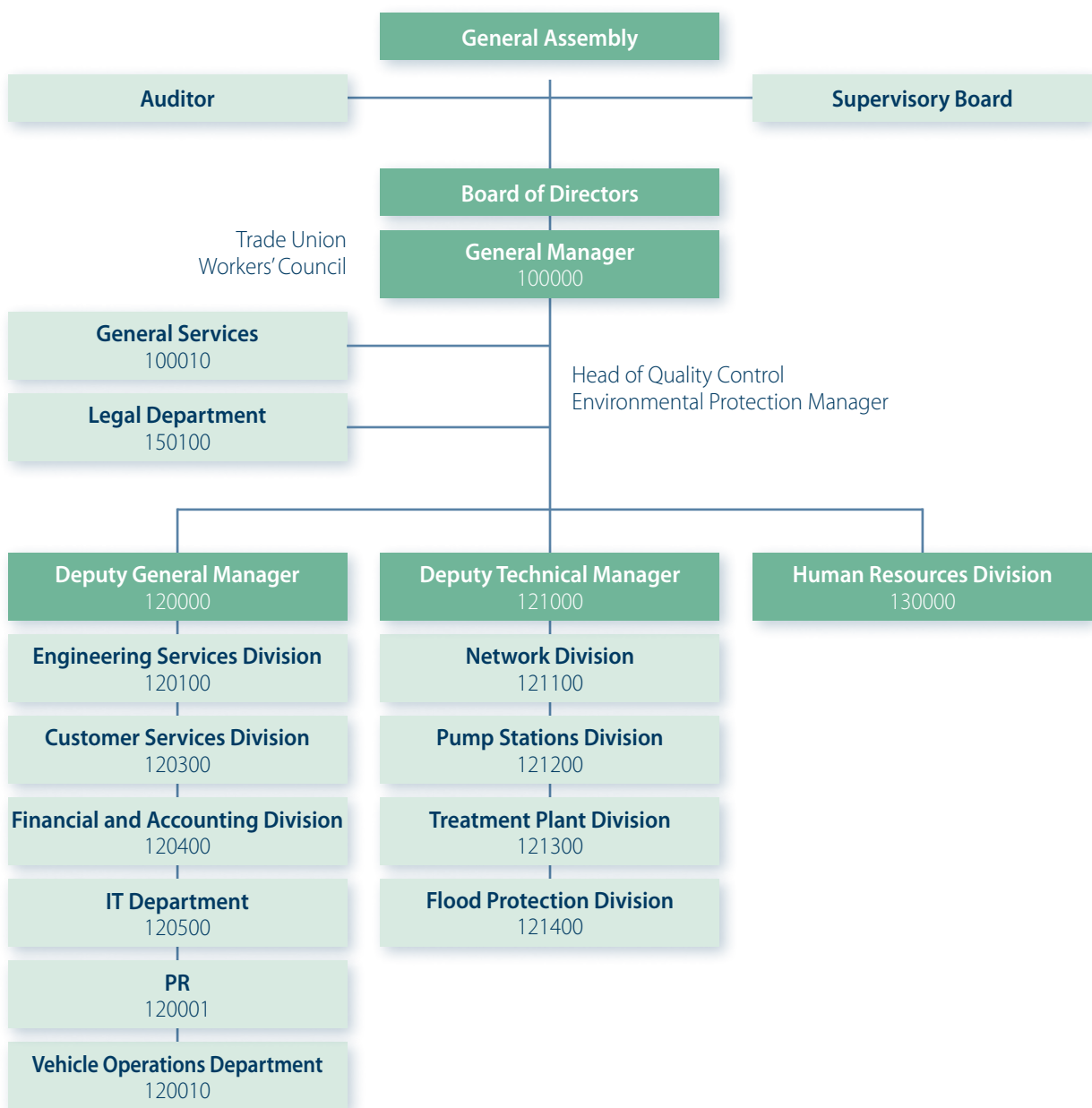
Territorial location of the Company

The management of the Company, all its functional organizations, as well as the Network Department are all located on a site that can be considered the core, in the 8th district of Budapest, at Asztalos Sándor str. 4, Kerepesi str. 19 and Kerepesi str. 21.

The IX. Soroksári site can be considered a base site where the offices of the Flood Protection Department and the Trade Union can be found.

The Pump Stations Department and the Treatment Plant Department are physically located at the site where the tasks are fulfilled.

Organizational structure of the Budapest Sewage Works Ltd.



Scope of activities

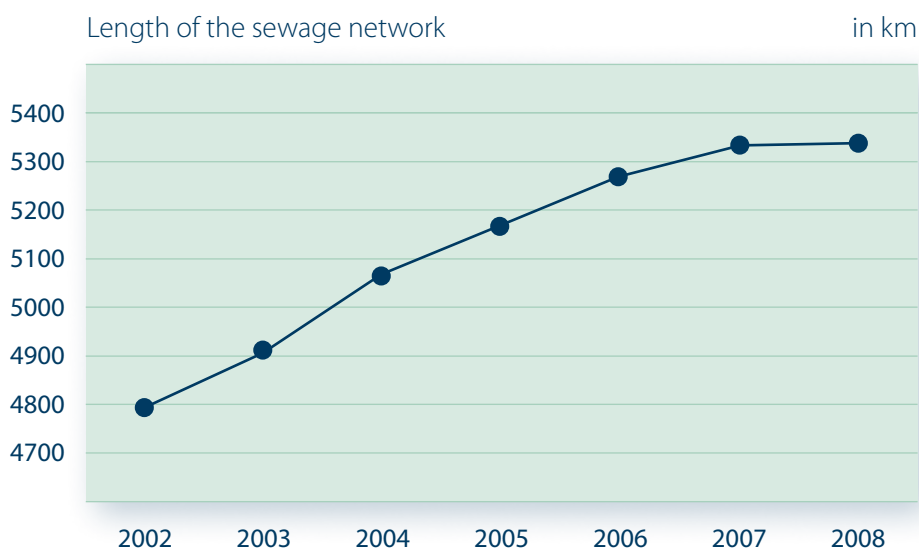
The Municipality of Budapest Capital City has founded the Company to collect, treat wastewater and rainwater generated in the area of Budapest and to discharge them into the receptor. The rights and obligations related to the task are regulated by the Public Service Agreement concluded between the two parties on November 3, 1997.

The Company has been organized exclusively for collecting and treating wastewater and rainwater. Although the Company serves only Budapest, sewers of some settlements outside the boundary of the capital are also connected to its network, based on the principle of their location in the drainage area.

As the Company provides a public utility service, it is a basic requirement that the service be continuous and safe. The fulfilling of the task, the supply of the service is also a mandatory obligation of the organization mandated with the task. (Partial service provision obligation.)

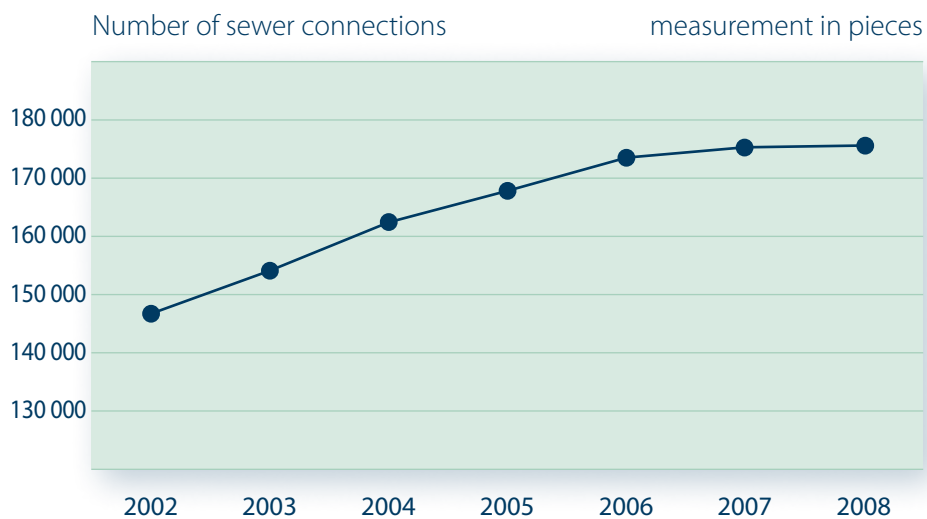
The most important rules regarding the core activity are included in Government Decree 38/1995. (IV.5.) and its amendments.

Beyond our core service, our Company provides another public service: we operate the flood and inland water control system of Budapest and make suggestions on the development of the flood protection installations.



Main indicators of the sewage works

Description	unit	2004	2005	2006	2007	2008
Capacities on 31 December						
Length of the sewage network	km	5 075	5 179	5 282	5 315	5 334
- out of this: annual increase	lm	159 960	104 364	103 186	32 520	19 350
Number of sewer connections	pcs	162 753	167 949	173 660	175 610	176 844
- out of this: annual increase	pcs	8 053	5 196	5 711	1 950	1 234
Biological treatment capacity	thm ³ /day	280	280	280	280	280
- out of this: - South-Pest plant	thm ³ /day	80	80	80	80	80
- North-Pest plant	thm ³ /day	200	200	200	200	200
Nutrient removal capacity	thm ³ /day	80	80	80	80	80
Annual performance						
Collected sewage and rainwater	thm ³	248 162	259 538	235 540	217 669	226 558
- out of this: - discharged via free outlet	thm ³	25 298	25 439	24 000	22 463	22 226
- discharged via pump stations	thm ³	222 864	234 099	211 540	195 206	204 332
- out of this: - with biological treatment	thm ³	77 352	76 834	76 835	69 789	70 456
- nutrient removal	thm ³	22 066	21 862	22 085	19 337	20 247
Billed sewage	thm ³	150 542	149 527	139 873	136 905	130 744
- out of this: households	thm ³	95 996	98 188	91 705	88 795	86 051
industrial, corporate + other	thm ³	51 397	49 416	46 328	46 389	42 898
private well	thm ³	3 149	1 923	1 840	1 721	1 795



Equity position

Liabilities and equity

The initial asset structure and current capital structure of the Company was established on January 1, 1993.

In 1996, decision 1406/1996. (X.31.) of the General Meeting decided on the capitalization of the sewer network operated by the company. From this date, the value of the registered capital is HUF 70,045,200 thousand, and since November 19, 1997, 25% of the share capital (HUF 17,511 million) was transferred to foreign investors.

Equity on December 31 in thousand HUF

Designation	2007	2008
Registered capital	70 045 200	70 045 200
Capital reserve	13 556 590	13 556 590
Profit reserve	10 324 708	10 506 407
Valuation reserve	–	–
Balance sheet profit	181 699	1 059 207
Total equity	94 108 197	95 167 404

The profit reserve has increased by the balance sheet profit of 2007 (HUF 182 million). No other change happened in 2008.

The 2008 balance sheet profit figure was determined by the fact that the profit before tax was HUF 6,525 million. After corrections with the items modifying the tax base and taking into account the additional tax, HUF 1,534 million was paid as tax, which resulted in HUF 4,991 million profits after tax. Decreasing the after tax profit with the HUF 3,932 million paid in dividends, the balance sheet profit of the Company in 2008 reached HUF 1,059 million.

The aggregate amount of the equity on December 31, 2008 amounted to HUF 95,167 million, exceeding the previous year's by the balance sheet profit.

Changes in the composition of equity on December 31

Designation	2007		2008	
	in thousand HUF	Ratio %	in thousand HUF	Ratio %
Current capital	9 071 038	9,6	8 726 613	9,2
Own fixed capital	85 037 159	90,4	86 440 791	90,8
Equity total	94 108 197	100.0	95 167 404	100,0

Within the equity, the proportion of fixed assets increased to 90.8%, while the proportion of working capital decreased to 9.2%. The surplus of HUF 1,059 million in equity compared to the previous year increased the working capital by HUF 345 million and the fixed assets by HUF 1,404 million.

Among the assets, the provisions for expected losses decreased by HUF 622 million in the reporting period. The aggregate amount of the provisions on December 31 amounted to HUF 2,296 million:

The Company provisioned HUF 1,540 million for two years' wastewater fines (the 2008 decisions have not all arrived again) and HUF 756 million for the coverage of personnel-type obligations.

The long-term liabilities are figured in the balance sheet in the amount of HUF 780 million which is the part of the payable dividend of 2008 lessened by the dividend advance.

Short-term liabilities have increased by HUF 120 million. Supplier – primarily investment supplier – payables decreased by HUF 252 million. Other short-term liabilities have increased by HUF 372 million due to the effect of the increase of the WBT and VAT.

Accruals in 2008 reached HUF 16,532 million.

These are:

■ cost- and revenue accrual:	HUF 118 million
■ other assets and assets received without payment:	HUF 4332 million
■ cash taken over for development purposes:	HUF 12,082 million
out of this: from district municipalities:	HUF 342 million
from the Municipality of Budapest:	HUF 252 million
public utility development contributions:	HUF 11,332 million
from other sources:	HUF 156 million

The liabilities of the Company have increased in total by HUF 2,347 million in comparison to the previous year.

Balance sheet as of 2008 December 31

in thousand HUF

Designation	2007	2008
Assets		
Intangible assets	67 310	448 401
Fixed assets	101 431 287	104 018 809
Fixed financial assets	348 048	359 860
Stocks	288 299	253 808
Receivables	4 197 111	4 500 254
Securities	4 057 108	72 431
Cash and bank	2 562 075	5 455 752
Deferred charges	2 538 398	2 727 802
Total assets	115 489 636	117 837 117
Liabilities		
Equity	94 108 197	95 167 404
Provisions	2 917 985	2 296 228
Long-term liabilities	605 866	779 815
Short-term liabilities	2 941 663	3 060 993
Accrued expenses	14 915 925	16 532 677
Total liabilities	115 489 636	117 837 117

Assets:

The level of assets was HUF 2,347 million higher than on December 31, 2007:

- The value of intangible fixed assets increased by HUF 381 million due to the capitalization of SZOLINFO.
- Due to the cumulative impact of investments and write-offs in the reporting period, the value of fixed assets increased by HUF 2,587 million.
- The value of long-term financial investments was HUF 12 million higher than in the previous year. The Company affected no new investment in 2008. The value of given long-term loans increased.
- Inventory decreased by HUF 35 million in comparison to the same period of the previous year.
- Receivables increased by HUF 303 million. Within this, trade receivables increased by HUF 143 million (see detailed analysis in the financial chapter), while other receivables increased by HUF 160 million.

- As a result of the change of the Company's policy, the amount of securities is lower than in the same period of the previous year by HUF 3,985 million.
- The value of cash and bank increased by HUF 2,894 million also due to the change in the investment policy.
- The level of accruals and prepaid expenditures was HUF 190 million higher than on December 31, 2007.

Further analysis of the assets indicates that 87% of our Company's assets are represented by fixed assets. 92% of the fixed assets consist of real estate.

Fixed assets on December 31, 2008 in thousand HUF

Designation	Properties	Tech. Machine applian, vehic	Other equipment and vehicles	Invest- ments and advances	Total
Gross value	137 417 717	15 777 323	2 074 371	2 831 205	158 100 616
Amortization	41 610 308	10 837 392	1 634 107	0	54 081 807
Net value	95 807 409	4 939 931	440 264	2 831 205	104 018 809

Details of properties on December 31, 2008 in thousand HUF

Item groups	Gross value	%	Net value	%
Sewers	114 034 867	83,0	76 930 638	80,3
Other underground structure	11 953 195	8,7	8 668 957	9,0
Land	3 326 514	2,4	3 326 514	3,5
Other building	8 103 141	5,9	6 881 300	7,2
Total	137 417 717	100,0	95 807 409	100,0

Besides its own assets, the Company also operates:

- assets withdrawn when the Company was established (December 1, 1993.): HUF 68,932 thousand;
- sewers owned by district municipalities and the Municipality of Budapest: HUF 1,788,291 thousand;
- sewers established by using development fund and sewers owned the city and capitalized since 1997: HUF 51,481,979 thousand (excluding apartment value replacement, and basic handover).

The gross value of third parties' properties operated by the Company in Budapest on December 31, 2008 was HUF 53,339,202 thousand.

Technical specifications of the sewage works

The installations of the sewer system serve the public service collection and treatment of wastewater and rainwater generated in the area of Budapest and their discharge into the receptor.

Some of the facilities at the sewage works provide for collecting sewage (through the network and the intermediary pump station) and some for transferring sewage to the receptors (through the terminal stations). Finally, the disposal of the sludge generated by operating the system must also be ensured.

Sewage collection

On December 31, 2008, a total of 5,334 km public sewers were operated, as detailed in the following:

Specifications of the sewer network in Budapest in km

Year	Main sewer	Connecting sewer	Total	of this: new
2002	3419	1380	4799	134
2003	3498	1417	4915	116
2004	3605	1470	5075	160
2005	3675	1504	5179	104
2006	3745	1537	5282	103
2007	3766	1549	5315	33
2008	3777	1557	5334	19

Within the capital city's sewer network, 62.1% is combined, 29.8% wastewater and 8.1% rainwater sewer.

Length of the Budapest sewer network in km

Year	Wastewater	Rainwater	Combined	Total
2002	1189	397	3213	4799
2003	1275	400	3240	4915
2004	1380	415	3280	5075
2005	1467	425	3287	5179
2006	1549	431	3302	5282
2007	1574	433	3308	5315
2008	1588	435	3311	5334

146 intermediary automatic pump stations are part of the sewer network and support the transfer of sewage from low laying areas at 170 points, which are integrated into the sewer system. Beyond these stations we also operate a manned intermediate transfer pump station. No stations were closed in 2008 and a new one was integrated in the XII district (Ecséri dűlő).

We received trucked sewage collected from areas with no public sewer system at 7 concentrated septage-receiving stations also in 2008 and at 19 additional constant and 3 temporary designated locations along the sewer network.

The long-lasting high water level was favourable from the aspect of the operation of both the network and the terminal stations, while longer flood was observed during the year. Despite this, we have registered more rainwater in average at our plants in 2008 than in the previous year.

The extreme weather phenomena due to climate change affect the drainage area of the Danube, thus we must expect the risk of floods more often. Similarly, the increase of the size of rain quantities falling locally represents a risk. This may cause quick floods and overflows on the capacity lacking sections of the operated small streams and rainwater collection dyke network. Taking into account the considerable part of the network runs through highly urbanized areas, even overflows of smaller surfaces can cause considerable damages.

Terminal stations

On December 31, 2008 two major sewage treatment plants operated in the capital. In addition, 15 automatic terminal pump stations – transferring sewage into the river Danube – operated at 10 sites.

The level of the Danube evolved favourably from the aspect of wastewater discharging. During the year, there was no lasting high water level or longer flood. As a result of more rainwater, the total quantity of wastewater and rainwater discharged into the Danube grew by 5.7% as opposed to 2007, from 117,081 thm³ to 123,761 thm³.

Currently, among the terminal stations, the Angyalföld station, the Pók street and the Békásmegyer stations are intermediate stations that can function as terminal stations if needed. In case of normal operation, wastewater and rainwater collected in the drainage area of these pump stations is transferred to the North-Pest Treatment Plant. In the reporting period, this quantity was 35,690 thm³, which is 28.8% of the capacity of the pump stations.

In 2008, we have started the water direction investments through which rainwater and wastewater arriving from the drainage area of the pump stations is transferred from the Kelenföld and Ferencváros pump stations to the Central Wastewater Treatment Plant being built in Csepel. In 2009, we will transfer the dry weather wastewater and rainwater (up to their threefold dilution) of the Albertfalva pump station operating exclusively as a terminal station so far and of the Zsigmond square pump station (with the finishing of the Buda main conduit) to the Kelenföld site, while rainwater in excess of that will

be discharged into the Danube. In the framework of this project, investment works were carried out in 2008 at the Albertfalva, Kelenföld and Ferencváros stations.

53.9% of the dry weather wastewaters are received by the two treatment plants, among which the capacity of the South-Pest plant has a biological capacity of 80 thm³ and a nutrient removal capacity of 80 thm³, while the capacity of the North-Pest plant is 200 thm³/day, but nutrient removal is only partial here.

Average actual biological treatment capacity in 2008 (m³/day)

Designation	Average capacity	Load	% of usage
North-Pest plant	200 000	137 183	68,6
South-Pest plant	80 000	55 320	69,2
Treatment plants total	280 000	192 503	68,8

The hydraulic load of the North-Pest Treatment Plant further decreased in accordance with the tendency of the previous years, while its pollution level further increased. The polluting matter load of the plant has considerably exceeded the treatment capacity in terms of all parameters. The biochemical oxygen need that best characterises nutrient load reached 63,140 BOD₅ kg/day on average, as opposed to the 25,500 BOD₅ kg/day capacity. Since the plant does not have a nutrient removal phase, it has received a unique threshold from the authorities under number KTVF 18945-5/2008.

At the North-Pest Wastewater Treatment plant, the construction of two anaerobe fermentors began on July 2, 2007, while their trial operation was successfully closed on December 31, 2008. The installation was integrated in the existing sludge handling system. The sludge handling capacity of the two towers, with their volumes of 12,000 m³ each and of the ancillary installations is 72 tons sludge dry matter/day. A block power station was also installed in the framework of the investment. The produced heat heats the fermentation towers. Through this investment, the quantity of sludge and its organic matter content both decrease, the dehydration possibility of sludge ameliorates, biogas can be recycled, the reception of matters increasing the production of gas can be ensured and the contagiousness of sludge also decreases.

The commissioning of further two block power stations is expected for the last quarter of 2009.

The second phase of the extension of the plant and the construction of the nutrient removal phase continued during the reporting period. The construction of the second phase of the extension primarily became necessary for the protection of the Black Sea from eutrophization and the respect of the legal requirements. Through the investment, the considerable decrease of the nitrogen and phosphorus content of the discharged and treated wastewater can be achieved. Construction works are under way.

The parameters of the effluent water of our wastewater treatment plants have remained within the individual threshold limits set by the authorities in relation to all components in 2008.

The modernization of the plant went on the reporting period. The objective of the investments is to increase the technical-economic efficiency of the existing installations, to introduce new technologies and to ameliorate the quality of the service. In 2008, the main investments were the followings:

- The extension and modernization of the aeration system of the activated sludge treatment phase:

Through the increase by 90% of the aeration membrane, the oxygen transfer and the treatment efficiency increased, while operation became more cost-effective. The incorporation of the panels and the transformation of conduits were made as own implementation in 2008.

- Build-up of well water network:

The various technological units operating at the plant necessitate water with different quality. In order to decrease the plant's drinking water use, the application of the two existing drilled wells has been started. The renovation of the wells and the build-up of the delivery spine conduit were realized in the previous year. The connection of the consumers to the spine conduit is currently under way in the framework of an own implementation.

- Removal of bacillary matters from the wastewater sludge:

In order to avoid choking and failures, a bacillary collecting appliance was incorporated before the automated sludge densifier preceding sludge fermentation in May 2008 as an own implementation investment.

- The covering and odour treatment of the pre-mechanic treatment facility:

The environment protection authority has prescribed the realization of the covering and aeration of the pre-mechanic treatment facility, more precisely of the aerated sand collectors, which is under way.

- The creation of a half-operational anaerobe fermentor:

The Company has gained tender monies for the creation of half-operational industrial anaerobe fermentor, which is able to efficiently handle wastewater with high organic matter content. The investment was realized in 2008.

- The construction of a new gasifier post-fermentor, the transformation of the current post-fermentor into a mesophile fermentor:

In order to reach shorter fermentation time, better organic matter decomposition efficiency and thereby a smaller quantity of fermented sludge with better dehydration possibilities, the increase of the fermentation volume became necessary, which means the creation of the heatability of the existing fermentor and its fitting with a mixer. The construction of the gasifier post-fermentor is expected between January and April 2009, while the transformation of the post-fermentor is expected for the period between July and October 2009.

Sludge disposal

Waste generated during the operation of the sewage system must be disposed according to relevant environment protection regulations and the issued permits. Sludge settled in the sewers is dehydrated in the South-Pest plant. This sludge, including dehydrated sand and waste collected by sand and pebble collecting screens of smaller plants is collected, before disposal, at the South-Pest plant. Dehydrated sand and waste collected by the screens at major transfer stations is delivered directly to companies responsible for collection.

110,507 tons of sludge were created in 2008. 55% of the waste was made up by dehydrated sludge originated from the North-Pest plant, 47% of which was placed at the landfill at Csomád, owned by the City but operated by the Company. 34% of the waste was fermented and dehydrated sludge from the South-Pest plant, 11% was given by other sewer waste.

26% of the total quantity was placed at the Csomád landfill, the remaining 74% was treated and disposed by contractors operating with environmental protection permits. EXC-H Kft., successful at the public procurement tender, collects the waste from the South-Pest plant. 53% of the dehydrated wastewater sludge created at the North-Pest plant is received by Hunviron Kft. and Duna-Dráva Cement Kft.

Specifications of the sewer utility for 2008

in tons

Designation	Created quantity	Disposal		
		Csomád	External contractor	Total
Sand collector and sewer alluvium	10 554		10 554	10 554
Grid waste	2 048		2 048	2 048
Compacted sludge at treatment pl	97 905	28 443	69 462	97 905
Total	110 507	28 443	82 064	110 507

Waste management

The treatment plants continuously receive waste to be eliminated. From an environment protection point of view, the fact that the South-Pest Wastewater Treatment Plant received 109,188,090 kg waste in 2008, while this quantity reached 25,586 m³ at the North-Pest Wastewater Treatment plant has an outstanding importance. The received waste strongly influence the quantity of produced biogas and the discharged dehydrated sludge as well. Sludge created during wastewater treatment – enriched by the received waste – is transformed by the Company into biogas at the fermentation towers operating at the South-Pest plant.

In 2008, the plant produced 6,824,005 Nm³ biogas and 9,467,801 kWh electric energy with mesophile and thermophile fermentation technologies out of that.

The operation of the North-Pest digestion unit started in 2008, during two months of operation, they ensured 6.9% of the plant's yearly technological energy need.

Based on environment protection and economic aspects, the Company plans the reorganization of its waste management. Areas to be separately handled as per the concept:

- The extension of the selective collection of solid waste.
- Disposal of waste originating from technology (after qualification) in communal landfills. (Change of legal background).
- Further decrease of the volume of communal waste collected in a mixed way by compaction.
- Disposal and handling at the Company's Csomád site of green waste created during the maintenance of the flood protection structures and our sites.



Financial position

The Company had a balanced liquidity position over the entire year. This financial balance was significantly influenced by changes in receivables.

Changes in receivables

In comparison to last year's figures, trade receivables of 31st December increased by HUF 143 million, by almost 4%. The change was due to the transfers and changes of HUF +39 million credit balance trade receivables and the increase of amortizations by HUF 144 million and the increase of receivables by HUF 248 million.

94% of receivables were made up by sewer charges. The distribution of receivables between not past due and past due is 63-37%. Within on-time receivables, the increase of sewer charges receivables was 6.3%, which is smaller than the 10% tariff increase of the beginning of the year. The increase of past due sewer charge receivables as opposed to the base period was even smaller than that, only 4.5%. Their composition is the following: receivables within three months make up 49% of the total amount. Receivables past three months but within six months and those past six months and within one year respectively reach 9% and 13% of total receivables. The proportion of receivables past one calendar year was 29% in 2008.

Receivables from other activities increased by 8.8% or HUF 22 million. Uncollectable wastewater receivables were written off in a value of HUF 39 million in 2008.

Changes in receivables without amortizations on December 31 in thousand HUF

Designation	2007		2008	
	Total	Wastewater	Other	Total
Past due receivables				
0- 90 days	804 656	787 580	37 047	824 627
91- 180 days	232 246	135 787	1 588	137 375
181 -360 days	225 642	199 490	4 356	203 846
361 - days	334 292	461 643	40 416	502 059
Total past due receivables	1 596 836	1 584 500	83 407	1 667 907
On-time receivables	2 679 305	2 665 840	190 456	2 856 296
Total customer receivables	4 276 141	4 250 340	273 863	4 524 203
Crediting customers	270 849			309 300
Depreciation of receivables	-691 185			-835 011
Trade receivables on Dec. 31	3 855 805			3 998 492

Evolution of the cash flow

The Company retained its liquidity throughout the year.

In 2008, the cash and bank income of the Company reached HUF 47,874 million; out of this HUF 47,858 million was unrestricted and HUF 16 million held in a separate bank account.

14% of the own coverage was opening balance, 76% of it came from wastewater services, public utility development contribution, interest income, sewer penalties, revenues from other activities and 10% from other customers. Revenues remained 1% below the plan.

The financially realised income from wastewater collection was HUF 1632 million less than expected, since invoiced wastewater quantities decreased. In comparison with the budget, interests (HUF 189 million), water utility development contribution (HUF 827 million) have grown. Other income fell short of the plan by HUF 9 million and sewer penalties by HUF 2 million.

The value of financially realized expenditure reached HUF 42,346 million, within this that of freely available cash was HUF 42,330 million, that is HUF 2,516 million lower than budgeted. The decrease of expenditure compared to the budget has occurred basically due to the delay of two big expenditures. The wastewater penalty decision has not arrived for all emission locations until the balance sheet date (HUF -1,178 million). The amount of payments of investments (including VAT) was lower than the plan by HUF 1,144 million. As a result of cost efficiency and the lower than planned wastewater volumes, material costs remained lower than planned as well by HUF 470 million.

Greater expenses above plan were for the following reasons: energy (HUF 114 million), and VAT payments (HUF 707 million), due to the amendment during the year of the laws related to inverted VAT.

The Company did not have any past due liability towards the state budget, Social Security and its suppliers.

In summary, the value of realized cash-type expenses was HUF 5,528 million less than actual revenues. On December 31, 2008, 1% of cash and bank were in securities, while 99% was in bank deposits. The reason for the significant change in the composition of the latter is that it was more useful to keep temporarily free cash in short term bank deposits last year.

Financial risk

Wastewater collection and treatment is an activity that is subject to partial service obligation in compliance with Government decree 38/1995. (IV.5.). As per the dispositions of the decree, the service can be restricted in the case of only a part of the consumers (with determined conditions).

Another difficulty comes from the fact that the invoiced wastewater must be invoiced – in lack of measurement, on the basis of data from an organization independent from the Company – on the basis of the water consumption. Water consumption is followed by



measurement, invoicing and then payment. However, the service provision obligation is not combined by a payment obligation from the side of the consumer.

This is the reason why the greatest risk or rather uncertainty arising during wastewater services is the realization of the plan of invoiced wastewater (based on water consumption), the collection of the sewer charges and their schedule.

With the increase of the quality of the service, the increase of the proportion of treated wastewater, the expenses and thus the tariff also increase. The increase of the VAT rate also affects the tariff. With the increase of the tariff, the risks of collection also increase. Since the expenses of the activity are basically asset-based, costs do not decrease proportionately with the decrease of revenues in case of volume decrease. The weather constitutes another risk. In a rainy period, water consumption and wastewater emission (thus revenues) are smaller, while the additional costs of great showers are burdened on the service but are not invoiced.

The risks of the activity are taken into account in the cash flow type pricing. At its own discretion, the Company strives to decrease its receivables with the continuous inspection of receivables and with the tools as per the required processes in case of non-payment (prompt note, lawyer's note, personal collection, lawsuit, etc). In 2008, the 14 collectors collected HUF 1,384 million of past due fees.

The Company's risk management and hedging policies are justified by the fact that it settled its liabilities in time, has no tax debts and pays its invoices in time - without taking out credits.

For the purpose of preserving stable liquidity, a liquidity plan is prepared, with daily liquidity analysis, investments are safe. As a result of this, the Company's liquidity and willingness to pay is good and it economically enhances the continuous operation of the sewer network.

Cash flow I-XII. months 2008

Description	Plan	Actual	Difference	
	1-12 months	1-12 months	th.HUF	%
Opening balance	6 619 183	6 619 183		
Revenues from sewage charges	37 954 347	36 322 710	-1 631 637	95,70
Revenues from other activities	1 626 872	1 634 110	7 238	100,44
Revenues from export				
Sewage penalties	25 000	23 017	-1 983	
Public utility development contribution	1 639 200	2 466 887	827 687	150,49
Interest received	456 187	644 750	188 563	141,33
Tax revenue (VAT return)				
Other revenues	33 880	79 147	45 267	233,61
Social Security	130 000	68 095	-61 905	52,38
Technical revenues				
Total non-restricted cash available	48 484 669	47 857 899	-626 770	98,71
Municipality of Budapest transfer of financial resources				
Local Municipality of Budapest transfer of financial resources				
Received for flood control equipment maintenance	27 000	16 123	-10 877	59,71
Available on a separate account	27 000	16 123	-10 877	59,71
Purchased materials	2 314 333	1 844 483	-469 850	79,70
Energy	1 309 076	1 422 993	113 917	108,70
Maintenance	562 014	447 852	-114 162	79,69
Wages, remunerations, compensations	2 309 451	2 208 379	-101 072	95,62
Social Security	1 429 601	1 466 267	36 666	102,56
Private Pension Fund	256 835	247 021	-9 814	96,18
Wastewater penalties	2 144 795	966 788	-1 178 007	0,00
Environmental load tax	4 353 845	4 224 112	-129 733	97,02
Taxes and penalties	3 693 936	3 680 860	-13 076	99,65
Tax paid (VAT)	3 720 856	4 427 646	706 790	119,00
Bank fees and interest expenses	14 906	16 778	1 872	112,56
Passage, water arrangement			0	
Own investment and value-added reconstruction	10 334 552	9 190 561	-1 143 991	88,93
Development fund	1 360 922	1 319 433	-41 489	96,95
Other financial resources for development			0	
Other resources for development	25 000	23 010	-1 990	92,04
Dividends	3 900 866	3 227 849	-673 017	82,75
Other payments VAT financing on detached accounts	0	530 014	530 014	
Other payments to suppliers	2 547 624	2 510 830	-36 794	98,56
Rent paid to the Municipality	4 167 592	4 174 840	7 248	100,17
Compensation	400 000	400 000	0	100,00
Technical expenses			0	
Total available financial instruments	44 846 204	42 329 716	-2 516 488	94,39
Development investments			0	
Regional investments				
Maintenance of flood control equipment	27 000	16 123	-10 877	59,71
Restricted payment	27 000	16 123	-10 877	59,71
Total financial instruments	3 638 465	5 528 183	1 889 718	151,94
fixed deposits	3 568 575	5 453 200	1 884 625	152,81
fixed liquid securities, portfolio	68 390	72 431	4 041	105,91
out of this: cash	1 500	2 552	1 052	170,13

Sewer charges

Revenues from collection and treatment of wastewater and rainwater are determined, beyond the volume of sewage, by the all-time level of sewer charges. This public service fee is a maximized price determined by the authorities. Since January 1, 1994, pursuant to Act LXXXVII/1990 amended by Act CIV/1993, the rights of the pricing authority are exercised by the body of representatives of local municipalities – in the case of our Company, by the Body of Representatives of the Municipality of Budapest. The formula used for determining sewer charges is approved by the Municipality of Budapest by Decision No. 1422/96. (X.31.) of the General Assembly. The fee formula is described in Appendice 2 of the Service Agreement. The Company makes its suggestion on the tariff until October 31 on the basis of this formula.

Tariff suggestion for the year 2008 was negotiated in November 2007. According to Decree No. 65/2007. (XII. 14.) of the General Assembly of Budapest, sewer charges for the City of Budapest from January 1, 2008 have been set at HUF 237.00/m³. The new service fee contains an average of HUF 15.35/m³ development share which is meant to cover the investments defined by the Capital City following the taxation and the transfer to the Municipality of the Capital. The tariff also contained water burden charge in the amount of HUF 38.96/m³ determined by our Company based on Act LXXXIX of 2003 and re-charge to the users based on the Government Decree number 270/2003. (XII. 24.).

Among the conditions of price application, the rules of watering discounts introduced in 1994 remained unchanged ever since the modifications of 2004 made through the Government Decree 38/1995. (IV. 5.). Public baths, which signed a contract with the Municipality of Budapest, may enjoy a 50% discount on sewer charges applicable to water discharged from public baths since January 1, 2001 under certain conditions. This rule of the price application has not changed but does not apply to the re-charged water burden charge. Sewer charges were subject to 20% VAT in 2008.

The Municipality of Budapest set the 2009 tariff at HUF 260.50/m³.

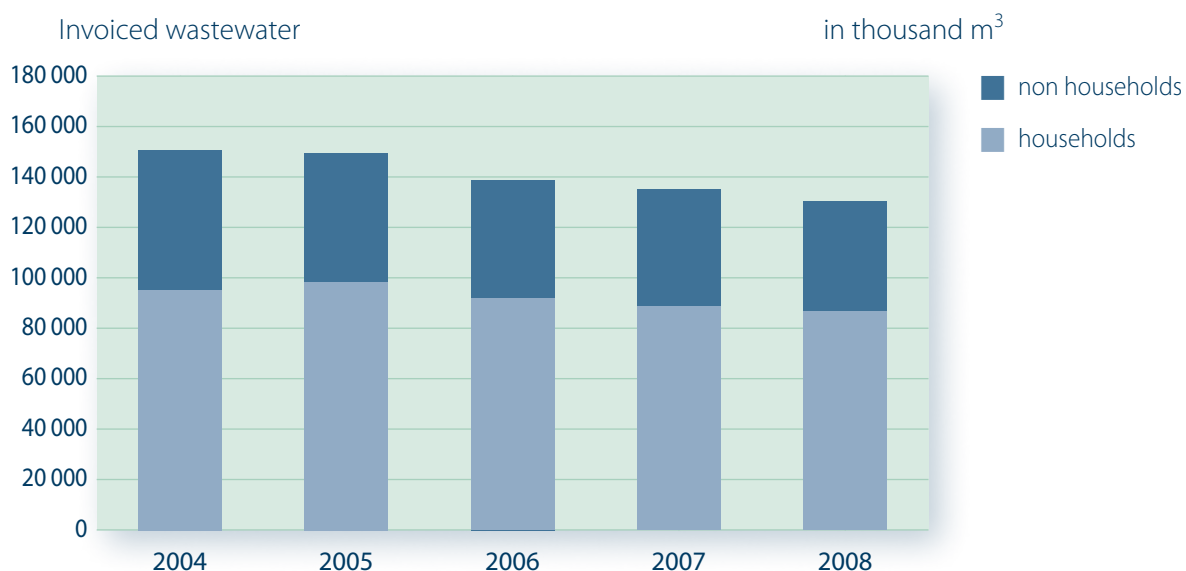
The greatest risk of the tariff is given by the unknown changes of the regulatory system and the wastewater quantity plans, which – in lack of measurements – can be determined on the basis of the invoiced water quantities in compliance with Government Decree 38/1995. (IV.5.) and its amendments. The latter is a data of an organization independent from the Company.

The General Assembly of the Municipality of Budapest, in its decision No. 1793/2007. (XI. 29.) Kgy., requires from our Company a compensation fund of HUF 400 million for the year 2008, to be used for helping customers using the public sewer network. (HÁLÓZAT – Foundation for Customers in Budapest and for People with Outstanding Charges.) Settlement is made from March to March.

Business performance and results

Revenues

Annual income of the Company is basically determined by revenue from sewage collection and treatment, which is determined by current sewage charges and the volume of services rendered. In 2008 this income was HUF 30,962 million, which also contained HUF 5,115 million water burden fee. The revenue is 5.4% higher than in the previous year due to the 10% increase of the fee while the volume of invoiced sewage was reduced by 4.5%.



65.8% of the invoicing of 2008 was household wastewater emission, which was lower than in the previous year by 2,744 thm³. The 2008 non-household consumption fell short of that of 2007 by 3,417 thm³. In the capital, the volume of billed wastewater to corporate and industrial consumers was 29.1% of the highest quantity ever measured. (For this consumer group, the highest service usage was in 1985, with 153.4 million m³.)

The wastewater quantity analyses are related to actually invoiced volumes. Their composition is known, however, deferred services are only estimated, and may vary according to actual sewage discharge. Invoiced volume consists of the following two parts: services rendered in current year and invoices issued for previous years' consumption.



- Current year's consumption remained 4.5% below last year's level.
- The effect of previous years' consumption delayed to 2008 was 4% less than in the previous year.

As the cumulated result of the above two factors, in 2008, billed sewage was 6,161 thm³ less than in 2007.

Volume of sewage as per the year of consumption in thousand m³

Designation	2007	2008	Index
Delayed invoicing	11 375	10 922	96,0
Current year consumption	125 530	119 822	95,5
Total invoicing	136 905	130 744	95,5
Accruals	11 558	11 288	97,7
Change in accruals	-713	-270	37,9
Income total	136 192	130 474	95,8

The annual plan targeted the invoicing of 136,400 thm³ sewage, as well as deferred services of 11,458 thm³ sewage. Actual change was more drastic than that. In fact, 130,744 thm³ were billed, and 11,288 thm³ were accrued for. In total, the basis of revenue is 5,826 million m³ less than planned.

The change in deferment made possible the account of HUF 130,474 thm³ of sewage quantity as revenue. This was less than in the previous year by 5,718 thm³.

As a summary, invoices for 130,744 thm³ sewage and HUF 2,675,256 thousand of deferred income made the accounting of HUF 30,962,109 thousand revenue possible.

In the reporting period, a determining part of the net revenues of the Company (95%) came from wastewater collection and treatment. This proportion equals the previous year's.

Based on the contract concluded with the Capital the water damage control and water quality protection activity generated HUF 157 million revenues. The reason of the decrease compared to the base period by HUF 24 million is that the flood protection income in 2007 was HUF 32 million. That of the maintenance of flood protection equipment HUF 152.5 million, while that of water quality protection HUF 4.5 million.

Evolution of revenues

in thousand HUF

Designation	2007 actual 1	2008 plan 2	2008 actual 3	Index % 3/1	Index % 3/2
1. Wastewater collection and treatment	29 381 867	32 319 463	30 962 109	105,4	95,8
2. Pool water, secondary meters	161 178	166 460	171 425	106,4	103,0
3. Other wastewater services	413 593	410 677	464 265	112,3	113,0
4. Water damage elimination, water quality protection	180 820	150 900	156 939	86,8	104,0
5. Industry	11 794	10 000	19 166	162,5	191,7
6. Construction	236	250	132	55,9	52,8
7. Transit activities	1 792	1 250	4 135	230,7	330,8
8. Mediated services	52 964	54 000	46 671	88,1	86,4
9. Other activities	727 587	666 000	668 855	91,9	100,4
Revenue from domestic sales	30 931 831	33 779 000	32 493 697	105,0	96,2
Revenue from export activities	0	0	0		
I. Net sales revenue	30 931 831	33 779 000	32 493 697	105,0	96,2
II. Other income	13 769 503	17 733 500	16 559 682	120,3	93,4
A. Business income	44 701 334	51 512 500	49 053 379	109,7	95,2
B. Financial income	585 094	450 000	693 933	118,6	154,2
C. Usual business income	45 286 428	51 962 500	49 747 312	109,9	95,7
D. Extraordinary income	493 173	522 000	559 698	113,5	107,2
E. Total income	45 779 601	52 484 500	50 307 010	109,9	95,9



Apart from the capital city tasks, other services were rendered in relation with the sewer utilities for HUF 464 million. The swimming pool water collection determined with a tariff discount of 50% and the invoicing of secondary water counters generated HUF 171 million in revenues.

The industrial, building industry and transport activities generated HUF 23 million revenues to the Company.

The value of mediated services reached HUF 47 million.

Revenues from other activities decreased by HUF 59 million compared to the previous year and reached HUF 669 million.

Our Company accounted for decreases as opposed to the previous year for agglomeration sewer operation activities (lower level of ordered sewer cleaning) by HUF -35 million, from waste sales (less road constructions and thus cast replacement) by HUF -23 million, the Kaposvár sludge project by HUF -14 million (it was a non-recurring income). The income from rental increased (HUF +13 million), while the income of the other activities changed by less than HUF 10 million compared to the previous year.

Other income increased by HUF 2,790 million compared to last year. Among the changes compared to 2007, the factoring income increase of HUF 1,371 million and the provision release of HUF 1,527 million are outstanding. The former was caused, apart from the extension of the circle of factored, by the fee increase, while the latter surplus comes from the fact that the release of provisions increased by HUF 1,509 million due to sewer penalty and by HUF 18 million due to salaries. The income from asset sales fell short of the 2007 level with a total of HUF 116 million. The change of the remaining items compared to the base period was HUF 8 million.

As opposed to the plan, the missing income is HUF 1,174 million. Among the smaller than budgeted income items, the decrease of provision release by HUF 629 million is outstanding (the sewer penalties also did not arrive to all emission points on time). The lack of factoring income is HUF 611 million, which is caused by the decrease of the invoiced wastewater. A revenue above the plan arose from recovered depreciation (HUF 56 million), which is due to the net planning of depreciation. The remaining items were HUF 10 million lower than planned altogether.

Revenues from financial transactions were HUF 109 million higher than the level of the year 2007, since the amount of cash available for placement increased. HUF 244 million revenue above the plan was reached. This has two fundamental reasons. This primarily comes from the fact that (due to the delay of the planned North-Pest investment, and the non-invoiced wastewater penalty) the cash temporarily available for interest was higher. On the other hand, the new optimization policy had a favourable effect on the interest that could be reached.

Amortization of assets received without compensation was included in extraordinary revenues, which was increased, in comparison to the base period, by HUF 67 million.

As a summary, in 2008 the Company's net revenues reached HUF 32,494 million, HUF 1,562 million more than in the previous year. The revenues of the Company exceeded HUF 50,307 million. This amount is higher by 9.9%, that is HUF 4,527 million than last year's.

Expenses

Due to the high level of operating assets required for water management services, a large part of the expenses – similar to revenues – are beyond our control. Asset-based expenses are incurred independently from the usage of the service, and these make up the major part of the expenses. Among these, amortization, maintenance and rental fees are outstanding in terms of both volume and proportion. In 2008, asset-based costs reached 62.1% of the sales expenses, among which 47.2% was amortization and the amortization part of the rental fee and 14.9% was maintenance.

In total, sales expenses increased by HUF 2,271 million, that is 13.4% in comparison with the base period. The yearly plan was basically achieved at 98%.

Sales expenses

in thousand HUF

Designation	2007 actual 1	2008 plan 2	2008 actual 3	Index % 3/1	Index % 3/2
Material-type expenses	7 264 055	9 223 000	8 658 557	119,2	93,9
Personnel-type expenses	4 831 490	5 210 500	5 288 248	109,5	101,5
Amortization	5 295 292	5 475 000	5 570 438	105,2	101,7
Activated own performance	-498 766	-351 000	-353 705	70,9	100,8
Cost of sales	16 892 072	19 557 500	19 163 538	113,4	98,0



Material-type expenses include all costs of materials, the costs of material-type, other and mediated services, in the value of HUF 8,658 million. The HUF 1,394 million surplus as opposed to the previous year is almost equal to the rental and usage fee increase (HUF +1423 million). The surplus was due to the fact that, as a result of the amendment of the rental and operational contracts, the amortization that can be accounted for increased and the debts service was incorporated into the rental fee.

Among material type expenses, 31% was materials and energy expenses, 67.2% was purchased services, 1.2% other services and 0.6% mediated services. At material-type expenditures, we achieved savings of HUF 564 million compared to the plan in spite of the inflation exceeding the budget.

Personnel-type expenses increased by 9.5% from the previous year. 68% of personnel-type expenditures was wage cost, 8% other personnel-type payments and 24% wage contributions. Two factors influenced the evolution of the personnel-type expenditures, the wage increases, the changes in staff. As a combined result of these, an additional usage of HUF 457 million was observed compared to the base period and of HUF 77 million as opposed to the budget.

In 2008, amortization was HUF 5,570 million. The increase was caused by the increase in the value of fixed assets.

Capitalized own production contributed HUF 353 million to the above listed expenses. This amount, due to changing demand and possibilities – and to lower level Capital City road constructions – was HUF 145 million less than in last year and exceeded the planned amount by HUF 2.7 million.

Evolution of expenses

in thousand HUF

Designation	2007 actual 1	2008 plan 2	2008 actual 3	Index % 3/1	Index % 3/2
Cost of sales	16 892 072	19 557 500	19 163 538	113,4	98,0
Other expenses	19 989 167	25 801 900	22 863 888	114,4	88,6
Business expenses	36 881 239	45 359 400	42 027 426	114,0	92,7
Financial expenses	21 157	500	15 837	74,9	3 167,4
Usual business expenses	36 902 396	45 359 900	42 043 263	113,9	92,7
Extraordinary expenses	3 072 606	1 787 000	1 738 450	56,6	97,3
Total expenses	39 975 002	47 146 900	43 781 713	109,5	92,9

Above operational expenses, other expenditure reached HUF 22, 864 million.

This is HUF 2,875 million higher than last year's figure. Items with the highest level of increase: Water burden fee was HUF +863 million as per the legislation, the increase of the cost of factoring (as a result of fee increase) was HUF +1,399 million, sewage penalty HUF +960 million and provisions and write-offs HUF +90 million. The following other expenditures decreased: provisions by HUF -413 million, the book value of sold fixed assets by HUF -44 million. The joint change of the other items is HUF +20 million.



HUF 2,938 million savings was achieved compared to the plan. Additional expenses were incurred at depreciation and accounting of above plan write-off: HUF +151 million, while the income of asset utilization is HUF 7 million. Savings were achieved at wastewater penalties HUF -1,178 million, at factoring expenses HUF -637 million, at provision making HUF -1,177 million, at local tax HUF -18 million at WBF HUF -56 million and unrecoverable receivables write-off HUF -21 million. The joint change of the other items is HUF -9 million.

The cost of financial transactions of the Company reached HUF 16 million.

The major part of the extraordinary expenses (HUF 1,315 million) is the development fund. Payables to the fund providing compensation for sewage users reached HUF 400 million. Other payables of HUF 23 million were included in the extraordinary expenses category.

In summary, total costs and expenses of the Company reached HUF 43,782 million. Because of this and the revenues, profit before tax was HUF 6,525 million.

Profit

Profit before tax of the Company was influenced by the following factors: Operating profit, influenced by the development contribution and by savings, reached HUF 7,026 million. Profit from financial transactions increased this by HUF 678 million. However, financial instruments transferred for development without repayment reduced this with the extraordinary loss of HUF 1,179 million. The combined effect of the above resulted in the profit before tax of HUF 6,525 million. In 2008 the Company had a profit tax obligation of HUF 1,534 million, since factors increasing the taxable income exceeded the factors decreasing it by HUF 1,137 million.

Evolution of the profit in 2008 in thousand HUF

Designation	Income	Expenses	Profit
Business activities	49 053 379	42 027 426	7 025 953
Financial activities	693 933	15 837	678 096
Usual business activities	49 747 312	42 043 263	7 704 049
Extraordinary activities	559 698	1 738 450	-1 178 752
Profit before tax	50 307 010	43 781 713	6 525 297
Payable tax	0	0	1 534 241
After tax profit			4 991 056
Dividends paid (approved)			3 931 849
Balance sheet profit			1 059 207

Profit after tax is reduced by HUF 3,932 million dividends paid, thus the retained profit stood at HUF 1,059 million.

Investments and developments

Investments

The operation of sewers is investment intensive. Development and reconstruction expenses are high and of a bigger volume as well. Sewers of the capital are still incomplete, both in terms of sewage and rainwater collection and their treatment. At present, capital investment for sewage works may come from the following financial sources:

- EU and state subsidy (via the Municipality of Budapest),
- budget of the Municipality of Budapest and development fund incorporated into sewage charges,
- own development resources of the Company,
- contribution from district municipalities,
- financial resources of the general public, for the construction of sewers (in general with additional subsidies from the district municipalities).

All completed developments are operated by our Company.

I. Investments financed by the Municipality of Budapest

In 2008 our Company – with the shareholders' approval – contributed to the development of the sewage network in Budapest through the funds accumulated from the development contribution incorporated into sewage charges and from rental payments. The capital city's development coverage is determined in the fee jointly and specifically on the basis of the volume plan of invoiced wastewater.

Development resources of the Municipality of Budapest planned at the time of approving the sewer charges for 2008 in thousand HUF

Designation	Plan of handover of development funds	Development coverage paid to Capital City	Development fund payable to Capital City	Year-end correction
Development fund payment	1 675 000	1 322 519	1 314 812	-7 707
Net rental fee payment	3 250 000	3 479 035	3 479 035	0
Total	4 925 000	4 801 554	4 793 847	-7 707



In 2008, the average development, rental and usage fee portion was HUF 39.18/m³, which represented a total development resource of HUF 4,925 million after tax. This value ensured in the sewer fee was modified to HUF 4,794 million due to the change in wastewater volume and the shift of internal proportions towards untaxed resources.

Sewage works owned by the Municipality of Budapest are operated by our Company. The Company pays rent and usage fees for assets under our operation. In 2008 it was HUF 26.61/m³ instead of the planned HUF 23.83/m³ due to the amendment of the rental and operational agreements as well as the decrease of the wastewater volume (total HUF 3,479 million). As a result of the amendment of the agreement – the settlement of the debt service and the settlement of the rental fee for assets amortized to zero – rental fee increased compared to the value calculated in the tariff. However, this increase was moderate due to the delay in time in taking over the district sewers.

The actually transferred (net) part of the development contribution to the Municipality of Budapest is to be accounted in extraordinary expenses as definitely transferred development resources. Instead of the HUF 15.35/m³ gross and HUF 12.28/m³ net tariff portion – due to the higher than planned amount of rental fee, the decrease of wastewater volumes – an average of HUF 12.57/m³ gross and HUF 10.06/m³ taxed development fund was reached.

In compliance with the cash takeover contract, the Company calculated and paid to the Municipality of Budapest the development portion expected until December 31, 2008, which was HUF 1,323 million. On the basis of the actual water sales figures, there has been an overpayment of HUF 7,707 million.

The development fund to be handed over to the Municipality of Budapest in 2008 was HUF 39.18 for each m³ of invoiced wastewater. The cash to be handed over was basically decreased by the fact that wastewater emission and wastewater invoicing was 130.7 million m³ instead of 136.4 million³ as planned in the fee.

Investments in the possession of the Municipality of Budapest and operated by the Company (house value replacement, excluding foundation handover)

in thousand HUF

Designation of the investment	until year end 2007	in 2008	until year end 2008
XI. Hamzsabégyi-Ajnácskő u. conduit	389 176		389 176
Rákosvölgyi North conduit	1 870 149		1 870 149
IV-XV. Szilaspaták conduit	356 666		356 666
IV. Corvin-Bajza-Fóti út conduit	382 990		382 990
II. Zsigmond tér pump station	1 739 491		1 739 491
South-Pest Wastewater Treatment Plant	6 535 840		6 535 840
North-Pest Wastewater Treatment Plant	5 572 653		5 572 653
South Buda conduit	657 546		657 546
North Pest concentrated purging	38 927		38 927
Albertfalva concentrated purging	46 127		46 127
Bécsi út conduit	277 429		277 429
Kőbánya conduit	775 220		775 220
Hungária körút	608 851		608 851
XI. Etele tér	77 446		77 446
Expo-area	345 745		345 745
XV. Szócs and Eötvös út	33 519		33 519
Hungária – Könyves Kálmán körút	241 230		241 230
national road number 5	321 338		321 338
VI-VII-XIV. Dózsa György út	80 174		80 174
XVII. Súlysáp utca pump station	37 523		37 523
IX. district Haller utca	67 786		67 786
Fiumei út	90 124		90 124
Rákoscsaba – Péceli út	92 016		92 016
Orczy út	1 316		1 316
Bácskai u. – Laskay u.	279 435		279 435
IV., Káposztásmegyer development area	259 144		259 144
Csomád landfill	637 987		637 987
XXIII., Szent László u. pump station	18 020		18 020
III. Pók utcai conduit	1 561 697		1 561 697
III. Pók utcai pump station	1 421 624		1 421 624
XIV., Nagykőrösi service road		11 986	11 986
XVII. Cinkotai út		13 554	13 554
II. Hűvösvölgyi út		719 181	719 181
Other properties	6 131		6 131
District sewers	23 701 370	2 212 568	25 913 938
Total	48 524 690	2 957 289	51 481 979

II. Projects completed from own resources of the Company

In 2008 own development resources of the Company reached HUF 9,127 million and were the following:

- Opening amount of available financial resources HUF 1,145.1 million.
- Development contribution received: HUF 2,055.2 million.
- Amortization: HUF 5,570.4 million in the reporting period.
- Resources ensured from savings: HUF 100.5 million.
- Book value of assets written off: HUF 76.4 million.
- Cumulated interest of development funds was: HUF 170.0 million.
- The usage of the water burden charge for instruments was HUF 5.4 million.
- HUF 4 million was received for sewage damage compensation.

Utilization of resources available for development

HUF 8,519.5 million was contributed from the Company's own resources. The Company devoted HUF 6.8 million out of separated resource, the re-charged water burden fee, to the purchase of environment protection instruments. From the savings, HUF 100.5 million was used as investment resource for road constructions with the approval of the Board of Directors. This included, the amount spent in total was HUF 8,626.8 million.

From own resources – similarly to the previous year – 97.4% was reconstruction and replacement of assets and the proportion spent on development only 2.6%.

In 2008, our Company did not utilize HUF 500.2 million from all its available financial resources, 87% of this is already committed for investments in 2009. The decrease in the level of closing balance was due to the fact that the investment works of the North-Pest fermentor realized as own investment were delayed to the reporting period.

A big part of the investments of our projects fall under the process of public procurement. In order to handle the related tasks our Company operates a Public Procurement Group. In 2008, the group managed 62 public procurement processes, of which 12 were centralized public procurements.

Detailed allocation of own financial resources by objectives

in million HUF

Designation	2007 actual	2008 actual
Wastewater treatment		
Value added	188,8	278,2
Reconstruction	864,2	1 995,1
Pump station		
Value added	99,8	111,8
Reconstruction	498,4	346,9
Network		
Reconstruction	4 508,3	4 374,5
Other		
Value added	268,3	332,2
Reconstruction	121,3	127,1
Planning	145,3	213,2
Total reconstruction	6 694,4	7 779,0
IT	21,3	36,9
Specialized machine	0,3	237,4
Transport assets	83,0	80,5
Small machine, instrument	123,4	87,3
Small fixed asset	71,9	77,5
Total replacement	299,9	519,6
Rekonstrukció és csere	6 994,3	8 298,6
It	85,1	147,5
Odour prevention	18,6	0,0
Small machine, instrument	30,8	21,8
Small fixed asset	47,9	51,6
Total development	182,4	220,9
Own resources	7 176,7	8 519,5
Purchase of environmental instrument	14,5	6,8
Road constructions	235	100,5
Csomád landfill	28,3	0,0
Digestion unit	500,0	0,0
Utilization	7 954,5	8 626,8

Reconstruction, value-added renovation, replacement

Reconstruction utilization and replacement was HUF 8,298.6 million. We dedicated 52.7% to the reconstruction of sewers, 27.4% to that of wastewater treatment plants, 5.5% to that of pump stations, and 8.1% to that of other assets. The replacement of assets constituted 6.3% of the utilization.

In 2008, we spent HUF 4,475 million on sewer reconstructions. From this amount, utilization was HUF 4,375 million according to our own investment program. During the implementation of the investments, the contractors carried out the renewal of 17 km public sewers in 77 streets. Related to the road reconstruction program of the capital city, sewer reconstructions were carried out in 13 streets and a total length of 3,197 lm, which were the followings:

■ I district Aladár u.	323 lm
■ II district Pasaréti út	480 lm
■ III district Pasaréti út	112 lm
■ IV district Szent Imre u.	219 lm
■ IV district Görgey u.	46 lm
■ VII district Bajza u.	192 lm
■ X district Fertő u.	511 lm
■ X district Kőrösi Csoma S. út	132 lm
■ X district Óhegy u.	415 lm
■ X district Halom u.	307 lm
■ XII district Stromfeld A. u.	246 lm
■ XIV district Erzsébet királyné útja	159 lm
■ XVII district Pesti út	55 lm

Prior to road constructions implemented as investments of district municipalities, sewer renewals were carried out in 5 streets upon conciliation with the Municipalities.

■ XII district Napos utca	394 lm
■ XIII district Angyalföldi út (Csángó u. - Huba u.)	103 lm
■ XIII district Angyalföldi út (Lőportár u. - Dózsa Gy.)	235 lm
■ XIV district Szobránc u.	212 lm
■ XIV district Őrnagy u.	196 lm

Prior to road renovations, 34 new house connection sewers were built for the road constructions in a value of HUF 100.5 million, the Company ensured 2,870 casts and their ancillaries to road builders.

Due to the condition of public sewers, the renovation of the public sewer network was carried out in further 56 streets, in a length of 12.5 km.

The reconstruction of pump stations has made up HUF 347 million, while the amount spent on value added renovations reached HUF 112 million. Among the investments of 2008, the two with the greatest value are the reconstruction of the automated pump stations and that of the Stromfeld street station. The latter cost HUF 102 million. The reconstruction of pump stations took place – after a successful public procurement procedure – in three phases and at 9 stations. The realized investment cost HUF 169 million.

The amount spent on the reconstruction of wastewater treatment plants was HUF 1,995 million, which was further increased by HUF 278 million value added renovations. 81% of the investments were carried out at the North-Pest plant, while 19% were used up at the South-Pest Wastewater Treatment Plant.

Among the investments of the South-Pest Wastewater Treatment Plant of a total value of HUF 381 million, the two greatest ones are the creation of the half-operational industrial anaerobe fermentor (HUF 287 million) as well as the foundation of the gasifier reservoir (HUF 40 million).

The value of the investments carried out at the North-Pest Wastewater Treatment Plant in 2008 reached HUF 1,995 million. Out of this, HUF 1,437 million was spent on fermentation towers, HUF 66 million on compost mixing appliances and HUF 48 million on the incorporation of a sludge densifying table.

The amount used for other renovations was HUF 672 million.

The replacement of various tools cost a total of HUF 520 million. Due to the tendering procedure and the delivery deadlines that followed, the purchasing of specialized machines was delayed from last year. In 2008, the purchase of 1 sewer examining, 1 sewer cleaning, 1 winter-proof sewer washing, and 3 sewer suction vehicles was carried out in a total value of HUF 237 million.

The replacement of transport assets cost a total of HUF 80 million. Assets purchased in the reporting period: 11 small trucks, 4 personal vehicles and 30 containers.

Development

The Company spent only HUF 221 million on development investments, which equals only 3% of all utilizations. Within this, the amount spent on information technology reached HUF 148 million, since the setting up of the SZOLINFO integrated customer relations system was under way during the reporting period. After continuous testing, the system's final kick off was made in 2008.

Maintenance

To provide appropriate maintenance for large number of fixed assets it is essential to keep operation undisturbed.

The primary goal of the maintenance activity is to preserve and improve the technical condition of the equipment park of the service. The Company was able to ensure the conditions of continuous and safe operation throughout 2008 in regards of both its own assets and those taken over for operation. The Company performed the works and had them performed so that the technical condition and physical appearance of the structures and appliances be continuously good and tidy. Our Company with the maintenance of the operated assets and the optimization of their use.

In 2008, our Company spent HUF 2,854 million on maintaining fixed assets. The proportion of maintenance costs within sales expenses is 14.9%.

Evolution of the 2008 maintenance in thousand HUF

Designation	2007	2008	Index %
Own maintenance	2 154 683	2 452 843	113,8
External maintenance	404 687	400 847	99,1
Total	2 559 370	2 853 690	111,5

14% of all expenditure on maintenance was performed by external contractors. In 2008, the value of external maintenance was HUF 401 million, which fell short of the 2007 value by HUF 4 million. The reason for this decrease is that the Company decided to apply own performance for part of the planned works. It was discovered during the works that the task to be completed is bigger than expected (i.e. a push-bolt also had to be replaced during the replacement of the water meter of the Kelenföld pump station) or a change of function became necessary (i.e. a unique manhole cover and frame had to be manufactured for the entrance of the conduit located at the corner of Rákospatak str.-Erzsébet királyné str, since the load of the road – and thus that of the manhole cover – had increased). Respecting the requirements of accounting, these works had to be accounted as value-added renovations (own performance).

86% of maintenance was own performance. The 14% increase as opposed to the previous year is due to the replacement of external maintenance by our own work as well as the reduction of the time required for maintenance provided by our own work-

force, and first of all the time required for completing sewer maintenance. 66% of the maintenance works carried out by the organization was the maintenance of the sewage collection structures; therefore, the natural indices of the network maintenance show best the Company's maintenance activities.

Maintenance of the Budapest network

Designation	Unit of measure	2007	2008	Index %
Conduit cleaning	lm	14 916	9 392	63,0
Traditional coiler cleaning	lm	16 360	18 030	110,2
Total mechanic cleaning	lm	31 276	27 422	87,7
Cleaning by high pressure machine	lm	507 577	499 160	98,3
Total sewer cleaning	lm	538 853	526 582	97,7
Obstruction elimination	lm	53 704	57 545	107,2
Total cleaning	lm	592 557	584 127	98,6
Line sinkhole cleaning	pc	26 641	24 136	90,6
Individual cleaning	pc	13 880	15 711	113,2
Total sinkhol cleaning	pc	40 521	39 847	98,3
Obstruction elimination	pc	3 250	3 419	105,2
Removed sludge	m³	32 801	30 209	92,1
Length of examined sewer	lm	1 512 580	1 622 235	107,2
Length of repaired sewer	lm	3 499	3 869	110,6

During the last year, the total length of cleaned sewer barely changed. More precisely, the cleaning of conduits decreased, since a change of technology started in this field. As a result of this, traditional coiler cleaning (which is also a conduit cleaning technique) increased compared to the previous year. The new hydraulic conditions of the sewer network do not make it possible in all cases to apply other cleaning techniques (obturator shield). The efficiency of cleaning makes it necessary to handle cleaning by obturator shield and by coiler as one. The other reason of the decrease is the recently growing number of discharges into the sewer network of illegal concrete and conglomerate from constructions, the removal of which needs spending great manpower. The cleaning of the conduit network leading to the Central Wastewater Treatment Plant under construction has started in 2008.

The number of obstructions slightly increased. Within this, the number of failures of the spine network is unchanged; the increase arises at the obstruction of connections.

Approximately 40 thousand sink-holes are cleaned every year. In 2008, the number of more time-consuming individual cleanings rose – in accordance with the needs – therefore, we had less capacity left for line cleaning.

The number of sewer network examinations slightly increased, partly following the examination needs related to new constructions, which change every year in quantity and composition. The reporting period was an important period from the point of view of the realization, build-up of water deflections related to the restructuring works of the Ferencváros Pump Station, just as the discovery of odour effects with instrument examinations.

The sewer network repair works slightly increased, which was due to the nature and composition of these works.

Main risks of the network maintenance activity

The decrease of the volume of dry weather wastewater resulted in the unfavourable change in the characteristic hydraulic conditions and the increase of the quantity of settling sewer sludge. The intensity of storms increased, while their frequency decreased, whereby the natural scavenging of the unified system sewer became also scarcer. A great quantity of waste, sand (lubricity elimination) and alluvium (highland areas) get into the sewer through sink-holes. The sludge with high inorganic matter content packs and its removal becomes more and more difficult. As a result of the above, the number of obstructions may increase, just as the length of greasy sewer sections.

The Buda side Danube-bank conduit will be finished in 2009, which will collect a great quantity of wastewater to the Kelenföld Pump Station and from there to the newly built Central Wastewater Treatment Plant with its big diameter, slight fall and direction cuts. A great quantity of alluvium may get into the sewer network from the highland, which may cause settlement, barricading thus further sludge creation.

The average age of the sewer increases, thus the need for reconstructions is urging, and as a result of this, failures and preventive maintenance need also increase. Related to climate change, the frequency of significant intensity showers concentrated in small areas increases, resulting in the increase of the average load and charge of the network.

Tools for expected development and risk diminution

- The introduction of a new, combined sewer cleaning technology in 2009 for the purpose of increasing the cleaning efficiency of the conduit;
- The purchase of a camera cleaning head and a trailing mobile sewer cleaner in 2009 for the purpose of better optimisation of the specialized machine park;
- The continuous development of the network information system.

Environment protection

The environmental activities of our Company in 2008 were still influenced by the legal changes occurring as a result of the legal harmonization processes due to the accession to the EU. The Company operates in the fields of water quality protection, waste management and air purity protection on the basis of Act LIII of 1995. In the operational area of the Company, among the main tasks, one can find the tasks in connection to the environment, the control of the wastewater quality flowing into the capital's public sewer network and the Danube, registration of data and the compliance with the data supply requirements.

The Company is one of the biggest water public utility companies of the country, and via its wastewater collection and treatment activities, it is in the meantime the greatest environment protection company in the country. Our fundamental objective is the development of the service level and safety, and this in a way that prevents environment pollution, as well as the increase of consumers involved in the collection and treatment of wastewater and rainwater. The Company's Environment Management system defines the most important principles in detail.

In terms of the tools for environment protection, the principles of the policy applied by the Company are:

- 1** We present our policy related to quality and environment protection to our suppliers and subcontractors and make them accept and conclude our contracts according to these.
- 2** Cooperating with our owners, we strive to realize solutions that are quality and environment focused during the implementation of reconstructions.
- 3** We regularly inform our owners, consumers, partners, authorities and the general public of our objectives and results.
- 4** At all levels of the Company, we reinforce the feeling of responsibility towards the protection of our environment.
- 5** We continuously optimize the wastewater treatment technologies constituting our core activity so that the emitted wastewater burdens the environment less and less. We intend to increase the quantity of biologically treated wastewater as well as the efficiency of treatment in accordance with the EU environment protection requirements.
- 6** During wastewater treatment, we continuously analyse the effects on the environment – besides laboratory quality control – and make steps to decrease the load on the environment.

- 7** We examine and estimate the effects of all new technologies to be introduced before the introduction. We strive to achieve that the new technology be environment friendlier than the previous one.
- 8** We make steps to prevent and decrease pollution.
- 9** We ensure broad cooperation with the authorities.
- 10** During purchase, development and operation of equipment, we take into consideration their energy and material usage.
- 11** Through the application of state-of-the-art sewer cleaning equipment and technologies, we strive to ensure the population's environmental serenity.
- 12** We enhance the relationship with our consumers through a modern and well installed system and develop satisfaction on the basis of surveys.

Our Company intends to achieve the qualitative and quantitative development of its service provision activities together with the creation of a healthy environment to the satisfaction of our consumers, employees, and the inhabitants of the capital city of Budapest and its surroundings.

For this purpose, we commit to organize our activities according to the quality assurance standard ISO 9001:2000 and the environment-focused management standard ISO 14001:2004.

The Company's environment management system (KIR) obtained its certification deed on June 11, 2001 from the auditing organization of Lloyd's, which is valid for both the North-Pest and the South-Pest plants. The Angyalföld pump station received its certification during the reporting period. The certification deeds are valid through 2010.

In 2008, the KIR programs planned for the certified sites have been completed pro rata temporis.

Environmental objectives, plans and programs related to the South-Pest Wastewater Treatment Plant:

- 1** Complete covering of the pre-mechanics and the treatment of created stinking air through biofilters.
- 2** The examination of efficiency increase of the activated sludge biological treatment unit with half-operating experiments.
- 3** The replacement of aeration panels in activated sludge basins with the installation of new ones.
- 4** Change from chloring disinfection to UV radiation.
- 5** Construction of a lightweight structure installation serving the temporary storage of sewer waste and containing a disinfection unit.
- 6** Extension of renewable energy sources.
- 7** Making the posterior fermentor able to heat.
- 8** Starting selective waste collection.

Environmental objectives, plans and programs related to the North-Pest Wastewater Treatment Plant:

- 1 The creation of the plant's eutrophic matter (nitrogen, phosphorus) removal phase and the extension of its capacity.
- 2 Storage and recycling of the sludge created at the station.
- 3 Decreasing the plant's noise emission.
- 4 Temporary storage of diluted and rainwater arriving to the plant.
- 5 Intensification of the plant's sludge hall biofilter.

Environmental objectives, plans and programs related to the Angyalföld Pump Station:

- 1 Replacement of the sand classification appliance with a more modern type.
- 2 Examination of the optimization possibilities of the oxygen dosage.
- 3 The planting of a protective plant belt, decreasing odour effects.

In the area of environment protection, contacts with authorities happens through the relationship manager system, contacts were balanced and without problems throughout the year.

We inspect the quality of wastewater running into the Danube as receptor within in compliance with the self-control plan sent to the Central-Danube-Valley Environmental Protectorate. The results of the inspections are recorded in a modernized data management system. Partner organizations are continuously informed of the results.

The Company has regulated waste management, more precisely the tasks related to hazardous materials. Besides complying with all obligations regarding the data supply and permitting pertaining to waste:

- Phase V of the Csomád landfill received a water legal operation permit under number KTVF: 6460-4/2008.
- In 2008, experiments were carried out at the North-Pest Wastewater Treatment Plant for the recycling of wastewater sludge in agriculture.
- Selective waste collection has been initiated at all sites of the Company since autumn 2008. Within the framework of this, paper, plastic, household oil used at the employee's households and batteries are collected.

We completed all tasks related to the protection of air cleanness for the entire Company. The Company has entirely performed the air purity measurements and data supply obligations. Currently, air suction and treatment is 100% at the covered installations of the two treatment plants.

In order to prevent odour formation and outflow in the sewer network, – at the critical points of the network – biofilters placed in pitches as well as 104 gel boards decreasing the odour effect are operated. The transformation of sinkholes to odour trapping in order

to eliminate odours is under way. In 2008, 72 sinkholes were transformed. In order to prevent wastewater arriving by conduit from the agglomeration of becoming anaerobe, the Company operates a limited nitrogen adding system in Kerepes.

For the purpose of rationalizing energy, anaerobe fermentors operate on the sludge line at the South-Pest plant and at the North-Pest plant from the second half of 2008. The created biogas can be used to produce energy. The energy necessary for the operation of the plant is more and more coming from the fermentation of organic waste.

In 2008, the Company has spent almost HUF 83 million on research and experimental development. We have cooperated with universities and research centres regarding almost all areas of activity. Research conducted as own activity focused primarily on the increase of applied technologies, the development of new technologies and methods. In 2008, as a result of research contracts and our own research activities documentations were developed that serve the optimization of the treatment activity and wastewater collection.

The Company applied and won funds at the tender of NKFP in 2006. The object of the project is: pre-treatment experiment of physico-chemical-based wastewater, its total budget for the 2006-2008 period is HUF 452 million.

The inspection of wastewater emitters

We have placed great emphasis on the efficient inspection of the origins of the public sewer damages caused by industrial outputs. As a result of legal obligations – in the case of industrial factories emitting considerable load – the number of compulsory self-controls has increased.

The Company's central laboratory and the wastewater sampling unit operated as per the system standard last year as well. The accreditation of the laboratory activities and the sampling activities were both finished. The revision of the accreditation in 2008 at both units was successful.

Activities of 2008

Activity	Measurement index in pc	
	2007	2008
Inspection of business units	471	587
Inspection of complaints of the population	138	142
Number of self control sampling	954	1 023
The control of the transfer of communal liquid waste	2 313	2 586
Project documentation opinion	322	355
Number samples processed at the laboratory	20 632	20 333
Number of laboratory analyses	95 998	103 910

On the basis of contracts for the use of receiving locations for communal liquid waste, the control of the suppliers was also carried out during the reporting period.

Quality of discharged wastewater

We inspect the quality of wastewater running into the Danube as receptor within the framework of the self-control agreement concluded with the Central-Danube-Valley Environmental Protectorate. The results of the inspections are recorded in a modernized data management system. Partner organizations are continuously informed of the results.

The trend of harmful substances led into the Danube via the sites of the Company kg/year

Year	COD	Organic eluting solvent extract	Total nitrogen	Phosphorus
2004	54 554 307	3 517 474	6 831 992	1 142 162
2005	54 051 006	3 149 767	5 760 390	1 012 649
2006	55 825 965	3 958 477	6 272 491	1 120 267
2007	55 742 782	3 167 670	6 239 101	901 467
2008	53 979 443	2 464 980	6 686 267	845 865

The obligation of the Company, (in accordance with the Public Utilities Service Contract concluded with the Capital City) is not to increase the contaminant load of the Danube in comparison to last year (up to 20% load increase) and not to allow the quality parameters of the wastewater of the treatment plants to worsen in comparison to 1996. Their evolution by site is the following:

South-Pest Wastewater Treatment Plant

The capacity of the plant is 80,000 m³/day, while its actual daily water output is 55,320 m³; its load was 66.2% in the reporting period. The 3rd cleaning grade of a same capacity makes possible the removal of nutrient (phosphorus and nitrogen) at the full quantity. The parameters of the treated wastewater effluent from the plant have changed as follows since 1996:

Water quality parameters of the South-Pest plant mg/l

Component	Effluent water quality		Planning threshold	Treshold
	1996	2008		
COD	70,0	32,0	50	80
BOD ₅	12,6	10,0	10	25
Floating matter	21,0	3,9	35	35
NH ₄ nitrogen	25,7	1,7	0	summer: 2 winter: 4
Total phosphorus	2,4	0,3	1	1,8

The data prove that there has been significant water quality improvement since 1996 while its impact on the Danube at Soroksár will only be detectable in the future. The Environment Protection Supervision has defined unique thresholds for effluent wastewater.

North-Pest Wastewater Treatment Plant

The hydraulic capacity of the North-Pest Wastewater Treatment Plant is 200,000 m³/day; its average load reached 137,183 m³/day (68.6%). The great load activated sludge

treatment process is completed by a partial chemical phosphorous removal process. There is no nitrogen removal yet.

Water quality parameters of the North-Pest plant mg/l

Component	Effluent water quality		Planning value	Treshold from August 2007
	1996	2008		
COD	52,0	73,9	93,0	125,0
Floating matter	13,7	9,4	32,0	35,0
NH ₄ nitrogen	14,1	28,6	27,0	summer 27: winter: 35
Total phosphorus	4,9	2,2	4,0	4,0

The plant's average hydraulic load matches its current capacity. However, the 2008 yearly 57,200 kg BOD₅/day average nutrient load considerably exceeded the planned average 25,500 kg BOD₅/day value.

The Environmental Protection Directorate has set individual limits for the quality of the effluent water that are much restrictive than permitted in the establishment permit based on which the Plant was designed in terms of COD and N-NH₄. In spite of all this, the quality parameters of the cleaned water were below the planned value and the individual threshold. The concentration of COD and N-NH₄ of the cleaned effluent water in 2008 was higher than the figure of 1996. However, the daily average load of the site increased by a rate exceeding 20% compared to the 1996 level, from 20,869 m³ to 137,183 m³/day. In relation with Budapest, the increase of the treated water quantity represents an essential amelioration.

Major risks and uncertainties observed in relation with environment protection

The quantity of wastewater discharged via the public sewers has been continuously decreasing since the beginning of the 1990's; hence the emission concentration shows an increasing trend. The Company has no control on the quality of the collected wastewater and their treatment equipment park is also given. Based on this, the greatest risk is given by the followings:

- The current capacity does not make it possible to treat all the wastewater generated in Budapest.
- The individual thresholds defined on the basis of the decrees in force adopted during EU harmonization are stricter that they used to be.
- The calculation method of the penalty also changed in an unfavourable manner.

The increasing tendency of the wastewater penalties still remains until the capacity of the Csepel central wastewater treatment plant is built out and the treatment of the South Buda wastewater is solved.

The quality control of the rainwater sewers leading to small streams will have to be resolved in the near future. This means the increase of the number of sampling and laboratory examinations, and at sections where no pre-treatment unit is available before the terminal point, the increase of the wastewater penalty should increase.

Developments expected in the field of environment protection

The quantity of wastewater discharged from the existing treatment plant increases and their quality ameliorates:

- The construction of the third phase of the treatment is under way at the North-Pest Wastewater Treatment plant and the diminution of the nitrogen content becomes possible. The investment has obtained its water legal creation permit.
- The utilization of the biogas formed in the fermentation towers built for the environment-friendly sludge treatment at the North-Pest Wastewater Treatment plant with the help of gas engines.
- At the South-Pest Wastewater Treatment plant, the objective is the complete coverage of the pre-mechanic unit and the 100% treatment of the sucked air.

The number of treatment plants increases:

- The realization of the Csepel Central Wastewater Treatment Plant is under way;
- The comprehensive collection of the South Buda wastewater and their deflection into the Csepel Central Wastewater Treatment Plant by water control is under planning.

In 2009, the operation area of the KIR is extended to the Békásmegyer and Pók street Pump Stations. (The wastewater collected in the drainage area of the two stations is sent to the North Pest wastewater treatment plant) The objectives set for the decrease of environment effects at the pumps stations are the followings:

Békásmegyer pump station:

- Setting up selective waste collection (separating recyclable waste),
- Examination of the optimization possibilities of the oxygen dosage,
- Balancing the wastewater transfer to Pók street with the incorporation of a frequency exchanger.

Pók street Pump Station

- Setting up selective waste collection (separating recyclable waste),
- The care for the planted protective plant belt and enhancing its strengthening. Replacing plants that have died out,
- Installing plants to the chimney of the biofilter air emitter.

Human resources

In 2008 the human resources activity was mainly determined by the strategic targets and the achievement of the tasks of the Company defined in the Shareholders' Agreement. These activities also played a role in achieving the 2008 business goals of the Company, efficiency was increased and the Company continuously maintained its operational capacity and stability.

During 2008, the average statistical headcount decreased from 1,114 people to 1,088.

Average staff of the Company

Designation	2007		2008	
	people	%	people	%
Blue-collar	714	64,09	685	62,96
White-collar	387	34,74	396	36,40
Total full time	1 101	98,83	1 081	99,36
Part time	13	1,17	7	0,64
Total staff	1 114	100,00	1 088	100,00

In the reporting period the employment of 121 people was terminated and 64 persons were hired, the replacement of 57 persons did not happen for the following reasons:

- During the year – due to changes in the legislation – the number of employees requesting the termination of their employment with common agreement due to reaching the entitlement age for elderly retirement has significantly grown. In order to increase the exploitation of the work time, the replacement of retired staff did not happen, the efficiency of the organization employing them increased through the reorganization and distribution of the tasks they performed.
- Guarding activities were outsourced from May 1, 2008. The employment of the staff performing these tasks was terminated by common agreement on the one hand and via normal termination by the employer. Henceforward, this activity will be performed by an external service provider.

Distribution of staff decrease

Employment terminated	persons
By common agreement	41
Employee's normal termination	1
Employment terminated under trial period	5
Employer's normal termination	15
End of definite term	4
Extraordinary termination	6
Retired	43
Early retirement	1
Allowed early retirement	1
Disabled retirement	1
Deceased	3
Total terminated employment	121

Wages

Wage increase happened twice in 2008. From January 1, the increase due to the compulsory and guaranteed wage minimum was realized in accordance with the requirements of Government decree 316/2005. This increased payroll expenditure by HUF 79,823 thousand.

Based on the wage-increase provided by the Municipality of Budapest in the fees – following conciliation with the trade unions – a 7% wage increase was implemented. The utilization of the wage increase happened in three steps based on an agreement with the Workers' Council and the Trade Union. In the first step, a basic wage increase of 7% was implemented from 1 April not retroactively. In the second step, an amount equalling half a month of base salary of the employees was paid out in May. The third step involved the payment of one month of base salary to the employees in November as salary of the thirteenth month from the floating salary.

The wage costs of the fight against the 2007 flood, ensured from a separate fund were HUF 9,340 thousand. There was no separate wage payment for fight against floods in 2008.

The development of the labour cost

in thousand HUF

Designation	2007	2008	Index %
Physical full time wage	1 758 825	1 886 177	107,2
White collar full time wage	1 408 795	1 579 490	112,1
Total full time wage	3 167 620	3 465 667	109,4
Part time	18 579	11 137	59,9
Wage out of headcount	67 847	55 541	81,9
Total wage of employed	3 254 046	3 532 345	108,6
Honoraries	38 927	60 356	155,0
Total wage expenses	3 292 973	3 592 701	109,1
Flood wages	9 340	0	0,0
Corrected wage	3 244 706	3 532 345	108,9

The number of members of the Board of Directors and the Supervisory Board did not change, honoraries increased by the level of the average wage increase, by 7%. The decrease of salaries paid for this item is caused by the fact that the insurance certificate of certain foreign employees did not arrive in the base period. As a result of this, the settlement of these honoraries did not happen in 2008, which affected % of the wage increase in an unreal manner. In the reporting period, one month's wage of one officer remained unpaid for the same reasons. Their payment is expected for 2009.

In 2008, the average wage of all employees of the Company reached HUF 3,246,641/ person/annum, which is higher than the previous year's HUF 2,921,047/person/annum by 11.1%. The average wage without salary paid out during the flood in 2007 was HUF 2,921,662/person/annum, while it reached HUF 3,246,641/person/annum in the reporting period. Average salary – excluding flood salaries – increased by 11.5% compared to the previous year. The increase due to wage increase was basically due to the compulsory minimum wage and guaranteed wage increase implemented from January 1.

Training

The professional skills necessary for the reliable fulfilment of the continuously growing and modernising tasks, the legal requirements, as well as the continuously developing technologies require the longer and shorter, but regular trainings. In the concerned year, the Company spent HUF 28,705 thousand on training. 26 people participated in school education.

The professional trainings had an outstanding role, with 448 people participating. In regards of the number of participants, the training with the greatest importance was the heavy and light machine operator training organized for 118 people, the small machine operator training for 63 people, which were organized as an on-site training at two sites of the Company, in three groups.



The foreign language and first aid trainings of employees were also continuous in 2008. Considering the frequent legal changes, interest towards professional conferences was greater than expected. In the reporting period, 680 persons participated at professional conferences.

Holidays

For the purpose of regeneration of employees and their families, 7 holiday resorts were available in 5 towns and a total of 193 places, 4 with continuous opening and 3 with seasonal opening. In the reporting period, 2,076 people took this opportunity including their family members. We have ensured group wise holiday opportunity to 86 persons among the children of our employees.

Within the framework and possibilities provided by the related law – the Company's corporate health service was ensured to the employees in 2008 as well with regular medical checks and job suitability control, but also dental services. For the purpose of preventing contagious diseases, the employees regularly receive vaccinations. Employees could take part at preventive (large intestine cancer examination, ultrasonic diagnosis, women's oncology, men's PSA prevention) examinations for the purpose of health protection. Further to the Company's own employees, it provides – on the basis of a separate contract and against payment – services to the employees of FCSM Deep Construction Ltd., VEOLIA VÍZ Ltd., Nagykovácsi and TÖRSVÍZ Ltds.

We have financed the subsidies for the employees' home building, purchase and amelioration of housing conditions from the amounts of re-payment of previous loans. In 2008, 21 people received – for the purpose of home building, purchasing and modernization – a total of HUF 33,350 thousand refundable non-interest bearing loan subsidies.

The 72-house room worker's hostel operating in 2008 at the upper level of the Soroksári avenue operated with an average occupancy of 71%. The accommodation equipped with a dining room, a lounge and a smoking area at each level had an average of 51 occupants. In lack of female accommodation, 2 female employees received rental allocations.

In the reporting period, the Company provided meal contribution to its employees, in the value of HUF 5,000/person/month.

Information technology

The thin client has been operated by the Company for more than three years. During this period, the value of the IT tools and systems has been written down to zero, not due to physical usage but to moral obsolescence. Several changes have occurred during past years at the software side servers, thus their refreshing has become topical. The preparation of the modernization of the software side was finished in 2007, as well as the testing of the new environment. In 2008, we have replaced the Hungarian office software package available to all users with the significantly more modern open office package. On the hardware side, we have replaced the server park of the thin client Unix-side.

In regards of network applications, a major change was that the Engineering Services Department moved from the Kerepesi út site to the Soroksári út site. The Soroksári út computer network had to be extended, a new fibreglass connection was established between the buildings, and the laboratory building's network was fully renewed.

For the purpose of the safety of the computer park, the Company has installed a new anti-virus software onto its PCs and its Windows-based servers. The anti-virus regularly and automatically refreshes the installed software from the Internet.

In the field of telecommunications, the Company has changed and concluded a contract with Pannon GSM. As a result of that, the minute fees of mobile phone have drastically decreased and the mobile phone park has also been unified.

The planning and development of the new purchasing system has started, which will be the basis of a unified and centralized purchasing process.

The introduction of the Szolinfo customer service system also went on. The needs of the users of the SZAK and SZOLÁR modules were modified for legislation and operational reasons. The preparation for the introduction of the cashier module was also started. The interface with the partner public utilities was developed, through which Díjbeszedő Holding Zrt. and FV Zrt. will receive and send the data.

Communication

Through the collection and treatment of the daily 500-600 thm³ wastewater and the production of biogas from wastewater sludge, as well as the “revolutionization” of waste management, the Budapest Sewage Works had already written its name in the books of environment protection and environment management. With the safe and undisturbed wastewater collection, our Company is one of the most reliable service providers of the inhabitants of Budapest, while through its innovative solutions, it is not only one of the leaders of the profession, but also the country’s biggest environment management company.

We continuously inform our environment about our investments and developments. Our communication objective is that our customers and those living in the wider environment understand the importance of our core tasks and the significance of our role undertaken for our environment and the improvement of the quality of life. As a responsible public utility service provider, our long-term goal is that people and the service provider actively protect the environment and the living waters together and separately as well.

In order to achieve our goals, we apply a wide range of communication tools.

Through the organization of various events, we strive to establish the most direct contacts possible with the population and the growing generation so responsive to environment protection.

2008 was especially rich in exhibitions and events. We have participated in several events where we had the possibility to establish contacts outside the Customer Service Office and the office activities.

The series was opened by the Home Fair organized between March 7 and 9, where a separate “Public Utility Court” hosted the Budapest public utility service providers. Our colleagues answered the questions of home buyers and real estate building companies during the event. We were also represented at the forum organized for investors.

We held the usual open days for the World Water Day at both wastewater treatment plants simultaneously, where almost 2,000 students got to know the process and importance of wastewater treatment.

We took part at the Greenexpo between March 28 and 30. The sole Hungarian environment protection exhibition was organized for the public; its objective was to bring environment protection and the related services in a tangible reach. More than 500 visitors came to our stand, the majority of whom participated in our public utility quiz too.

On May 16 and 17, the Budapest public utility companies held grand open days in the framework of the program series called "Urbital". The objective of the household open days was that the Budapest inhabitants know better the infrastructure that serves them and the workplace of the tens of thousands of people acting day after day in the operation of the city. We have made it possible for families to visit our wastewater treatment plants together, the beautiful Ferencváros machinery or even sewer cleaning or camera inspection. They could get to know what happens with wastewater, how we treat it and how it becomes renewable energy.

Public utility providers, among them our Company were also represented at the Health Park event organized on May 31 and June 1 in the City Park. Under the sign of environment aware education, we dealt with the children in a playful form. Meanwhile, with the help of the environment protection pool, we strived to give messages that form environment aware approaches to adults. Several thousand adults and children visited the open-air programs. Even Imre Szabó, minister of environment protection visited our stand.

On our open days and at all our household events, teachers dealt with the children – in playful form – with the help of the mini water laboratory of Veolia. Visitors could watch our short movies and got separate publications for children and adults.

On the biggest exhibition and conference of the water public utility industry, Öko-Aqua, our Company was also present among the companies belonging in the sphere of interest of the investors under the aegis of Veolia Water. The spectacular stand illustrated well the synergies between the investments of Veolia Water, thanks to which the companies are more and more efficient in their operations in their provision areas.

Our other professional event was the Wastewater Sector Conference organized for the fifth consecutive year in partnership with the Hungarian Water Utility Association has become a noted event in the water utility industry, patronized every year by the Minister of Environment Protection. Authoritative professors and practical experts of the industry share their knowledge every year so that the cleanest possible water be discharged into living waters everywhere.

The rewards to police have favourably strengthened our relationship with the authorities. In 2008, our Company has given rewards twice to 21 policemen for the quick and efficient denunciation of manhole cover thieves and fake sewer workers.

We continued to inform our customers about changes and developments on the back of invoices and in newsletters attached to the invoices. We have prolonged the opening hours of the customer service in order to serve our clients at a higher level. From November 1, we are open to clients until 8 P.M.

The complete transformation of our Internet portal was finished at the beginning of the year. The site can be explored in Hungarian, English and French languages and can also be used in an uncurbed manner for the blind and sight disabled as well. The Company's website not only got a nicer look, but contains much more data and information than the previous version. Its structure is more clear-cut and easier to use. Visitors can also watch the ten short videos made on the activities of the Company.

We have enlarged the circle of our publications with two professional brochures. Through the enormous biogas factory realized in the North-Pest Wastewater Treatment Plant, the time had come to renew the plant brochure, which the participants of the Wastewater Industry Conference could first read through.

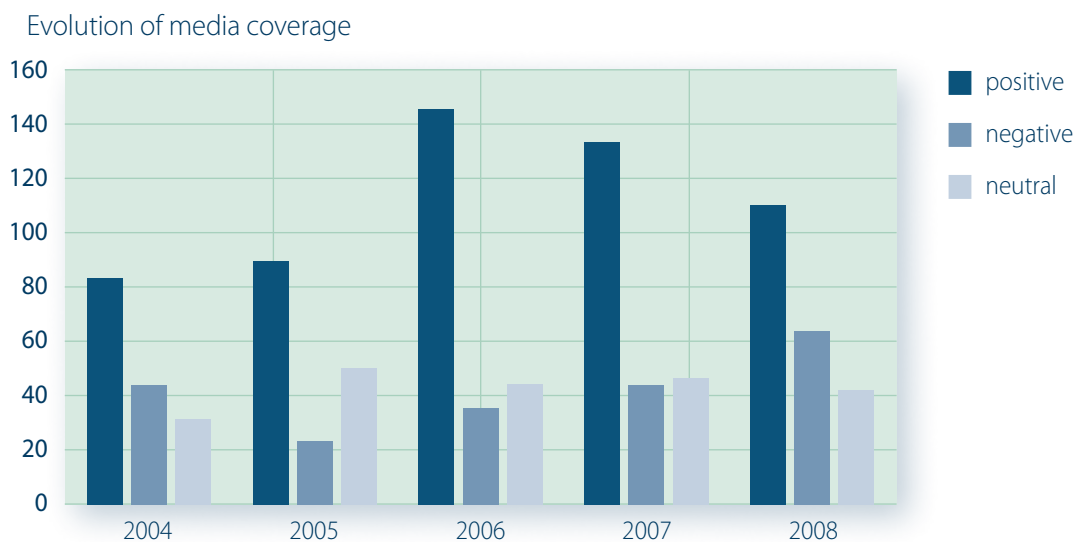
Our Company and external experts developed several types of odour closing structures together in order to restrain odour effects developing in the sewers. The publication called Odour Closing Structures was prepared for the distribution of this innovation requested to be patented.

The Company's general brochure was also updated.

We have basically put sponsoring as a PR activity at the service of the environment; we thus primarily support events and initiatives related to environment protection and environment-aware education. Naturally, we continue to put considerable funds in disadvantaged families having significant fee debts to decrease their financial burdens, as well as in the Hungarian competition sports.

Last but not least, we have to note the mediation role of the media as the most important communication channel in this chapter.

In 2008, the media dealt with our Company a total of 236 times, of this 103 were articles, and 133 in the form of television and radio airings. 46% of the reports are positive, 18% neutral and 36% had negative contents. We can state that positive showings are in majority and the media that fulfils an important mediation role basically considers the activities of our Company in a positive manner.



The client satisfaction survey conducted in November also brought a positive result. Compared to the results of the previous survey, the perception of the service level ameliorated, a clear development can be seen, while the clients' expectations are also always higher.

Appendix



**This is a translation of the Hungarian Report
Independent Auditors' Report**

To the Shareholders of Fővárosi Csatornázási Művek Zrt.

1.) We have audited the accompanying 2008 annual financial statements of Fővárosi Csatornázási Művek Zrt. ("the Company"), which comprises the balance sheet as at 31 December 2008 - showing a balance sheet total of HUF 117,837 millions and a profit after tax for the year of HUF 4,991 millions -, the related profit and loss account for the year then ended and the summary of significant accounting policies and other explanatory notes.

2.) We issued a qualified opinion on the Company's annual financial statements as at 31 December 2007 on March 19, 2008 on the following grounds:
The revenues of Fővárosi Csatornázási Művek Rt. were based on actual water consumption and sewer usage metered by an independent third party. Billed water consumption and sewer usage information was not fully available for certain consumers as of the balance sheet date. In the absence of this information, we were unable to satisfy ourselves as to the completeness of accrued income stated at HUF 2,491 millions.

Management's Responsibility for the Financial Statements

3.) Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Hungarian Accounting Law and generally accepted accounting principles in Hungary. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

4.) Our responsibility is to express an opinion on these financial statements based on the audit and to assess whether the business report is consistent with the financial statements. Except as discussed in paragraph 7 we conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our work regarding the business report is restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

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

Qualification

7.) The revenues of Fővárosi Csatornázási Művek Zrt. are based on actual water consumption and sewer usage metered by an independent third party. Billed water consumption and sewer usage information was not fully available for certain consumers as of the balance sheet date. In these cases, revenues were accrued based on estimates made by management. Billed water consumption and sewer usage information is expected to become available in the first six months of 2009. In the absence of this information, we were unable to satisfy ourselves as to the completeness of accrued income stated at HUF 2,675 millions. Any adjustment which may become necessary based on a comparison of billed consumption and the disclosed accrued income, may have the impact of increasing/reducing net sales and the after-tax profit with a retrospective effect.

Opinion

8.) We have audited the elements of and disclosures in the annual financial statements, along with underlying records and supporting documentation, of Fővárosi Csatornázási Művek Zrt. in accordance with Hungarian National Auditing Standards and, except for the matter referred to in preceding paragraph, have gained sufficient and appropriate evidence that the annual financial statements have been prepared in accordance with the Hungarian Accounting Law and with generally accepted accounting principles in Hungary. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the completeness of the accrued revenue, the annual financial statements give a true and fair view of the equity and financial position of Fővárosi Csatornázási Művek Zrt. as at 31 December 2008 and of the results of its operations for the year then ended. The business report corresponds to the disclosures in the financial statements.

9.) Without qualifying our opinion, we draw attention to the fact that this independent auditor's report has been issued for consideration by the forthcoming shareholders' meeting for decision making purposes and, as such, does not reflect the impact, if any, of the resolutions to be adopted at that meeting. Accordingly, the accompanying annual financial statements and this independent auditor's report are not suitable, nor should be used, for statutory reporting and disclosure purposes.

Budapest, March 27, 2009


Virágh Gabriella
Ernst & Young Kft.
Registration No.: 001165


Mészáros Péter
Registered Auditor
Registration No. : 005805

Balance sheet

in million HUF

Sor- szám	Description		Previous year	Modific. of prev. year(s)	Current year
a	b		c	d	e
01.	A.	Fixed assets (02.+10.+18. lines)	101 847		104 827
02.	I.	INTANGIBLE ASSETS (03.-09. lines)	67		448
03.		Capitalised foundation/restructuring			
04.		Capitalised research and development	20		5
05.		Concessions, licences and similar rights	6		3
06.		Trade-marks, patents and similar assets	41		440
07.		Goodwill			
08.		Advance payments for intangible assets			
09.		Adjusted value of intangible assets			
10.	II.	TANGIBLE ASSETS (11.-17. lines)	101 432		104 019
11.		Land and building and related property rights	94 066		95 808
12.		Plant, machinery, equipment and vehicles	4 467		4 940
13.		Other equipment, fixtures and fittings, vehicles	454		440
14.		Breeding stock			
15.		Assets in the course of construction	2 445		2 831
16.		Prepayments for capital expenditures			
17.		Adjusted value of tangible assets			
18.	III.	LONG-TERM FINANCIAL ASSETS (19.-25. lines)	348		360
19.		Long-term participations in related parties	72		73
20.		Long-term loans granted to related parties			
21.		Other long-term investments	200		200
22.		Long-term loans granted to other investments			
23.		Other long-term loans granted	76		87
24.		Long-term debt securities			
25.		Adjusted value of financial investments			

Balance sheet

in million HUF

Sor- szám	Description		Previous year	Modific. of prev. year(s)	Current year
a	b		c	d	e
26.	B.	Current assets (27.+34.+40.+45. lines)	11 105		10 282
27.	I.	STOCKS (28.-33. lines)	288		253
28.		Raw materials and consumables	288		246
29.		Work in progress and semi finished products			4
30.		Animals for breeding, fattening and livestock			
31.		Finished products			
32.		Goods			
33.		Advance payments for stocks			3
34.	II.	RECEIVABLES (35.-39. lines)	4 198		4 501
35.		Trade debtors	3 773		3 915
36.		Receivables from related parties	83		84
37.		Receivables from other investments			
38.		Bills of exchange receivables			
39.		Other receivables	342		502
40.	III.	SECURITIES (41.-44. lines)	4 057		72
41.		Participations in related parties			
42.		Other participations			
43.		Treasury shares and own participation			
44.		Marketable debt securities	4 057		72
45.	IV.	LIQUID ASSETS (46.-47. lines)	2 562		5 456
46.		Cash, cheques	2		3
47.		Bank deposits	2 560		5 453
48.	C.	Prepaid expenses and accrued income (49-51. lines)	2 538		2 728
49.		Accrued income	2 520		2 703
50.		Prepaid expenses	18		25
51.		Deferred expenses			
52.		TOTAL ASSETS (01.+26.+48. lines)	115 490		117 837

Sor- szám	Description	Previous year	Modific. of prev. year(s)	Current year
a	b	c	d	e
53.	D. Shareholders' equity (54.+56.+57.+58.+59.+60.+61. lines)	94 109		95 168
54.	I. ISSUED CAPITAL	70 045		70 045
55.	of which: treasury shares redeemed at face value			
56.	II. ISSUED CAPITAL NOT PAID (-)			
57.	III. CAPITAL RESERVE	13 557		13 557
58.	IV. RETAINED EARNINGS / (LOSSES)	10 325		10 507
59.	V. ALLOCATED RESERVES			
60.	VI. REVALUATION RESERVE			
61.	VII. PROFIT OR LOSS FOR THE YEAR	182		1 059
62.	E. Provisions (63.-65. lines)	2 918		2 296
63.	Provisions for contingent liabilities	2 918		2 296
64.	Provisions for future commitments			
65.	Other provisions			

Balance sheet

in million HUF

Sor- szám	Description		Previous year	Modific. of prev. year(s)	Current year
a	b		c	d	e
66.	F.	Liabilities (67.+71.+80. lines)	3 547		3 841
67.	I.	SUBORDINATED DEBTS (68.-70. lines)			
68.		Subordinated debts to related parties			
69.		Subordinated debts to other investments			
70.		Subordinated debts to third parties			
71.	II.	LONG-TERM LIABILITIES (72.-79. lines)	606		780
72.		Long-term borrowings			
73.		Convertible bonds			
74.		Debts from the issue of bonds			
75.		Investment and development loans			
76.		Other long-term loans			
77.		Long-term debts to related parties			
78.		Long-term debts to other investments			
79.		Other long-term liabilities	606		780
80.	III.	CURRENT LIABILITIES (81. and 83.-89. lines)	2 941		3 061
81.		Short-term borrowings			
82.		of which: convertible bonds			
83.		Other short-term loans			
84.		Prepayments received from debtors			
85.		Creditors	884		626
86.		Bills of exchange payable			
87.		Short-term debts to related parties	2		8
88.		Short-term debts to other investments			
89.		Other current liabilities	2 055		2 427
90.	G.	Accrued expenses and deferred income (91.-93. lines)	14 916		16 532
91.		Deferred income	16		110
92.		Accrued expenses	11		8
93.		Deferred extraordinary revenues and negative goodwill	14 889		16 414
94.		TOTAL LIABILITES (53.+62.+66.+90. lines)	115 490		117 837

Profit and loss statement

in million HUF

Sor- szám	Description	Previous year	Modific. of prev. year(s)	Current year
a	b	c	d	e
01.	Domestic sales, net	30 932		32 494
02.	Export sales, net			
I.	Total sales, net (01.+02.)	30 932		32 494
03.	Direct cost of sales	14 618		16 720
04.	Cost of goods sold	1		4
05.	Provision of (consignment) services	52		43
II.	Direct costs of sales (03.+04.+05.)	14 671		16 767
III.	Gross sales (I.-II.)	16 261		15 727
06.	Selling and marketing costs	53		71
07.	Administration costs	1 180		1 335
08.	Other general overhead	989		991
IV.	Indirect costs of sales (06.+07.+08.)	2 222		2 397
V.	Other revenues	13 770		16 560
	of which: diminution in value	37		56
VI.	Other expenditures	19 989		22 864
	of which: reserved diminution in value	214		282
A.	OPERATING PROFIT/(LOSS) (±III.-IV.+V.-VI.)	7 820		7 026

Profit and loss statement

in million HUF

Sor- szám	Description	Previous year	Modific. of prev. year(s)	Current year
a	b	c	d	e
09.	Dividends and profit-sharing (received or due)	20		38
	of which: dividends from related parties	20		23
10.	Exchange gains disposal of shares			
	of which: from related parties			
11.	Interest and capital gains on long-term financial assets			
	of which: from related parties			
12.	Other interests and similar income (received or due)	532		647
	of which: from related parties			
13.	Other revenues from financial transactions	33		9
VII.	Financial revenues (09.+10.+11.+12.+13.)	585		694
14.	Exchange losses on long-term financial assets			
	of which: from related parties			
15.	Interest payable and similar charges			
	of which: from related parties			
16.	Diminution in the values of shares, securities and bank deposits			
17.	Other expenditures on financial transactions	21		16
VIII.	Financial expenditures (14.+15.±16.+17.)	21		16
B.	FINANCIAL PROFIT OR LOSS (VII.-VIII.)	564		678
C.	PROFIT OR LOSS OF ORDINARY ACTIVITIES (±A.±B.)	8 384		7 704
IX.	Extraordinary revenues	493		560
X.	Extraordinary expenditures	3 072		1 739
D.	EXTRAORDINARY PROFIT OR LOSS (IX.-X.)	-2 579		-1 179
E.	PROFIT BEFORE TAX (±C.±D.)	5 805		6 525
XI.	Tax payable	1 798		1 534
F.	PROFIT AFTER TAX (±E-XI.)	4 007		4 991
18.	Dividends and profit-sharing paid from retained earnings			
19.	Dividends and profit-sharing paid (payable)	3 825		3 932
G.	PROFIT OR LOSS OF THE YEAR (±F.+18.-19.)	182		1 059

