



Budapest Sewage Works Ltd.



Business report 2007

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Introduction

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 throughout the past year.

The Company has spent HUF 8 billion on investments, despite the fact that the investment works of the North-Pest digestion unit were delayed to next year. It was primarily the network reconstructions that increased, the renovated network length was 19 km. The investment value of sewer constructions exceeded HUF 4.7 billion. The modernization of the treatment plants went on. The energy self-sufficiency of the South-Pest plant increased and a great stride forward was achieved in the field of waste treatment and management. The North-Pest plant received and treated – through the main sewer under the river bed – wastewaters from North-Buda and the construction of the two digestion units started, while the construction of the nutrient removal phase went on.

51% of sewage invoiced was treated both biologically and chemically and the removal of nutrients was also full at 14% and partial at 37%. 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. The quantity of collected wastewater and rainwater decreased by 7.6%, more precisely the invoiced wastewater quantity fell short of the previous year’s value by 2.1%.

Flood protection was necessary once in 2007 on the Budapest section of the Danube, the flood lasted from September 9 to September 17.

In 2007, 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 savings in costs and revenues, the profit after tax of the Company reached HUF 4 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 2007 as well.

Budapest, March 2008

Table of contents

Introduction	3
Organization and legal position of the Company	7
Scope of activities	11
Equity position	13
Technical specifications of the sewage works	17
Financial position	23
Sewer charges	27
Business performance and results	29
Investments and developments	37
Maintenance	45
Environment protection	49
Human resources	57
IT technology	61
Communication	63
Appendix	67

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

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Postal address: 1426 Budapest 72, PO Box 114.
Telephone: (+36 1) 455-4100
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Board of Directors:

January 1 – March 28	March 29 – May 31	June 1 – December 31
Kálmán Pákozdi – chairman Sándor Bódás Ferenc Szűcs Karl-Heinz Zorn Bernt Thümmel György Palkó Philippe Guitard	Kálmán Pákozdi – chairman Sándor Bódás dr. Zoltán Bolvári Karl-Heinz Zorn Bernt Thümmel György Palkó Philippe Guitard	Lajos Nemes – chairman dr. Rózsa Bóta dr. Zoltán Bolvári Karl-Heinz Zorn Bernt Thümmel György Palkó Philippe Guitard

Supervisory Board:

January 1 – March 28	March 29 – May 31	June 1 – December 31
Dieter Ernst – chairman Étienne Petit Imre Rusznák Dr. László Nyolczas László Zsinka Ágoston Péterffy Antal Hőnigh József Oláh Péter Lakatos László Fecher Veronika Gólya László Kollár	Dieter Ernst – chairman Étienne Petit Imre Rusznák Attila Ughy László Zsinka Ágoston Péterffy Antal Hőnigh Devánszkiné dr. Katalin Molnár Péter Lakatos László Fecher Veronika Gólya László Kollár	Dieter Ernst – chairman Étienne Petit Dr. Andrea Szolnoki Attila Ughy* László Zsinka* György Hunvald ** Devánszkiné dr. Katalin Molnár Andrea Aranyosi Attila Dancs Istvánné Loszman László Tuba

*Mr. Attila Ughy and Mr. László Zsinka were elected by the General Assembly on July 4, 2007.
**One candidate of the Capital City did not accept the candidacy, he was not replaced in 2007.

Independent auditor: Ernst & Young Ltd.
Represented by: István Havas

Management:

György Palkó General Manager	dr. Éva Medovárszki Deputy General Manager	Bernt Thümmel Technical Deputy Manager
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Organization of the company

The basis of the Company's current organizational structure was set up on 1 October 1998. In 2007, seven Directors' measures were taken on organizational changes.

Part of the changes were technical, that is to say the company's name changed and at the other group of changes, the management of the organization changed, maintaining the same tasks. The third type of change was the separation of tasks related to the enterprise activities on the whole territory of the Company.

Finally, a new organization was created at the Customer Services Department for the fulfilment of new activities.

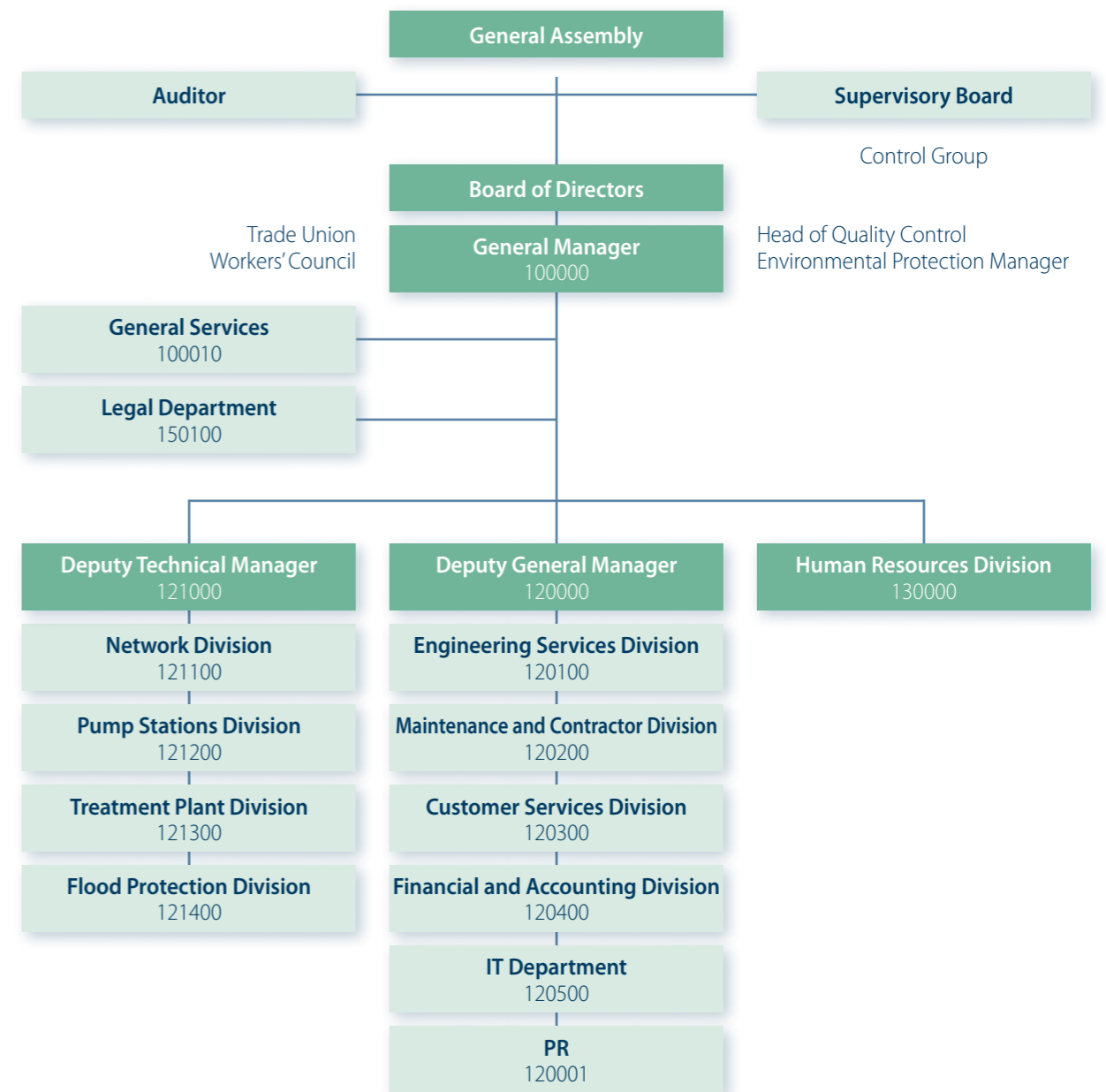
Territorial location of the Company

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 basic site where the offices 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

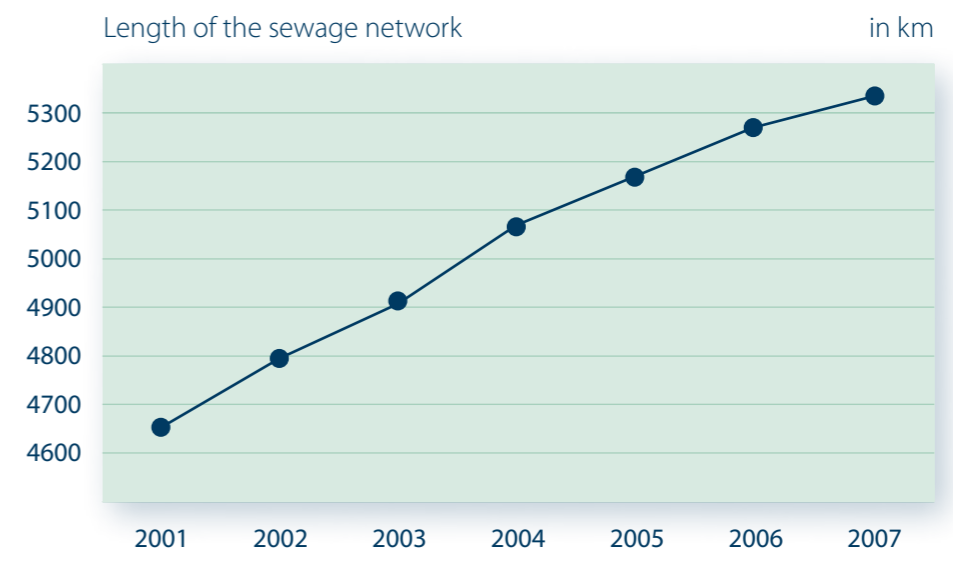
The Municipality of Budapest has founded the Company to collect, treat wastewater and rainwater generated in the area of Budapest and to discharge them into the receptor. The rights and obligations related to the task are regulated by the Public Service Agreement concluded between the two parties on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

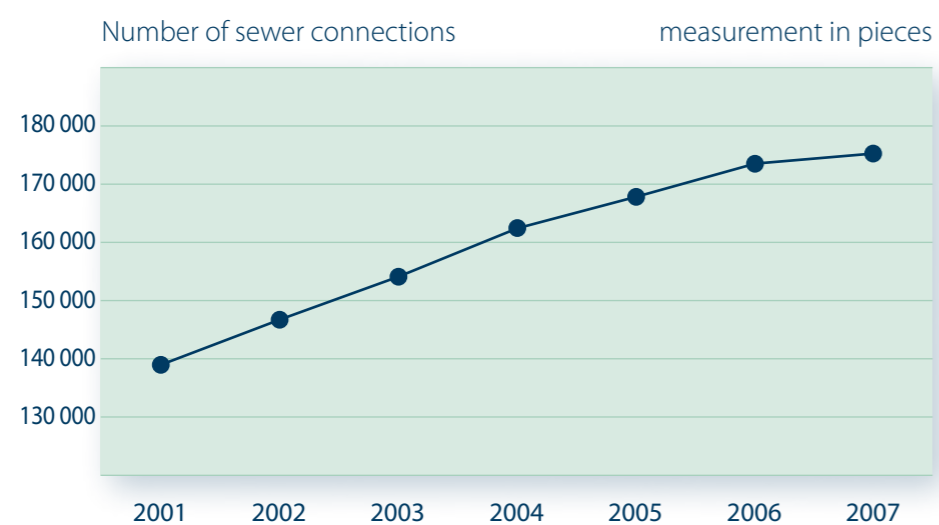
The most important rules regarding the core activity are included in Government Decree 38/1995. (IV.5.) and its amendments.

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	2003	2004	2005	2006	2007
Capacities on 31 December						
Length of the sewage network	km	4 915	5 075	5 179	5 282	5 315
- out of this: annual increase	lm	116 170	159 960	104 364	103 186	32 520
Number of sewer connections	pcs	154 031	162 753	167 949	173 660	175 610
- out of this: annual increase	pcs	5 480	8 053	5 196	5 711	1 950
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	224 203	248 162	259 538	235 540	217 669
- out of this: - discharged via free outlet	thm ³	26 400	25 298	25 439	24 000	22 463
- discharged via pump stations	thm ³	197 803	222 864	234 099	211 540	195 206
- out of this: - with biological treatment	thm ³	76 714	77 352	76 834	76 835	69 789
- nutrient removal	thm ³	20 932	22 066	21 862	22 085	19 337
Billed sewage	thm ³	153 785	150 542	149 527	139 873	136 905
- out of this: households	thm ³	96 667	95 996	98 188	91 705	88, 95
industrial, corporate + other	thm ³	51 024	51 397	49 416	46 328	46 389
private well	thm ³	6 094	3 149	1 923	1 840	1 721



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, 2006)

in thousand HUF

Description	2006	2007
Registered capital	70 045 200	70 045 200
Capital reserve	13 556 590	13 556 590
Profit reserve	10 232 795	10 324 708
Valuation reserve	-	-
Balance sheet profit	91 913	181 699
Total equity	93 926 498	94 108 197

The profit reserve has increased by the balance sheet profit (HUF 92 million). No other change has occurred in 2007.

The 2007 balance sheet profit figure was determined by the fact that the profit before tax was HUF 5,805 million. After corrections with the items modifying the tax base and taking into account the additional tax, HUF 1,798 million was paid as tax, which resulted in HUF 4,007 million profit after tax. Decreasing the after tax profit with the HUF 3,825 million paid in dividends, the net profit of the Company in 2007 reached HUF 182 million.

The aggregate amount of the equity on 31 December 2007 amounted to HUF 94,108 million, exceeding the previous year's by the balance sheet profit.

Changes in the composition of equity on December 31

Description	2006		2007	
	in thousand HUF	Proportion %	in thousand HUF	Proportion %
Working capital	8 945 973	9,5	9 071 038	9,6
Own invested capital	84 980 525	90,5	85 037 159	90,4
Own capital total	93 926 498	100	94 108 197	100

Within the equity, the proportion of fixed assets decreased to 90.4%, while the proportion of working capital increased to 9.6%. The surplus of HUF 182 million in equity compared to the previous year was the effect of the increase in the working capital by HUF 57 million and the fixed assets by HUF 125 million.

Among the assets, the provisions for expected losses increased by HUF 1,319 million in the reporting period. The aggregate amount of the provisions on 31 December amounted to HUF 2,918 million. The Company provisioned HUF 1,014 million for the coverage of sewage penalties of 2006 and provisioned HUF 1,131 million for the wastewater fines of the current year.

In accordance with the international requirements, the provision for the coverage of defined personnel-type liabilities for the coming years was HUF 773 million.

The long-term liabilities are figured in the balance sheet in the amount of HUF 606 million which is the part of the payable dividend of 2007 lessened by the dividend advance.

Short-term liabilities have been increased by HUF 884 million. Supplier – primarily investment supplier – payables increased by HUF 403 million. Other short-term liabilities have increased by HUF 481 million due to the effect of the increase of the WBT and VAT.

Accruals in 2007 reached HUF 14,916 million.

These are:

■ cost- and revenue accrual:	HUF 27 million
■ assets received without payment:	HUF 4,498 million
■ money received for development:	HUF 10,391 million
out of this: from district municipalities:	HUF 357 million
from the Municipality of Budapest:	HUF 261 million
public utility contributions:	HUF 9,617 million
from other sources:	HUF 156 million

The liabilities of the Company have increased in total by HUF 4,108 million in comparison to the previous year.

Balance sheet as of December 31, 2007

in thousand HUF

Description	2006	2007
Assets		
Intangible assets	66 427	67 310
Fixed assets	98 884 100	101 431 287
Fixed financial assets	355 250	348 048
Inventory	199 313	288 299
Receivables	4 293 891	4 197 111
Securities	3 773 072	4 057 108
Cash and bank	1 268 140	2 562 075
Accruals	2 541 020	2 538 398
Total assets:	111 381 213	115 489 636
Liabilities		
Equity	93 926 498	94 108 197
Provisions	1 598 745	2 917 985
Long term debt	37	605 866
Short term debt	2 058 045	2 941 663
Accruals	13 797 888	14 915 925
Total liabilities:	111 381 213	115 489 636

Assets:

The level of assets was HUF 4,108 million higher than on December 31, 2006:

- The value of intangible fixed assets increased by HUF 1 million due to purchases.
- Due to the cumulative impact of investments and write-offs in the reporting period, the value of fixed assets increased by HUF 2,547 million.
- The value of long-term financial investments was HUF 7 million lower than in the previous year. The Company affected no new investment in 2007. The value of given long-term loans decreased.
- Inventory increased by HUF 89 million in comparison to the same period of the previous year.
- Receivables decreased by HUF 97 million. Within this, – including VAT increase – trade receivables increased by HUF 236 million (see detailed analysis in the financial chapter), while other receivables increased by HUF 139 million.

- The value of securities increased by HUF 284 million.
- The value of cash and bank increased by HUF 1,294 million.
- The level of accruals and prepaid expenditures was HUF 3 million lower than on 31, December 2006. This was due to the increase of accrued income by HUF 94 million and the decrease by HUF 97 million of the prepaid expenditures.

Further analysis of the assets indicates that 87% of our Company's assets are represented by fixed assets. 93% of the fixed assets consist of real estate and structures.

Fixed assets on December 31, 2007 in thousand HUF

Description	Properties	Machinery, equipment and vehicles	Other equipment and vehicles	Investments and advances	Total
Gross value	131 932 583	14 115 170	1 948 240	2 444 823	150 440 816
Depreciation	37 866 939	9 648 698	1 493 892	0	49 009 529
Net value	94 065 644	4 466 472	454 348	2 444 823	101 431 287

Details of properties on December 31, 2007 in thousand HUF

Categories	Gross value	%	Net value	%
Sewer	110 423 316	83,7	76 639 421	81,5
Other underground structures	11 362 678	8,6	8 352 773	8,9
Land	3 324 734	2,5	3 324 734	3,5
Other buildings	6 821 855	5,2	5 748 716	6,1
Total	131 932 583	100,0	94 065 644	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 48,524,690 thousand (excluding apartment value replacement, and basic handover).

The gross value of third parties' properties and operated by the Company in Budapest in 2007 was HUF 50,381,913 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 31 December 2007, a total of 5,315 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
2001	3329	1336	4665	92
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

Within the capital city's sewer network, 62.2% is combined, 29.6% wastewater and 8.2% rainwater sewer.

Length of the Budapest sewer network in km

Year	Wastewater	Rainwater	Combined	Total
2001	1098	391	3176	4665
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

169 intermediary automatic pump stations are part of the sewer network and support the transfer of sewage from low laying areas at 145 points, which are integrated into the sewer system. Beyond these stations we also operate a manned intermediate transfer pump station. Their number has not changed compared to the previous year, but there are three closed and three new stations in the background of this similar number.

We received trucked sewage collected from areas with no public sewer system at 7 concentrated septage-receiving stations also in 2007 and at 19 additional constant and 3 temporary designated locations along the sewer network.

From the aspect of the operation of both the network and the terminal stations, it was favourable that in 2007, only one flood occurred for a short time between September 9-17. The highest level of the Danube was 692 cm and the restoration works following the flood were finished by September 25 too.

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 represent 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, 2007 two major sewage treatment plants operated in the capital. In addition, 15 automatic and 6+3 manned terminal pump stations – transferring sewage into the river Danube – operated at 10 sites. Compared to the previous year, a considerable change was that the new pump station in Pók street was finished, which pumps the wastewaters of the collection area of the previous automatic pump station of the same location and those of the Békásmegyer pump station until third grade dilution to the North-Pest plant. The trial operation of the Pók street station took place between May 2 and August 1, 2007. The quantity of pumped wastewater in 2007 was 2,871 thm³.

After the Angyalföld station, the Pók street and the Békásmegyer stations are intermediate stations that can function as terminal stations if needed.

The energy usage of the wastewater inflow evolved favourably. During the year, there was no lasting high water level or longer flood. In accordance with this, the water quantity gravitationally discharged into the Danube and depending on the water level reached 93 million m³, 80% of the total wastewater and rainwater quantity of 117 million m³.

In total, our pump stations and treatment plants transferred 195,206 thm³ sewage and rainwater, which represents 89.7% of the 217,669 thm³ sewage and rainwater generated in the capital. The remaining 10.3% got into the Danube through free dischargers.

51% of the dry weather wastewaters are received by 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 2007 m³/day

Description	Average capacity	Load	% of usage
North-Pest plant	200 000	138 225	69,1
South-Pest plant	80 000	52 978	66,2
Treatment plants total	280 000	191 203	68,3

The hydraulic load of the North-Pest treatment plant has decreased as opposed to the previous year, however, pollution has increased by 20-30%. 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 is extremely high, reaching on average 57,200 BOD₅ kg/day, as opposed to the 25,500 BOD₅ kg/day capacity. Since the North-Pest Wastewater Treatment Plant does not have any nutrient removal phase, it has received from the authority an individual threshold for the discharged wastewater under number KTCF 14023-8/2007, with which all parameters of the effluent water complied.

The decrease of the wastewater volume occurred despite the fact that the transiting of the wastewaters created in the collection area of the Pók street and Békásmegyer pump stations (that previously worked onto the Danube) to the treatment plant was realized. 2,871 thm³ wastewater from North-Buda transited the power conduit located under the Danube to the plant.

The construction of 2 anaerobe fermentors at the North-Pest Wastewater Treatment Plant started on July 2, 2007. The construction works are expected to last for one year. The expected start of the six-months trial operation is July 1, 2008. Through this investment, we can achieve the decrease of the organic matter content and quantity of the sludge and the improvement of the dehydration possibilities, the production of recyclable biogas, the receipt of matters enabling the production of biogas and the decrease of the sceptic capacities of the sludge.

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. The purchasing method is a two-round procedure with prequalification. The expected starting date of the 12-months trial period is December, 2009.



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 2007.

In the history of the plant, 2007 was the year of energy rationalization. The pivotal piston blowers operating since years have been replaced by modern turboblowers, which resulted in an energy saving of 40%.

The extension of the deep aeration units has been performed as an own investment, as a result of which the quantity of electric energy needed for the air supply of the activated sludge basins of the plant decreased by 20%. During the extension, apart from energy decrease, the nutrient degradation and prenitrication efficiency of the activated sludge system increased by 10%.

In the field of our new activity, waste management, the main objective was the reorganization of supplier contracts concluded in the previous years so that the biogas produced after fermentation of the organic matters be enough for the supply of the two gas engines operating at the plant.

Following the successful finishing of an own investment, the high performance grinding unit meant new business opportunities, through which the efficient elimination of high organic matter content waste transported in PET bottles becomes possible.

In 2008, the following main investments are expected in order to increase the quality of services and the more cost-efficient operation:

- The covering of the pre-mechanic installation and the construction of a bio-filter in order to eliminate odours are planned (the tendering of designers has already been done);
- For the purpose of a better treatment efficiency, the addition of zeolite is expected in the activated sludge biological system for which storage and dosing system must be installed;
- On the sludge line, the construction of a 1,500 m³ sludge gasifier gas container, the extension of the fermentation capacity by 2,600 m³ as well as the replacement of the heating system of the mesophile towers can be expected.

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.

In 2007, 120,903 tons of sludge were generated, 1% more than in the base period, when this value was 119,975 tons. 26.7% of the waste was fermented and dehydrated sludge for the South-Pest Plant; the remaining 9.7% was given by general sewer waste. In 2007, 63.6% of the waste was made up by dehydrated sludge originated from the North-Pest plant, 42.8% of which was placed at the landfill at Csomád, owned by the City but operated by the Company. 27% of the total quantity was placed at the Csomád landfill; the remaining 73% was treated and disposed by EXC-H Ltd, a contractor operating with environmental protection permits and successful at the public procurement tender.

Specifications of waste generated by the sewage network in 2007 in tons

Description	Volume	Disposal		
		Csomád	External contractor	Total
Settled sand and sewer sludge	9 579		9 579	9 579
Screened waste	2 200		2 200	2 200
Compressed sludge from plant	109 124	32 912	76 212	109 124
Total	120 903	32 912	87 991	120 903

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 2007, 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 digestion unit operating at the South-Pest plant. In 2007, the plant produced 9,924,553 Nm³ biogas and 10,152,852 kWh electric energy with mesophile and thermophile technologies. The produced electricity covered 71.3% of the plant's electric energy need and 100% of its technological and social heat needs.

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 236 million, by almost 6%. The change was due to the transfers and changes of HUF +19 million credit balance trade receivables and the increase of amortizations by HUF 73 million and the increase of receivables by HUF 182 million.

94% of receivables was made up by sewer charges. The increase of sewer charge receivables within the deadline was 8.9%, which is lower than the 9.4% fee increase of the beginning of the year. Hence the sewer fees not paid until the deadline decreased minimally in volume, but the surplus was exclusively caused by the tariff increase. The past due wastewater receivables decreased by 3.6%, their value reached HUF 1,516 million. Their composition is the following: receivables within three months make up 48% of the total amount, while receivables past three months but within six months and those past six months and within one year each reach 15% of total receivables. The proportion of receivables past one calendar year was 22% in 2007.

The receivables from other activities decreased by HUF 331 million, but this is not a realistic change. The comparison excluding the receivables of the 2006 flood shows a surplus of HUF 73 million. Uncollectable wastewater receivables were written off in a value of HUF 51 million in 2007.

Changes in receivables without amortizations on December 31 in thousand HUF

Description	2006		2007	
	Total	Sewage division	Other activities	Total
Overdue receivables				
0 - 90 day	1 189 228	734 200	70 456	804 656
91 - 180 days	215 064	230 645	1 601	232 246
181 - 360 days	308 107	225 531	111	225 642
361 - day	316 200	325 783	8 509	334 292
Total overdue receivables	2 028 599	1 516 159	80 677	1 596 836
Receivables within due date	2 430 005	2 508 219	171 086	2 679 305
Total trade receivables	4 458 604	4 024 378	251 763	4 276 141
Overpayment to suppliers	251 734			270 849
Loss of value	-618 583			-691 185
Total trade receivables on 31st December	4 091 755			3 855 805

Evolution of the cash flow

The Company retained its liquidity throughout the year.

In 2007, the cash and bank income of the Company exceeded HUF 44,498 million; out of this HUF 44,469 million was unrestricted and HUF 29 million held in a separate bank account.

11% of the own coverage was opening balance, 78% of it came from wastewater services, public utility development contribution, interest income, sewer penalties, revenues from export activities and 11% from other customers. Revenues exceeded the budget by 1%.

The financially realised income from wastewater collection was HUF 347 million less than expected, since invoiced wastewater quantities decreased. In comparison with the budget, wastewater penalty (HUF +8 million), interests (HUF +128 million), water utility development contribution (HUF +128 million) as well as the income from other activities (HUF 416 million) have grown. The latter became so high due to the coverage of the financing of the 2006 floods delayed to the reporting period in a value of HUF 404 million).

The value of financial expenditure reached HUF 37,879 million, within this that of freely available cash was HUF 37,849 million, that is HUF 2,279 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 -1,014 million). The amount of payments of investments (including VAT) was lower than the plan by HUF 1,331 million. The development fund payment obligation also decreased by HUF 334 million as a joint result of the lack of wastewater volumes and the increase of rental fee. As a result of cost efficiency, energy rationalization and the lower than planned wastewater volumes, material and energy costs remained lower than planned as well.

Greater expenses above plan were for the following reasons: environmental load tax (HUF 248 million), capital city rental fee (HUF 103 million), taxes and penalties (HUF 278 million) and VAT payments (HUF 402 million).

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

In summary, the value of cash-type expenses were HUF 6,619 million less than actual revenues. On December 31, 2007, 61% of cash and bank were in securities, while 38% was in bank deposits.

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 2007, the 14 collectors collected HUF 3,794 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 2007

Description	Plan	Actual	Difference	
	1-12 months	1-12 months	th.HUF	%
Opening balance	5 041 212	5 041 212		
Revenues from sewage charges	34 974 172	34 627 233	-346 939	99,01
Revenues from other activities	1 746 446	2 162 612	416 166	123,83
Revenues from export			0	
Sewage penalties	40 000	48 331	8 331	120,83
Public utility development contribution	1 680 000	1 862 428	182 428	110,86
Interest received	410 361	538 126	127 765	131,13
Tax revenue (VAT return)			0	
Other revenues	79 025	59 311	-19 714	75,05
Social Security	129 000	129 416	416	100,32
Technical revenues			0	
Total non-restricted cash available	44 100 216	44 468 669	368 453	100,84
Municipality of Budapest transfer of financial resources			0	
Local Municipality of Budapest transfer of financial resources			0	
Received for flood control equipment maintenance	27 000	29 258	2 258	108,36
Available on a separate account	27 000	29 258	2 258	108,36
Purchased materials	2 293 443	2 158 560	-134 883	94,12
Energy	1 176 814	1 078 747	-98 067	91,67
Maintenance	620 924	414 175	-206 749	66,70
Wages, remunerations, compensations	2 161 956	2 148 844	-13 112	99,39
Social Security	1 318 958	1 340 154	21 196	101,61
Private Pension Fund	220 574	220 506	-68	99,97
Wastewater penalties	1 020 000	6 205	-1 013 795	0,00
Environmental load tax	2 932 395	3 180 034	247 639	108,44
Taxes and penalties	3 473 209	3 751 473	278 264	108,01
Tax paid (VAT)	3 487 464	3 889 685	402 221	111,53
Bank fees and interest expenses	15 241	14 847	-394	97,41
Passage, water arrangement			0	
Own investment and value-added reconstruction	10 032 509	8 701 036	-1 331 473	86,73
Development fund	2 881 055	2 546 890	-334 165	88,40
Other financial resources for development			0	
Other resources for development	47 000	23 785	-23 215	50,61
Dividends	3 219 148	3 219 148	0	100,00
Other payments VAT financing on detached accounts			0	
Other payments to suppliers	2 495 758	2 320 755	-175 003	92,99
Rent paid to the Municipality	2 331 899	2 434 643	102 744	104,41
Compensation	400 000	400 000	0	100,00
Technical expenses			0	
Total available financial instruments	40 128 347	37 849 487	-2 278 860	94,32
Development investments			0	
Regional investments			0	
Maintenance of flood control equipment	27 000	29 258	2 258	108,36
Restricted payment	27 000	29 258	2 258	108,36
Total financial instruments	3 971 869	6 619 182	2 647 313	166,65
fixed deposits	40 369	2 559 857	2 519 488	6341,15
fixed liquid securities, portfolio	3 930 000	4 057 108	127 108	103,23
out of this: cash	1 500	2 217	717	147,80

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 local municipalities – in the case of our Company, by 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 tariff formula is described in Appendix 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 2007 was negotiated in November 2006. According to Decree No. 71/2006. (XII.22.) of the General Assembly of Budapest, sewer charges for the City of Budapest from January 1, 2007 have been set at HUF 215.50/m³. The new service fee contains an average HUF 28.59/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 also contained water burden charge in the amount of HUF 24.89/m³ determined by our Company based on Law 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 2007.

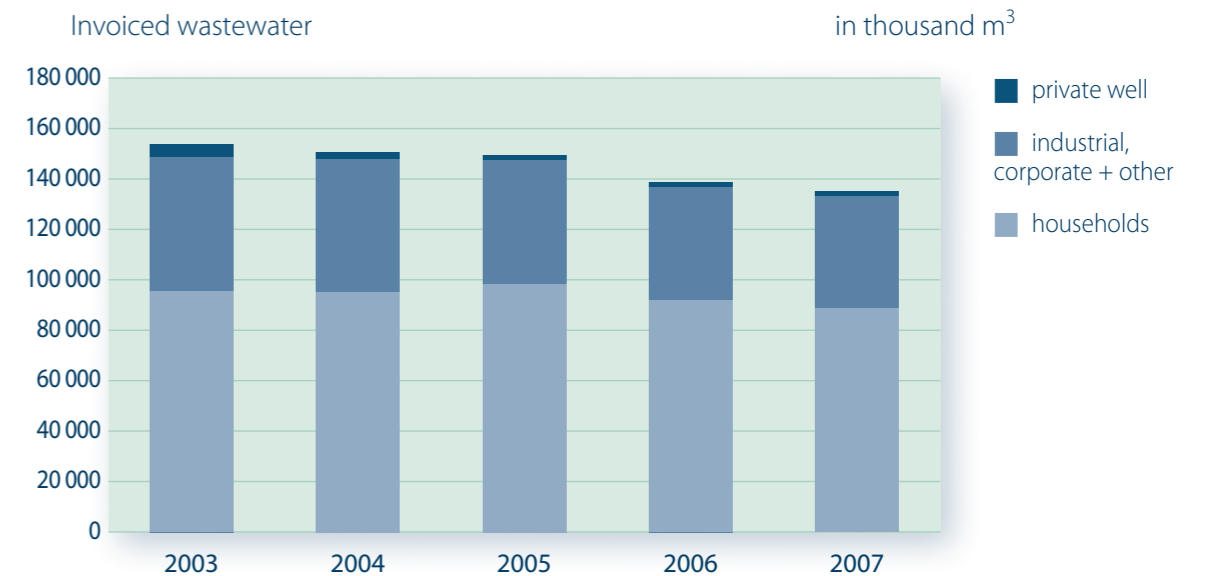
The Municipality of Budapest set the 2008 tariff at HUF 237/m³.

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.

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 2007 this income was HUF 29,382 million, which also contained HUF 3,417 million water burden fee. The revenue is 7% higher than in the previous year due to the 9.4% increase of the fee while the volume of invoiced sewage was reduced by 2.1%.



65% of the invoicing of 2007 was household wastewater emission, which was lower than in the previous year by 2,910 thm³. The 2007 non-household consumption fell short of that of 2006 by 58 thm³. In the capital, the volume of billed wastewater to corporate and industrial consumers was 31.4% 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: consumption in the current year and invoices issued for previous years' consumption.



■ Current year's consumption remained 2.2% below last year's level, and actual bills for services were 1.5% below the plan.

■ Deferred income in the year 2007 was 1.5% above last year's level, and it was 2.6% below planned.

As the cumulated result of the above two factors, in the year 2007, billed sewage was 2,968 thm³ less than in 2006, and 2,275 thm³ less than planned.

Volume of sewage as per the year of consumption in thm³

Description	2006	2007	Index
Delayed effects	11 545	11 375	98,5
Current year consumption	128 328	125 530	97,8
Total billed volume	139 873	136 905	97,9
Accrual	12 271	11 558	94,2
Change in accruals	-531	-713	134,3
Total in revenues	139 342	136 192	97,7

The annual plan targeted the invoicing of 139,180 thm³ sewage, as well as deferred services of 12,000 thm³ sewage. Actual change was more drastic than that. In fact, 136,905 thm³ were billed, and 11,558 thm³ were accrued for. In total, the basis of revenue is 3.2 million m³ less than planned.

The change in deferment made possible the account of HUF 136,192 thm³ of sewage quantity as revenue. This was less than in the previous year by 3,150 thm³.

As a summary, invoices for 136,905 thm³ sewage and HUF 2,490,749 thousand of deferred income as well as HUF 293 thousand ditch usage fee made the accounting of HUF 29,381,867 thousand revenue possible.

In 2007, a determining part of the net revenues of the Company (95%) came from wastewater collection and treatment. This proportion is 1% higher than the previous year's. The reason of this change is that the 2006 proportion was distorted by the high flood protection revenues.

Based on the contract concluded with the Capital the water damage control and water quality protection activity generated HUF 181 million revenues. The reason of the decrease compared to the base period by HUF 371 million is that the flood protection income in 2006 was HUF 396 million. The revenues from flood protection reached HUF 32 million, that of the maintenance of flood protection equipment HUF 146 million, while that of water quality protection HUF 3 million.

Evolution of revenues

in thousand HUF

Description	2006 actual 1	2007 plan 2	2007 actual 3	Index % 3/1	Index % 3/2
1. Wastewater collection and treatment	27 470 220	30 063 800	29 381 867	107,0	97,7
2. Swimming pool water, secondary counter	158 377	168 000	161 178	101,8	95,9
3. Other wastewater services	376 468	288 800	413 593	109,9	143,2
4. Water damage control, water quality protection	551 858	150 000	180 820	32,8	120,5
5. Industry	19 240	12 500	11 794	61,3	94,4
6. Construction	1 134	1 100	236	20,8	21,5
7. Traffic activities	6 330	1 100	1 792	28,3	162,9
8. Mediated services	53 618	54 000	52 964	98,8	98,1
9. Other activities	634 913	617 700	727 587	114,6	117,8
Domestic sales income	29 272 158	31 357 000	30 931 831	105,7	98,6
Export sales income	19 590	0	0	0,0	
I. Net sales income	29 291 748	31 357 000	30 931 831	105,6	98,6
II. Other revenues	13 277 930	14 395 000	13 769 503	103,7	95,7
A. Operating income	42 569 678	45 752 000	44 701 334	105,0	97,7
B. Financial income	581 732	447 000	585 094	100,6	130,9
C. Usual operating revenues	43 151 410	46 199 000	45 286 428	104,9	98,0
D. Extraordinary revenues	427 017	477 000	493 173	115,5	103,4
E. Total income	43 578 427	46 676 000	45 779 601	105,1	98,1

Apart from the capital city tasks, other services were rendered in relation with the sewer utilities for HUF 414 million. The swimming pool water collection determined with a tariff discount of 50% and the invoicing of secondary water counters generated HUF 161 million in revenues.

The industrial, building industry and transport activities generated HUF 14 million revenues to the Company in 2007.

The value of mediated services reached HUF 53 million.

Revenues from other activities increased by HUF 93 million compared to the previous year and reached HUF 728 million.

Rent generated HUF 21 million, waste sales HUF 5 million, agglomeration sewer operation HUF 66 million and the Kaposvár sludge project HUF 15 million additional revenues to the Company. Compared to the previous year, the income from investment management (HUF -4 million), licence fees (HUF -3 million) and the miscellaneous activities (HUF -7 million) decreased.



Other revenues are HUF 492 million above that of the previous year. Among the changes compared to 2006, the factoring income increase of HUF 1,892 million and the asset utilization of HUF 68 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 sale of certain real estates. The provision release was lower by HUF 1,365 million, since we did not receive all wastewater penalty decisions for 2006. The sewer penalty income fell short of the 2006 value by HUF 94 million. From the other items, we had an income loss of HUF 9 million compared to the base period.

Lack of revenues were HUF 625 million compared to the budget. Above-plant income was realized at asset utilization with HUF 124 million, factoring income with HUF 187 million, rewritten depreciation with HUF 37 million and a total of HUF 33 million from smaller income paid until the balance sheet date. Among the smaller than budgeted income items, the decrease of provision release by HUF 1,002 million is outstanding. (The 2006 penalty decision for all emission spots did not arrive.) Apart from this, miscellaneous other income fell short of the budget by HUF 4 million.

Revenues from financial transactions were HUF 3 million higher the level of the year 2006, since the amount of cash available for placement increased. HUF 138 million revenue above the plan was reached. 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.

Amortization of assets received without compensation was included in extraordinary revenues, which was increased, in comparison to the base period, by HUF 66 million.

As a summary, in the year 2007 the Company's net revenues reached HUF 30,932 million, HUF 1,640 million more than in the previous year. The revenues of the Company exceeded HUF 45,780 million. This amount is higher by 5%, that is HUF 2,201 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 and maintenance are outstanding in terms of both volume and proportion. In 2007, asset-based costs reached 59.9% of the sales expenses, among which 44.7% was amortization and the amortization part of the rental fee and 15.2% was maintenance.

In total, sales expenses increased by HUF 763 million, that is 4.7% in comparison with the base period. The yearly plan was basically achieved at 97.2%.

Sales expenses

in thousand HUF

Description	2006 actual 1	2007 plan 2	2007 actual 3	Index % 3/1	Index % 3/2
Material-type expenditure	6 741 416	7 507 600	7 264 055	107,8	96,8
Personnel-type expenditure	4 614 624	4 815 600	4 831 490	104,7	100,3
Depreciation	4 975 977	5 198 900	5 295 292	106,4	101,9
Capitalized own production	-203 304	-137 000	-498 766	245,3	364,1
Sales expenditure	16 128 714	17 385 100	16 892 071	104,7	97,2

Material-type expenses include all costs of materials, the costs of material-type, other and mediated services, in the value of HUF 7,264 million. The HUF 523 million surplus as opposed to the previous year is almost equal to the rental and usage fee increase (HUF +528 million). The surplus resulted in the increase of assets taken over for operation with the new district sewers and the capitalization of the Pók street investment. The proportion of used services increased in accordance with this. Among material-type expenses, 37% was materials and energy expenses, 61% was purchased services, 1% other services and 1% mediated services. Among purchased services, the rental fee of assets owned by the Municipality of Budapest, at a total of HUF 1,698 million, was the most important item. At material-type expenditures, we achieved savings of HUF 244 million compared to the plan in spite of the inflation exceeding the budget.

Personnel-type expenses reached HUF 4,831 million, which is HUF 216.9 million higher than in the base period. 68% of personnel-type expenditures was wage cost, 8% other personnel-type payments and 24% wage contributions. Three factors influenced the evolution of the personnel-type expenditures, the wage increases, the changes in staff and extraordinary personnel payments related to flood protection. As a combined result of these, an additional usage of HUF 217 million was observed compared to the base period and of HUF 16 million as opposed to the budget.

In 2007, the value of amortization was HUF 5,295 million. The increase was caused by the increase in the value of fixed assets. As a combined effect of depreciation, the evolution in time of deferrals and the below the plan write-offs, it exceeded the plan by HUF 96 million.

Capitalized own production contributed HUF 499 million to the above listed expenses. This amount, due to changing demand and possibilities – and to the Capital City's road constructions – was HUF 296 million higher than in last year and exceeded the planned amount by HUF 362 million.

Evolution of expenses in thousand HUF

Description	2006 actual 1	2007 plan 2	2007 actual 3	Index % 3/1	Index % 3/2
Sales costs	16 128 713	17 385 100	16 892 071	104,7	97,2
Other expenditure	16 980 793	20 657 000	19 989 167	117,7	96,8
Operating expenditure	33 109 506	38 042 100	36 881 238	111,4	96,9
Financial expenditure	49 953	35 000	21 157	42,4	60,4
Ordinary expenses	33 159 459	38 077 100	36 902 395	111,3	96,9
Extraordinary expenditure	5 412 981	3 330 200	3 072 606	56,8	92,3
Total expenditure	38 572 440	41 407 300	39 975 001	103,6	96,5

Above operational expenses, other expenditure reached HUF 19,989 million. This is HUF 3,008 million higher than last year's figure. Items with the highest level of increase: Water burden fee was HUF +1,290 million as per the legislation, the increase of the cost of factoring was HUF +1950 million, asset utilization HUF +37 million and provisions HUF +321 million.

Among other expenditure, wastewater penalties decreased by HUF -589 million, depreciation by HUF 24 million and receivables write-off by HUF 16 million.

The joint change of the other items is HUF +4 million.

HUF 668 million savings was achieved compared to the plan. Additional expenditure was observed at the WBF payment HUF +420 million, at factoring costs HUF +195 million, at depreciation and above-plan write-off accounting HUF +44 million and at asset utilization income HUF +59 million.

Savings were achieved at wastewater penalties HUF -1,014 million, at provision making HUF -343 million, at local tax HUF -13 million and unrecoverable receivables write-off HUF -9 million.

The joint change of the other items is HUF -7 million.

The cost of financial transactions of the Company reached HUF 21 million.

In 2007, extraordinary expenses reached HUF 3,073 million. Its major part is the development fund with HUF 2,648 million. Payables to the fund providing compensation for sewage users reached HUF 400 million. Other payables of HUF 25 million were included in the extraordinary expenses category.

In summary, total expenses of the Company reached HUF 39,975 million. Because of this and the revenues, profit before tax was HUF 5,805 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 7,820 million. Profit from financial transactions increased this by HUF 564 million. However, financial instruments transferred for development without repayment reduced this extraordinary loss by HUF 2,579 million. The combined effect of the above resulted in the profit before tax of HUF 5,805 million. In 2007 the Company had a profit tax obligation of HUF 1,798 million, since factors increasing the taxable income exceeded the factors decreasing it by HUF 3,341 million.

Evolution of the profit in 2007 in thousand HUF

Description	Revenues	Expenses	Profit
Operating activity	44 701 334	36 881 238	7 820 096
Financial activity	585 094	21 157	563 937
Usual operating activity	45 286 428	36 902 395	8 384 033
Extraordinary activity	493 173	3 072 606	-2 579 433
Profit before tax	45 779 601	39 975 001	5 804 600
Tax payable	0	0	1 797 887
Profit after tax			4 006 713
Paid (approved) dividend			3 825 014
Balance sheet profit			181 699

After analyzing the activities of the Company, we can declare a net operating profit (as a result of the development contribution) in the sewage division (HUF 7,701 million), in other water management services (HUF 392 million), as well as in other activities not related to the core activities (HUF 238 million) and a loss in the fields of water damage control (HUF -505 million) as well as industrial and building industry activities (HUF -6 million).

Profit after tax is reduced by HUF 3,825 million dividends paid, thus the retained profit stood at HUF 182 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 2007 our Company – with the shareholders’ approval – contributed to the development of the sewer 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 2007 and their evolution in thousand HUF

Description	Planned transfer of funds allocated for development	Actually transferred development funds	Rent transferred to Local Administration	Total
Transfer of development charges	3 225 000	2 651 097	2 648 011	-3 086
Transfer on net rent	1 700 000	2 255 179	2 255 179	0
Total	4 925 000	4 906 276	4 903 190	-3 086



In 2007, the average development, rental and usage fee portion was HUF 40.65/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 4,903 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 on the basis of contracts. The Company pays rent and usage fees for assets under our operation. In 2007 it was HUF 16.47/m³ instead of the planned HUF 12.60/m³ due to the takeover of district sewers as well as the decrease of the wastewater volume (total HUF 2,255 million).

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 28.59/m³ gross and HUF 24.02/m³ net tariff portion – due to the higher than planned amount of rental fee, the decrease of wastewater volumes – an average of HUF 24.18/m³ gross and HUF 19.34/m³ development fund was reached. The amount of the revenue originated from the created development fund in 2007 was HUF 3,310 million, which decreased the development fund payment obligation to HUF 2,648 million after tax. On the basis of expected data, the amount transferred until the end of December was HUF 2,651 million.

Investments in the possession of the Municipality of Budapest and taken over by the Company for operation (house value replacement, without transfer of foundation) in thousand HUF

Project description	until end of 2006	in 2007	until end of 2007
Main sewer at Hamzsabégyi-Ajnácskő str.	389 176		389 176
Main sewer at Rákospölgy-North	1 870 149		1 870 149
Main sewer along Szilas-stream	356 666		356 666
Main sewer at IV. Corvin-Bajza-Fóti str.	382 990		382 990
Pump Station at II. Zsigmond square	1 491 219	248 272	1 739 491
South-Pest Wastewater Treatment Plant	6 535 840		6 535 840
North-Pest Wastewater Treatment Plan	5 572 653		5 572 653
Main sewer at South-Buda	657 546		657 546
Septage receiving station at North-Pest	38 927		38 927
Septage receiving station at Albertfalva	46 127		46 127
Main sewer at Bécsi str.	277 429		277 429
Main sewer at Kőbánya	775 220		775 220
Hungária boulevard	608 851		608 851
XI. Etele square	77 446		77 446
Expo site	345 745		345 745
XV. Szőcs and Eötvös str.	33 519		33 519
Hungária – Könyves Kálmán boulevards	241 230		241 230
Main traffic road no. 5.	321 338		321 338
VI.-VII.-XIV. Dózsa György avenue	80 174		80 174
XVII. Sülysáp str. pump station	37 523		37 523
Haller str. in the IX district	67 786		67 786
Fiumei avenue	90 124		90 124
Rákospölgy – Péceli str.	92 016		92 016
Orczy avenue	1 316		1 316
Bácskai str. – Laskay str.	279 435		279 435
IV. distr. Káposztásmegyér development area	184 357	74 787	259 144
Csomád landfill	8 442	629 545	637 987
XXIII. Szent László str. pump station	2 820	15 200	18 020
Main sewer at Pók str. III.		1 561 697	1 561 697
III. Pók str. pump station		1 421 624	1 421 624
Properties	6 131		6 131
District sewers	18 235 135	5 466 235	23 701 370
Total	39 107 330	9 417 360	48 524 690

II. Projects completed from own resources of the Company

In 2007 own development resources of the Company reached HUF 9,099.6 million and were the following:

- Opening amount of available financial resources HUF 1,137 million;
- Development contribution received: HUF 1,565.3 million;
- Amortization: HUF 5,295.3 million in the reporting period;
- Resources ensured from savings: HUF 763.3 million;
- Book value of assets written off: HUF 98.7 million;
- Cumulated interest of development funds was: HUF 92.8 million;
- The amount of research subsidies was HUF 3.6 million;
- The usage of amount out of the water burden fee for instruments was HUF 11.5 million;
- Resources from real estate sale was HUF 114.5 million;
- HUF 17.6 million was received for sewage damage compensation.

Utilization of resources available for development

HUF 7,176.7 million was contributed from the Company's own resources. The Company devoted HUF 14.5 million out of separated resource, the re-charged water burden fee, to the purchase of environmental protection instruments. From the savings, HUF 500 million was used as investment resource for the North-Pest fermentors, HUF 28.3 million for the Csomád landfill and HUF 235 million for road constructions – with the approval of the Board of Directors. This included, the amount spent in total was HUF 7,954.5 million.

From own resources, 97.5% was reconstruction and replacement of tools and the proportion spent on development only 2.5%.

In 2007, our Company did not utilize HUF 1145.1 million from all its available financial resources, 80% of this is already committed for investments in 2008. The high level of closing balance was due to the fact that the investment works of the North-Pest fermentors realized as own investment were delayed to next year.

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 2007, the group managed 48 public procurement processes related to our investments.

Detailed allocation of own financial resources by objectives

in million HUF

Description	2006 actual	2007 actual
Sewage treatment		
Reconstruction with added value	145,9	188,8
Reconstruction	390,1	864,2
Pump Station		
Reconstruction with added value	114,0	99,8
Reconstruction	580,8	498,4
Network		
Reconstruction	5 278,3	4 508,3
Other		
Reconstruction with added value	344,0	268,3
Reconstruction	477,9	121,3
Design	148,8	145,3
Total reconstruction	7 479,8	6 694,4
Information technology	171,0	21,3
Special machinery	276,5	0,3
Transport equipment	165,9	83,0
Small machines, instrument	66,9	123,4
Fixed assets with low value	105,4	71,9
Total replacement	785,7	299,9
Reconstruction and replacement	8 265,5	6 994,3
Information technology	42,7	85,1
Odour emission prevention	0,5	18,6
Small machines, instrument	16,7	30,8
Fixed assets with low value	26,3	47,9
Total development	86,2	182,4
Own usage	8 351,7	7 176,7
Purchase of environment protection instrument	15,7	14,5
Road construction		235,0
Csomád landfill	0,0	28,3
Digestion unit	0,0	500,0
Usage	8 367,4	7 954,5

Reconstruction, value-added renovation, replacement

Reconstruction utilization and replacement was HUF 6,994.3 million. We have spent 64.5% of the total usage on the reconstruction of sewers, 15% on that of wastewater treatment plants, 8.6% on that of pumps stations and 7.6% on that of other tools. The replacement of assets constituted 4.3% of the utilization.

In 2007, we have spent HUF 4,743 million on sewer reconstructions. From this amount, utilization was HUF 4,508 million according to our own investment program. During the reporting period, 19 km of public area sewers in 67 streets were renewed. Considerable and immediate intervention was necessary at 26 points. The capitalized sewers have been transformed in a good quality until the deadlines.

Among the sewer reconstruction projects realized in 2007 the followings were the largest ones:

■ VII district	Verseny u. (Murányi - Dózsa Gy.)	297.0 lm
■ VIII district	Mosonyi u. - Lóvászár u.	671.7 lm
■ X district	Bihari út (Mázsa tér - Ceglédi u.)	1496.8 lm
■ XI district	Érdi u. (Németvölgyi - Sasadi)	500.4 lm
■ XII district	Ráth György (Határőr - Csaba)	422.9 lm
■ XII district	Vas Gereben u. (Lejtő - Hegyalja)	360.3 lm
■ XIII district	Szabolcs u. (Bulcsú - Dózsa Gy.)	531.5 lm
■ XIII district	Üteg u. (Róbert K. krt. - Petneházy u.)	535.1 lm
■ XIII district	Hegedűs Gy. u. (Balzac - Bessenyei)	625.4 lm
■ XIV district	Nagy Lajos kir. útja (Nagy L - Garay)	373.1 lm

Within the framework of the capital road reconstruction program, during the reporting period, HUF 235 million worth of sewer accessories were ensured. According to the program, 120 km sewers were built in 113 streets. Prior to road renewals, we had to perform the transformation of 41 household connection conduits and 469 cleaning pitches and sinkholes in 50 streets.

The amount spent on the reconstruction of wastewater treatment plants was HUF 1053 million, which was further increased by HUF 500 million ensured from savings.

A task of great importance started at the North-Pest Wastewater Treatment Plant with the construction of the fermentors towers. During this year contraction tasks worth HUF 793.2 million (including savings) were realized. The zeolite silo and dosing system enhancing the wastewater treatment efficiency were finished.

At the South-Pest Wastewater Treatment Plant, the construction of the second phase of the waste management technology was under way. A new waste receiving technological equipment was realized as well as the installation of a waste management machine line. The creation of the new external floor coating required by the authorities is connected to the latter.

In order to modernize the activated sludge aeration technology and enhance its efficiency, a new turbocompressor equipment was installed in the existing compressor house and the extension of the existing aeration panels.

The modernisation of the station's industrial water network is related to the rationalization of energy usage.

In order to rationalise transport, a 200 m³ dehydrated sludge container was built.

The reconstruction of pump stations has made up HUF 598 million.

The reconstruction of small pump stations took place – after a successful public procurement procedure – in three phases and at 19 stations. The station reconstruction will continue in 2008 as well. At the Angyalföld pump station, the replacement of the latches and check valves was finished, while the Mozaik street pump station saw its power conduit section replaced.

The amount used for other renovations was HUF 535 million.

The replacement of various tools cost a total of HUF 300 million.

Due to procurement and the extension of the delivery deadlines that follow these, the purchase of special machinery will be delayed to next year. The purchasing of one container transporter and 2 maintenance cars was completed and one workshop car got a new superstructure.

The 83 contracts concluded for the purchase of small machinery and measurement machinery were fulfilled by the suppliers.

From all investments, including the capital's road constructions and odour prevention, the value-added renewals reached HUF 810.5 million. Value-added renewals of own realization amounted to HUF 498.4 million, while external realization reached HUF 312.1 million.

Development

The Company spent only HUF 182 million on development investments, which equals only 2% of all utilizations. Within this, the amount spent on information technology reached HUF 85 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 is expected for 2008.



Maintenance

The continuous guarantee of the operation of the high asset base can be reached through appropriate maintenance activities, which are coordinated by the Maintenance and Contractor Department.

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 2007. Our Company tried to achieve this goal in a most effective way, with applying measures in order to increase efficiency.

These were the following:

- to optimize the amount spent on external maintenance with bargaining and tendering, or by replacement with our own workforce;
- to technically and economically distinguish value-added reconstruction and other maintenance services;
- to perform economic calculations (to analyse the age, net value and conditions of maintenance equipment and the expenses of the required work), before actual technical works (maintenance, reconstruction, replacement) commenced;
- to reduce time required for maintenance provided by our own workforce, first of all, time required for completing sewer maintenance;
- to sign operating and maintenance contracts (for example in case of heating-cooling systems).

In 2007, our Company spent HUF 2,559 million on maintaining fixed assets. The proportion of maintenance costs within sales expenses is 15.2%.

Evolution of maintenance in thousand HUF

Description	2006	2007	Index %
Own maintenance	2 382 872	2 154 683	90,4
External maintenance	486 866	404 687	83,1
Total	2 869 738	2 559 370	89,2

16% of all expenditure on maintenance was performed by external contractors. In 2007, the value of external maintenance was HUF 405 million, which fell short of the 2006 value by HUF 82 million. The reason for this decrease is that the Company decided to apply own performance for part of the planned works. It came to light during the works that the task to be fulfilled is greater (North-Pest centrifuges) or a change of function is necessary (Zsigmond square renovation). Respecting the requirements of accounting, these works had to be accounted as value-added renovations (own performance). The volume of external maintenance decreased in the field of IT equipment as well. The reason for this is that, due to the introduction of SZOLINFO, the IT background of the area dealing with customer services was renewed and the systems operating here did not have to be maintained.

84% of maintenance was own performance. The decrease compared to the previous year was caused by less material-intensive work and the smaller sewer repairing capacity. The increase of efficiency is shown by the fact that the natural indicators of maintenance either increased or decreased at a smaller pace than the maintenance staff. Most of these works involved sewer maintenance, which can be illustrated by figures.

Maintenance of the Budapest network

Description	Unit of measure	2006	2007	Index %
Cleaning main sewers	lm	16 666	14 916	89,5
Traditional cleaning with pulleys	lm	14 105	16 360	116,0
Cleaning by high pressure machine	lm	461 593	507 577	110,0
Total	lm	492 364	538 853	109,4
Blockage removal	lm	52 660	53 704	102,0
Total cleaning	lm	545 024	592 557	108,7
Line sinkhole cleaning	pcs	24 812	26 641	107,4
Individual cleaning	pcs	12 840	13 880	108,1
Total sinkhole cleaning	pcs	37 652	40 521	107,6
Blockage removal	pcs	3 411	3 250	95,3
Sludge discharge	m³	30 757	32 801	106,6
Length of inspected sewers	lm	1 680 064	1 512 580	90,0
Length of repaired sewers	lm	4 242	3 499	82,5

In the reporting period, with the same technical capacity, we have cleaned 539 km sewers. This represents a 9.4% increase compared to 2006 and exceeds the cleaned sewer length of 2005 as well. Increase primarily characterized the crab and high pressure special machine cleaning, which was made possible by the more efficiently use of the available capacity.

Through a more efficient work organization and the better use of capacities, we managed to increase the number of sinkhole cleanings by 8%. The 2007 cleaning was performed at almost half of the capital's sewer network sinkholes.

Due to the good maintenance state of the network – and in spite of the strong rains – the number of unexpected failures was lower. This is shown by the fact that sewer obturations decreased by 5% compared to 2006. However, the length of sewers cleaned due to obturations increased by 2%. The specific cleaning counted for one obturating was 16.5 lm/obturating, compared to the previous year's 15.4 lm/obturating.

The length of inspected sewer fell short of the previous year's by 10%. The main reason for this is that the number of road reconstructions decreased in the capital just as inspections that precede these. The new inspection evaluation system greatly eases the preparation of construction proposals during sewer reconstructions. The capacity freed up was used to perform more thorough but more time-consuming camera inspections.

The length of repaired sewers was 17.5% smaller than in the reporting period. The reason for this lower performance is the almost 30% layoff performed during the last quarter of 2006. Part of the performance decrease due to lower staff was counterbalanced by a more effective work.

Main risks of the network maintenance activity

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 increase of the special machine capacity with the purchase of 5 special machines in 2008;
- The increase of the number of cast replacements, primarily related to road constructions;
- The development of the technical IT (sewer hydraulics model, reconstruction planning module, map digitalization, vehicle follow-up, introduction of electronic worksheets), that enhance the transparency of work follow-up and makes organization more efficient;
- The introduction of repair technologies without uncovering, repair of shorter (2-3 m) sewer sections without digging for the purpose of optimising costs;
- Extending the circle of sewer repairs by lining technology, through which the yearly reconstruction length can be elongated and the investment funds allocated to reconstruction can be used more efficiently. Through this, the number of failures due to sewer break can be decreased;
- The setting up of a performance indicator system and the introduction of the related requirement and motivation system.

Environment protection

The environmental activities of our Company in 2006 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 respect of the environment protection requirements, 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.

Our Company is one of the biggest water public utility companies of the country and through its wastewater collection and treatment activities, it is also one of the biggest environment protection service providers. 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.

The principles of the policy applied by the Company for the purpose of environment protection are:

- 1** We inform our suppliers and subcontractors about our policy regarding quality and environment protection and make them accept it and we sign our contracts by taking this into account.
- 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, supervising authorities and the greater public as well about 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 preliminarily examine and evaluate the effects on the environment of all new technologies before introducing them. We strive to achieve that the new technology be environment-friendlier than the former one.
- 8 We make steps to prevent and decrease pollution.
- 9 We ensure wide cooperation with the authorities.
- 10 During the procurement, development and operation of equipment, we take into account the efficient 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 keep communicating with our consumers via a well-installed, modern system and develop satisfaction on the basis of studies.

The Company wishes to achieve the quantitative and qualitative development of its service provision activities together with the creation of a healthy environment for the satisfaction of our consumers, employees, the city of Budapest and the inhabitants of the surrounding townships.

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 certification deeds are valid through 2010.

The KIR programs planned for 2007 were realized pro rata temporis at both sites.

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 Construction of a silo to store dehydrated sludge.

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

- 1 Inspection of the effect of the treated wastewater on the Danube.
- 2 Storage and recycling of the sludge created at the station.
- 3 Fermentation of the plant's wastewater sludge and utilization of the created biogas for energy production purposes.
- 4 Decreasing the environmental noise nuisances.
- 5 Inspection of the polluting effect of showers and diluted waters on the Danube.

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 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 Company has regulated waste management, more precisely the tasks related to hazardous materials. The 2007 waste management plan was also finished, which reflects the aspects issued for the national plan as well as the regional objectives. Besides complying with all obligations regarding the data supply and permitting pertaining to waste, the greatest results of waste management in 2007 were the followings:

- The technical kick off of the fifth phase of the Csomád landfill was finished on June 7, 2007. The unified environment usage authorization issued by the environment protection authority for phases I-IV of the waste landfill (KTVF: 7810/2006.).
- Last year, experiments were carried out at the North-Pest Wastewater Treatment Plant for the recycling of wastewater sludge in agriculture.
- The possibility of selective waste collection was created at the central site.

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 184 gel boards decreasing the odour effect are operated. The transformation of sinkholes to odour trapping in order to eliminate odours is under way. In 2007, 72 sinkholes were transformed, and odour eliminating (swivel) structures were mounted on 640 traditional (opening hole) manhole covers.

In the fermentors operated at the South-Pest Wastewater Treatment Plant, the recycling of biogas – gained from organic waste – is under way. The energy necessary for the operation of the plant is more and more coming from the fermentation of organic waste. During the reporting period, the quantity of electricity produced with the gas engine at the South-Pest plant rose by 7.5%.

In 2007, the Company has spent almost HUF 84 million on research and experimental development. We have cooperated with universities and research centers 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 2007, 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. 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 inspection of the origins of the public sewage damages caused by industrial outputs. As a result of legal obligations – in the case of industrial factories emitting considerable load – the number of self-controls has increased.

Activities of 2007

Activity	No. of measurements	
	2006	2007
Inspection of business units	538	471
Inspection of complaints of the population	63	138
Number of self control sampling	935	954
The control of the transfer of the communal the liquid waste	2 353	2 313
Project documentation opinion	309	322
Number samples processed at the laboratory	21 305	20 632
Number of laboratory analyses	90 809	95 998

The inspection of the wastewater emitters as well as the self-control inspections are carried out by the accredited central laboratory and wastewater sampling unit operating according to ISO standards. The revision of the accreditation in 2007 at both units was successful.

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.

On the basis of self-control measurements, the polluting matter load of the Danube did not increase in 2007.

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	Phosphorous
2003	60 174 527	4 005 975	6 482 266	1 070 177
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

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 52,977 m³, its load was 66.2% in the reporting period. The third 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 in mg/l

Component	Effluent water quality		Planning threshold	Threshold
	1996	2007		
COD	70,0	33,0	50	80
BOD ₅	12,6	10,0	10	25
Floating matter	21,0	4,0	35	35
NH ₄ nitrogen	25,7	1,3	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.

North-Pest Wastewater Treatment Plant

The hydraulic capacity of the North-Pest Wastewater Treatment Plant is 200,000 m³/day, its average load reached 138.225 m³/day (69.1%). 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 in mg/l

Component	Effluent water quality		Threshold	Threshold from august 2007
	1996	2007		
COD	52,0	69,0	93,0	125,0
Floating matter	13,7	9,0	32,0	35,0
NH ₄ nitrogen	14,1	22,8	27,0	summer: 27 winter: 35
Total phosphorus	4,9	1,9	4,0	4,0

The plant's average hydraulic load matches its current capacity. However, the 2007 yearly 45,900 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 2007 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 thousand m³ to 150,000 thousand m³. In relation with Budapest and the Danube, 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 than they used to be;
- The calculation method of the penalty also changed in an unfavourable manner.

On the basis of the above, the rate of wastewater penalty shows an increasing trend until the Csepel central and the South-Buda wastewater treatment plants are finished.

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 starts at the North-Pest Wastewater Treatment Plant and the diminution of the nitrogen content becomes possible;
- For the purpose of the realization of the environment friendly method of sludge management as well as the diminution of costs, fermentation towers are being built at the North-Pest plant;
- 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 design of the South-Buda wastewater treatment plant is under way.

In 2008, the operating field of the KIR will be extended with the Angyalföld pump station with the following objectives:

- optimization of oxygen dosing;
- sand separation of a greater efficiency and ensuring a more energy-efficient operation;
- the decrease of odour emission through the creation of a protective band of plants.

After the central sites, selective waste collection will be realized at the sites included in the environment management system as well. A long-term goal is that selective waste collection should be realized on the whole territory of the Company.



Human resources

In 2007 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 2007 business goals of the Company, efficiency was increased and the Company continuously maintained its operational capacity and stability.

Through natural diminution, staff decreased from 1,129 persons to 1,114.

Average staff of the Company

Description	2006		2007	
	persons	%	persons	%
Blue-collar	723	64,04	714	64,09
White-collar	386	34,19	387	34,74
Total full time	1 109	98,23	1 101	98,83
Part time	20	1,77	13	1,17
Total staff	1 129	100,00	1 114	100,00

In the reporting period the employment of 103 people was terminated. During the year, recruitment of 94 people happened.

Distribution of job terminations

Reason for job termination	persons
Mutual agreement	27
Employee's normal resignation	1
Termination within probation period	7
Employer's normal termination	16
Expiry of work permit	-
Extraordinary termination	9
Retired	28
Premature retirement	8
Sickness retirement	5
Deceased	2
Total job termination	103

Wages

Wage increase happened twice in 2007. 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 48,652 thousand.

In 2007, based on the wage-increase provided by the Municipality of Budapest in the fees but upon the approval by the investors, a 6.8% 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 6.8% 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 premiums from the floating salary.

The payroll expenditure of the 2007 flood protection, ensured from a separate source, was HUF 9.340 thousand, as opposed to the previous year's HUF 86,892 thousand. The corrected payroll expenditure without flood payroll increased by 7.9% compared to the previous year.

The development of the labour cost in thousand HUF

Description	2006	2007	Index %
Full-time blue-collar workers	1 670 480	1 758 825	105,3
Full-time white-collar employees	1 334 608	1 408 795	105,6
Total full-time employees	3 005 088	3 167 620	105,4
Part-time workers	26 640	18 579	69,7
Remunerations on assignments	61 764	67 847	109,8
Total payroll for employees	3 093 492	3 254 046	105,2
Remuneration	44 736	38 927	87,0
Total payroll	3 138 228	3 292 973	104,9
Flood payroll	86 892	9 340	10,7
Corrected payroll	3 006 600	3 244 706	107,9

The number of members of the Board of Directors and the Supervisory Board did not change, honoraries increased by 6.8%. The decrease of salaries paid for this item is caused by the insurance certificate of certain foreign employees did not arrive in the concerned year. As a result of this, the settlement of honoraries was delayed to 2008.

In 2007, the average wage of all employees of the Company reached HUF 2,921,047/person/annum, which is higher than the previous year's HUF 2,740,028/person/annum by 6.6%.



The average wage without the salaries paid out during the flood will constitute the wage increases of the coming year. In 2006, this value was HUF 2,663,065/person/year, while it reached HUF 2,912,662/person/year in the reporting period.

Average salary – excluding flood salaries – increased by 9.4% compared to the previous year.

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 28,265 thousand on training.

29 people participated in school education.

The professional trainings had an outstanding role, with 405 people participating. The sewer manager training recognized as a profession by the state went on for the fourth year. Its objective is to ensure the renewal of skilled workers. The Company's heavy, light and small machine operator training with the biggest participation so far (organized for 198 people) was held as an outsourced training. For the purpose of harmonizing EU rules, 71 truck drivers received trainings providing tachograph skills and the language training of a wide group of employees also went on.

Considering the frequent legal changes, interest towards professional conferences was greater than expected. IN the reporting period, 520 persons participated at professional conferences.



Holidays

In the field of holidays, 5 holiday resorts were at the disposition of employees for their and their families' regeneration (with a total of 193 places), three with continuous opening and two with seasonal opening. In the reporting period, 1,598 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 law on health services – the Company's corporate health service was ensured to the employees in 2007 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. In accordance with the new legal dispositions, employees dealing with work polluted with soil received compulsory vaccination (against ticks and tetanus) for the first time during the year.

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.

Furthermore, the Company's health service – on the basis of a separate contract and against payment – ensures services to the employees of FCSM Deep Construction Ltd, Veolia Víz Ltd, Nagykovácsi and Törsvíz Ltds.

We have financed the housing loans from the amounts of re-payment of previous loans. In 2007, this coverage exceeded HUF 30 million. The amount provided non-interest bearing reimbursable loans for 14 people – for home building, purchasing and modernization – in a value of HUF 13 million.

The 72-house room worker's hostel operating at the upper level of the Soroksári avenue operated with an average occupancy of 86% in 2007. The accommodation equipped with a dining room, a lounge and a smoking area at each level had an average of 60 occupants. In lack of female accommodation, 6 female employees received rental allocations.

In the reporting period, the Company provided meal contribution to its employees, in the value of HUF 4,500/person/month.

Information technology

In 2007, the Company further developed its former IT system, both in terms of servers and software infrastructure. An outstanding measure was the beginning of the trial operation of the SZOLINFO system. The basic objective of the project is the setting up of an IT system that has a consistent database for the management of affairs, that can manage affairs step by step in the fields of both data registry and document creation and that keeps registries centrally. The SZOLINFO system has four areas:

- SZAK, whose task is to support the core activity of the Company;
- SZOLÁR, whose task is the registry of customers and real estate and their documentation;
- KASSZA, which takes on invoicing, contracting, account and receivables management;
- VIR, which prepares analyses and reports on the basis of the stored data.

The go-live trial period of the SZAK, SZOLÁR and VIR modules started on June 19, 2007. The trial period of the KASSZA module starts in May 2008. A two-months parallel operation will follow the testing period and the KASSZA module can start operating in autumn 2008 after this is successful.

The testing of the energetic software also started in the reporting period. Complying with the IT infrastructure, the system is introduced with a technology operating also on thin client. This fits in the Company's concept according to which it wishes to apply platform-independent software operating on open systems in the future.

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. The final introduction of this new environment is expected for 2008.

The thin client architecture was also extended. Previously, the performance of the Windows-based clients was a bottleneck, we managed to resolve this problem by installing 4 new servers.

The fact that the number of Microsoft Windows users has grown to 230 is also related to the thin client, eliminating thus the significant problems related to the use of Hungarian Office.

In the field of the Topinfo company management system – which includes the finance-accounting, payroll, fixed asset management, material management and controlling modules – further developments were made. Namely, further steps were made in the field of integration with the other systems. An interface was created between the Topinfo and the purchasing systems, thus eliminating among others double data registry.



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 “revolutionizing” 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.

Even the prime minister of Hungary was eager to visit our unique waste processing and bioenergy-producing plant, whom we received at the beginning of last year together with the chief mayor of Budapest and his deputy responsible for city operation.

In 2007, our Company continued with the modernization started during recent years and slowly covering all areas of activity of the company. In the middle of the year, we have started, on the example of the South-Pest plant, the investment worth HUF 2.2 billion of the digestion unit necessary for the production of biogas at the North-Pest Wastewater Treatment Plant. Thanks to an investment by the Capital city, we now treat the wastewaters of North-Buda at the North-Pest plant, thus the proportion of biological wastewater treatment increased from 45% to 51%.

In 2007, we performed sewer renewals worth more than four billion Hungarian forints. In the meantime, in autumn, the extension and modernization of the customer service office came to an end, just as the development of the tailor-made information technology system serving the customer service activities.

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. 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.

Several hundred families were eager to visit the underground sewers at our open day organized for the World Earth Day on April 22. We have managed the greatest reconstruction of recent years, the almost 1.5 kilometre Bihari street power conduit in record time, with an environment-friendly, lining technology and we have handed it over before the deadline. This was the first sewer section that could be visited by civilians as well. Several press issues (27 electronic and 7 printed) were published about this event.

In 2007, we organized open days for our colleagues and their families for the second time. We consider it important that colleagues working in different areas have an insight into each other's work and be able to represent our Company in their own microenvironment with appropriate information.

Among our positive events, the handover of our renewed customer service office in opening hours was outstanding. Now we can serve the growing customer needs in a much more modern environment, a customer friendly way, in an area that has doubled in size. With the fulfilment of the software development enhancing the customer service work, we can satisfy our customers' requests more precisely, quicker and more efficiently.

The set of events was closed by the Wastewater Sector Conference organized for the fourth year in a row. Our conference organized 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.

Our events were well-supported by our publications and films. Our PR films had already proved to be an efficient communication tool. The list of films was completed by those called Sewer cleaning, Camera sewer inspection, Underground without excavation (Bihari street sewer reconstruction) and Environment aware education. All films were made in Hungarian, English and French languages. Our training film prepared on the no-sink (DuraLevel) manhole cover is worth noting, which we have published in Romanian and Slovak languages as well, considering the interest from abroad.

Our brochure on the manhole cover installation was the one that had the most interest, thus, after several re-printing, we have decided to renew it. Connecting to the film, the brochure was published in Romanian and Slovak languages too.

We continued to inform our customers about changes and developments on the back of invoices and in newsletters attached to the invoices. Together with the development of the customer service IT system, we have renewed our letter templates and forms as well.

We have started the complete transformation of our Internet portal. The structural and design base is finished. The upload of content elements was delayed to next year. The structure of the website – as we hope – will be easier to review and result in a quicker search.

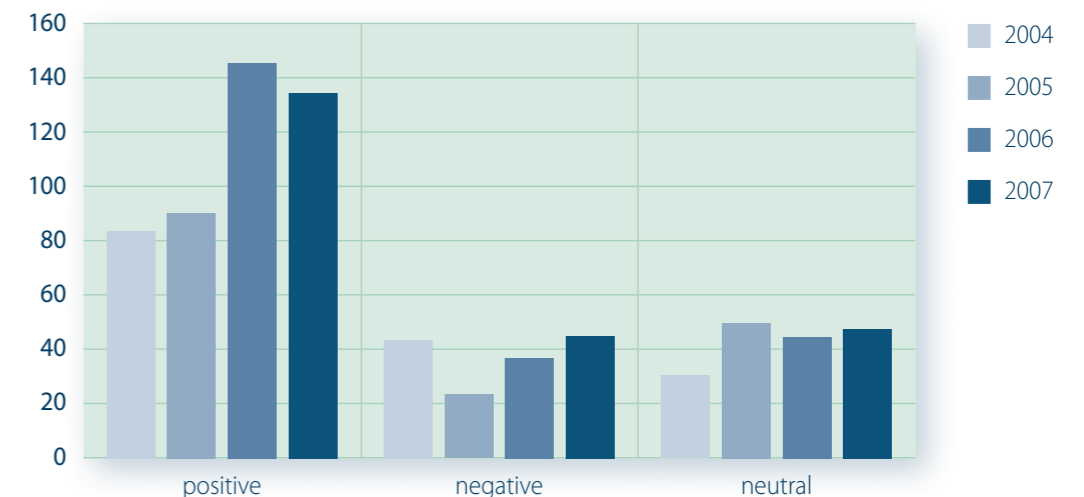
We have basically put sponsoring as a PR activity at the service of the environment, we thus primarily support events and initiatives related to environment protection and environment-aware education. We broadened the circle of the subsidized events with the event called Health park (Egészségliget) in 2007. More than 40 thousand people participated at the event organized in the City Park. 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 2007, our media showings were close to the previous year's high number caused by the flood communication. This was primarily due to the media echo of the World Earth Day sewer visits, which significantly enhanced the Company's positive reputation.

The press dealt with us 226 times in total, out of which 151 times in the form of newspaper articles and 75 times through television and radio airings. 59% of showings were positive, 21% neutral and 20% negative.

Evolution of media coverage



Comparing the showings of the last four years, 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.

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 2007 annual financial statements of Fővárosi Csatornázási Művek Zrt ("the Company"), which comprises the balance sheet as at 31 December 2007 - showing a balance sheet total of HUF 115,490 millions and a profit after tax for the year of HUF 4,007 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 2006 on March 23, 2007 on the following grounds:
The revenues of Fővárosi Csatornázási Művek Zrt 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 2,417 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 2008. 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. 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 2007 and of the results of its operations for the year then ended. The business report corresponds to the disclosures in the financial statements.

Budapest, March 19, 2008
except for the dividend payment of MHUF 3,825 for the year ended 31 December, 2007, as to which the date is 29 May, 2008.



Ernst & Young Kft.
Registration No.: 001165



Havas István
Registered Auditor
Registration No. : 003395

Balance sheet

in million HUF

a	b	c	d	e
01.	A. Fixed assets (02.+10.+18. lines)	99 306		101 847
02.	I. INTANGIBLE ASSETS (03.-09. lines)	66		67
03.	Capitalised foundation/restructuring			
04.	Capitalised research and development	15		20
05.	Concessions, licences and similar rights	9		6
06.	Trade-marks, patents and similar assets	42		41
07.	Goodwill			
08.	Advance payments for intangible assets			
09.	Adjusted value of intangible assets			
10.	II. TANGIBLE ASSETS (11.-17. lines)	98 885		101 432
11.	Land and building and related property rights	91 382		94 066
12.	Plant, machinery, equipment and vehicles	4 258		4 467
13.	Other equipment, fixtures and fittings, vehicles	511		454
14.	Breeding stock			
15.	Assets in the course of construction	2 734		2 445
16.	Prepayments for capital expenditures			
17.	Adjusted value of tangible assets			
18.	III. LONG-TERM FINANCIAL ASSETS (19.-25. lines)	355		348
19.	Long-term participations in related parties	72		72
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	83		76
24.	Long-term debt securities			
25.	Adjusted value of financial investments			

Balance sheet

in million HUF

a	b	c	d	e
26.	B. Current assets (27.+34.+40.+45. lines)	9 534		11 105
27.	I. STOCKS (28.-33. lines)	199		288
28.	Raw materials and consumables	198		288
29.	Work in progress and semi finished products			
30.	Animals for breeding, fattening and livestock			
31.	Finished products			
32.	Goods			
33.	Advance payments for stocks	1		
34.	II. RECEIVABLES (35.-39. lines)	4 294		4 198
35.	Trade debtors	4 011		3 773
36.	Receivables from related parties	81		83
37.	Receivables from other investments			
38.	Bills of exchange receivables			
39.	Other receivables	202		342
40.	III. SECURITIES (41.-44. lines)	3 773		4 057
41.	Participations in related parties			
42.	Other participations			
43.	Treasury shares and own participation			
44.	Marketable debt securities	3 773		4 057
45.	IV. LIQUID ASSETS (46.-47. lines)	1 268		2 562
46.	Cash, cheques	1		2
47.	Bank deposits	1 267		2 560
48.	C. Prepaid expenses and accrued income (49-51. lines)	2 541		2 538
49.	Accrued income	2 425		2 520
50.	Prepaid expenses	116		18
51.	Deferred expenses			
52.	TOTAL ASSETS (01.+26.+48. lines)	111 381		115 490

Balance sheet

in million HUF

a	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)	93 927		94 109
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)	10 233		10 325
59.	V. ALLOCATED RESERVES			
60.	VI. REVALUATION RESERVE			
61.	VII. PROFIT OR LOSS FOR THE YEAR	92		182
62.	E. Provisions (63.-65. lines)	1 599		2 918
63.	Provisions for contingent liabilities	1 599		2 918
64.	Provisions for future commitments			
65.	Other provisions			

Balance sheet

in million HUF

a	Description	Previous year	Modific. of prev. year(s)	Current year
a	b	c	d	e
66.	F. Liabilities (67.+71.+80. lines)	2 057		3 547
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)	0		606
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
80.	III. CURRENT LIABILITIES (81. and 83.-89. lines)	2 057		2 941
81.	Short-term borrowings			
82.	of which: convertible bonds			
83.	Other short-term loans			
84.	Prepayments received from debtors			
85.	Creditors	483		884
86.	Bills of exchange payable			
87.	Short-term debts to related parties	1		2
88.	Short-term debts to other investments			
89.	Other current liabilities	1 573		2 055
90.	G. Accrued expenses and deferred income (91.-93. lines)	13 798		14 916
91.	Deferred income	20		16
92.	Accrued expenses	11		11
93.	Deferred extraordinary revenues and negative goodwill	13 767		14 889
94.	TOTAL LIABILITES (53.+62.+66.+90. lines)	111 381		115 490

Profit and loss statement

in million HUF

a	Description	Previous year	Modific. of prev. year(s)	Current year
a	b	c	d	e
01.	Domestic sales, net	29 272		30 932
02.	Export sales, net	20		
I.	Total sales, net (01.+02.)	29 292		30 932
03.	Direct cost of sales	13 951		14 618
04.	Cost of goods sold	2		1
05.	Provision of (consignment) services	53		52
II.	Direct costs of sales (03.+04.+05.)	14 006		14 671
III.	Gross sales (I.-II.)	15 286		16 261
06.	Selling and marketing costs	35		53
07.	Administration costs	1 133		1 180
08.	Other general overhead	955		989
IV.	Indirect costs of sales (06.+07.+08.)	2 123		2 222
V.	Other revenues	13 278		13 770
	of which: diminution in value	36		37
VI.	Other expenditures	16 981		19 989
	of which: reserved diminution in value	237		214
A.	OPERATING PROFIT/(LOSS) (±III.-IV.+V.-VI.)	9 460		7 820

Profit and loss statement

in million HUF

a	Description	Previous year	Modific. of prev. year(s)	Current year
a	b	c	d	e
09.	Dividends and profit-sharing (received or due)	13		20
	of which: dividends from related parties	13		20
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)	505		532
	of which: from related parties			
13.	Other revenues from financial transactions	64		33
VII.	Financial revenues (09.+10.+11.+12.+13.)	582		585
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	50		21
VIII.	Financial expenditures (14.+15.+16.+17.)	50		21
B.	FINANCIAL PROFIT OR LOSS (VII.-VIII.)	532		564
C.	PROFIT OR LOSS OF ORDINARY ACTIVITIES (±A.±B.)	9 992		8 384
IX.	Extraordinary revenues	427		493
X.	Extraordinary expenditures	5 413		3 072
D.	EXTRAORDINARY PROFIT OR LOSS (IX.-X.)	-4 986		-2 579
E.	PROFIT BEFORE TAX (±C.±D.)	5 006		5 805
XI.	Tax payable	1 695		1 798
F.	PROFIT AFTER TAX (±E.-XI.)	3 311		4 007
18.	Dividends and profit-sharing paid from retained earnings			
19.	Dividends and profit-sharing paid (payable)	3 219		3 825
G.	PROFIT OR LOSS OF THE YEAR (±F.+18.-19.)	92		182

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