

**Budapest
Sewage
Works Ltd.**

**Business Report
2005**

Introduction

Last year the Budapest Sewage Works Ltd. (Fővárosi Csatornázási Művek Zrt., hereinafter „the Company”) has been successful in the fields of development of sewage disposal and treatment, increasing operational safety as well as environmental protection. During the year 2005, the greatest development was observed in the field of sewage operation, thus this year was the “Year of the Network”. The length of network reconstruction reached 19,8 km and a record length of sewers (583 km) was cleaned. The fact that the quantity of sludge collected from industrial consumers and transported to the treatment plants increased also contributed to the betterment of the state of the sewers and the decrease of odour complaints. Last year, in connection with the road renovations of the Capital, more than five thousand sinkproof sewer covers have been placed at the level of the road. The renewed Central Dispatching, merged with the distance surveillance system is able to react quickly and efficiently to the declarations of consumers. This had a great importance when the operation of the network was flawless despite the torrential rains of last summer. The 2005 rainwater surplus caused severe floods and surface waters in our country and in neighboring countries. Our Company provided considerable help in the areas struck by the catastrophe as well (e.g. Mád, Mátrakeresztes, Létavértes, Romania). All this contributed to the fact that the public appreciation of the Company progressed.

The modernization of the treatment plants went on. In the South-Pest Wastewater Treatment Plant, the trial operation of the digestion and waste collection units was successfully closed. The sludge thickening capacity increased and the odour-elimination of the waste management and sludge dehydration units was also completed. In the North-Pest plant, the construction of the pressure pipe draining the wastewater from North-Buda and located under the river bed as well as the preparation of the increase of the nutrient removal degree started.

51.4% of sewage invoiced was treated both biologically and chemically and the removal of nutrients was also full in 15%. 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 out of our wastewater treatment plants have remained within the threshold limits. In 2005, the quantity of drained wastewater and rainwater increased by 4.6% as opposed to the previous year. There was more rain with less water usage and wastewater emission. The invoiced wastewater quantity fell short of the previous year's value by 0.7%.

In 2005 the Company continued to work according to its quality assurance and environment focused control system under ISO 9001:2000 and ISO 14001 standards.

The basic administration and technical tasks have been fulfilled under balanced financial conditions. As the collective result of savings in costs and additional revenues, the profit after tax of the Company reached HUF 4 billion. The Company's financial position was solid throughout the year, the Company maintaining its continuous liquidity as a result of measures taken to reduce accounts receivables. 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 2005 as well.

Budapest, March 2006

Palkó György
General Manager

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Supervisory Board:	from 1 January 2005:	from 10 November 2005:
	Dieter Ernst – chairman	Dieter Ernst – chairman
	Etienne Petit	Etienne Petit
	Rusznák Imre	Rusznák Imre
	Dr. Nyolczas László	Dr. Nyolczas László
	Zsinka László	Zsinka László
	Péterffy Ágoston	Péterffy Ágoston
	Hónigh Antal	Hónigh Antal
	Oláh József	Oláh József
	Lakatos Péter	Lakatos Péter
	Fecher László	Fecher László
	Gólya Veronika	Gólya Veronika
	Szabó György	

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

Management:

Palkó György
General Manager

Gubányi Zsuzsanna
Deputy General Manager

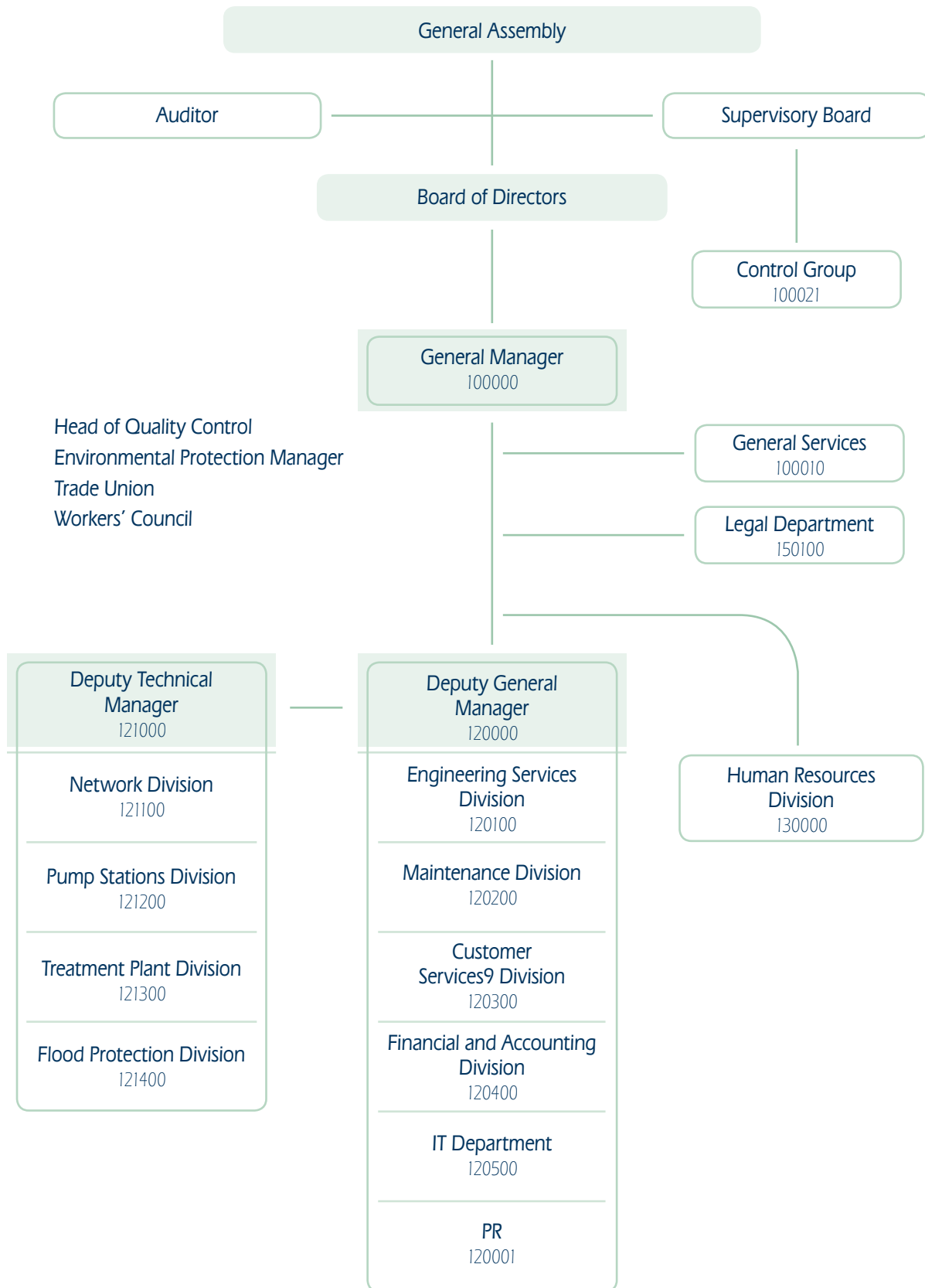
Bernt Thümmel
Technical Deputy Manager

Company organization

The basis of the Company's current organizational structure was set up on 1 October 1998. Ever since this system has proven to be operating successfully, however, the weight of some organizations has changed due to new tasks and this affected the organizational structure as well.

In 2005, due to the extending tasks of waste management at the South-Pest Wastewater Treatment Department, the Waste Management Group has been transformed. The name of the new structure is Technological and Waste Management Group.

Organizational structure of the Budapest Sewage Works Ltd.



Scope of activities

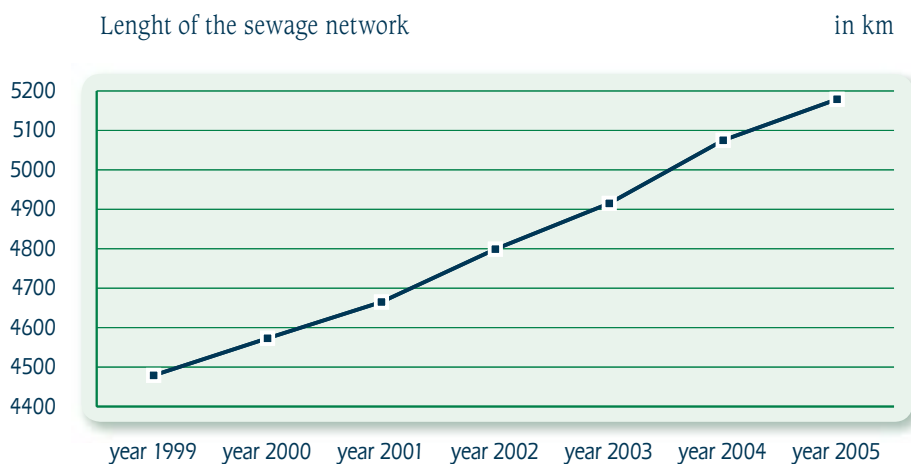
The basic tasks of the Company are to collect, treat sewage and rainwater generated on the area of Budapest and discharge into the receptor.

The Company – unique in Hungary – has been organized exclusively for collecting and treating sewage 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 must be continuous and safe. The fulfilling of the task, the supply of the service is a mandatory obligation of our organization. (Partially enforced services.)

Most significant regulations covering our basic activity are listed in the Government Decree No. 38/1995. (IV. 5.) and its amendments.

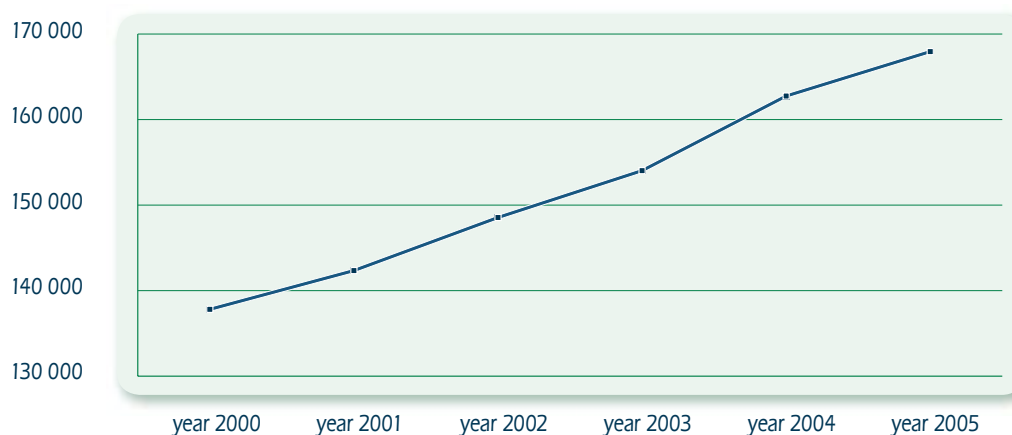
Beyond our basic service, our Company provides another service to the general public of Budapest: we operate the flood and inland water control system and fulfill all related construction tasks.



Main indicators of the sewage works

Description	Unit	2001	2002	2003	2004	2005
Capacities on 31 December						
Length of the sewage network	km	4 665	4 799	4 915	5 075	5 179
- out of this: annual increase	lm	92 124	133 811	116 170	159 960	104 364
Number of sewer connections	pcs	142 346	148 551	154 031	162 753	167 949
- out of this: annual increase	pcs	4 533	6 205	5 480	8 053	5 196
Biological treatment capacity	thm ³ /day	150	280	280	280	280
- out of this: - South-Pest plant	thm ³ /day	80	80	80	80	80
- North-Pest plant	thm ³ /day	70	200	200	200	200
Nutrient removal capacity	thm ³ /day	80	80	80	80	80
Annual performance						
Collected sewage and rainwater	thm ³	240 830	240 871	224 203	248 162	259 538
- out of this: - discharged via free outlet	thm ³	28 280	27 798	26 400	25 298	25 439
- discharged via stormwater outlet	thm ³	0	0	0	0	0
- discharged via pump stations	thm ³	212 550	213 073	197 803	222 864	234 099
out of this: - with biological treatment	thm ³	40 551	52 776	76 714	77 352	76 834
- nutrient removal	thm ³	21 596	20 701	20 932	22 066	21 862
Billed sewage	thm ³	159 436	159 192	153 785	150 542	149 527
- out of this: households	thm ³	99 025	99 534	96 667	95 996	98 188
industrial, corporate + other	thm ³	53 932	53 013	51 024	51 397	49 416
private well	thm ³	6 479	6 645	6 094	3 149	1 923

Number of sewer connections



Equity position

Liabilities and equity

The initial asset structure and current capital structure of the Company was established on 1st of January 1993. In 1996, pursuant to resolution No. 1406/1996. (X.31.) of the General Meeting, the sewer network operated by the Company was capitalized; from this date the Company's share capital was increased to HUF 70 045 200 thousand. On 19 November 1997 25% of the share capital (HUF 17 511 million) was transferred to foreign investors.

Equity (on 31 st December 2005)		in thousand HUF	
Description	2004	2005	
Share capital	70 045 200	70 045 200	
Capital reserve	13 556 590	13 556 590	
Profit reserve	8 778 167	9 419 876	
Revaluation reserve	–	–	
Balance sheet profit figure	641 709	812 919	
Equity total	93 021 666	93 834 585	

The profit reserve has increased by the balance sheet profit of 2004 (HUF 642 million). No other change has occurred in 2005.

The 2005 balance sheet profit figure was determined by the fact that the profit before tax was HUF 5849 million. After corrections with the deductions, HUF 1817 million was paid as tax, which resulted in HUF 4032 million profit after tax. Decreasing the after tax profit with the HUF 3219 million paid in dividends, the net profit of the Company in 2005 reached HUF 813 million.

The aggregate amount of the equity on December 31, 2005 amounted to HUF 93 835 million. As a result of the combined effects of the changes in the capital elements, it is HUF 813 million higher than in the previous year.

Within the equity, the proportion of fixed assets decreased to 89.1%, while the proportion of working capital increased by 0.9% to 10.9%. The surplus of



Changes in the compositions of equity (on 31st December 2005)

Description	2004		2005	
	in thousand of HUF	% ratio	in thousand of HUF	% ratio
Working capital	9 426 677	10.1	10 188 319	10.9
Fixed assets	83 594 989	89.9	83 646 266	89.1
Equity total	93 021 666	100.0	93 834 585	100.0

HUF 813 million in equity compared to the previous year increased the working capital by HUF 762 million and the fixed assets by HUF 51 million.

Among the assets, the provisions for expected losses decreased by HUF 722 million in 2005. The Company released HUF 1932 million of provisions for the coverage of wastewater penalties of the previous years and provided for HUF 585 million for the wastewater penalty of the current year and another HUF 31 million for the accrued obligation of environmental load tax (a total of HUF 616 million). In accordance with the international requirements, 2005 was the first year when we made a provision for payroll-type obligations of the forthcoming years. The amount of such provisions is HUF 594 million.

The long-term liabilities are stated in the balance sheet in the amount of HUF 244 million which is the part of the dividend payable for 2005 less interim dividends paid.

Short-term liabilities have been increased by HUF 343 million. Besides the increase of the liabilities connected with the suppliers by HUF 128 million, mainly due to the changes in the (net) settlement of the environmental load tax, the other short-term liabilities have decreased by HUF 471 million.

Accruals in 2005 reached HUF 11 314 million.

These are:

- accrued expenses: HUF 10 million
- assets received without payment: HUF 4 009 million
- money received for development: HUF 7 295 million
 - out of this: from district municipalities: HUF 386 million
 - from the Municipality of Budapest: HUF 279 million
 - public utility contributions: HUF 6 496 million
 - other sources: HUF 134 million

The liabilities of the Company have increased in total by HUF 1878 million in comparison to the previous year.

Balance sheet as of 31st December 2005

in thousand HUF

Description	2004	2005
Assets		
Intangible assets	66 209	51 072
Fixed assets	92 154 425	94 828 986
Long-term financial investments	144 917	147 596
Inventory	158 701	166 857
Receivables	3 769 595	3 964 502
Securities	6 296 099	6 850 353
Cash and bank	1 531 041	257 327
Prepayments	2 796 130	2 528 165
Assets total	106 917 117	108 794 858
Liabilities and equity		
Equity	93 021 666	93 834 585
Provisions	2 687 522	1 965 351
Long-term liabilities	166 784	244 133
Short-term liabilities	1 780 004	1 437 050
Accruals	9 261 141	11 313 739
Liabilities and equity total	106 917 117	108 794 858

Assets:

The level of assets was HUF 1878 million higher than on 31st December 2004, due to the combined effect of the following factors:

- The value of intangible fixed assets decreased by HUF 15 million due to write-offs.
- Due to the cumulative impact of investments and write-offs in the reporting period, the value of fixed assets increased by HUF 2675 million.
- The value of long-term financial investments was HUF 3 million higher than in the previous year. The Company affected no new investment in 2005.
- Inventory increased by HUF 8 million in comparison to the same period of the previous year.
- Receivables increased by HUF 195 million. Within this, trade receivables increased by HUF 363 million (see detailed analysis in the financial chapter),

while the decrease of other receivables by HUF 168 million is mainly due to net settlements of the environmental load tax.

- The value of securities increased by HUF 554 million.
- The value of cash and bank decreased by HUF 1274 million.
- The level of accruals and prepaid expenses was HUF 268 million lower than on 31 December 2004. This was due to the decrease of accrued income by HUF 391 million and the increase by HUF 123 million of the prepaid expenses.

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 31st December 2005

in thousand HUF

Description	Properties	chinery, equipm, and vehicles	other, equipm, and vehicles	Investment and advance payment	Total
Gross value	118 621 004	12 001 852	1 701 119	2 635 254	134 959 229
Depreciation	30 854 742	8 154 518	1 120 983	0	40 130 243
Net book value	87 766 262	3 847 334	580 136	2 635 254	94 828 986

Details of properties on 31st December 2005

in thousand HUF

Categories	Gross value	%	Net value	%
Sewers	98 530 846	83.1	70 912 005	80.8
Other ground structures	10 838 713	9.1	8 413 915	9.6
Land	3 312 340	2.8	3 312 340	3.8
Other buildings	5 939 105	5.0	5 128 002	5.8
Total	118 621 004	100.0	87 766 262	100.0

The Company – above its own assets – also operates:

- assets withdrawn when the Company was established (1 December 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 33 353 688 thousand (excluding value of properties, replacement of housing property and transfer of fund).

The gross value of third parties' properties operated by the Company in 2005: HUF 35 210 911 thousand.

Technical specifications of the sewage works

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

Sewage collection

On 31st December 2005 a total of 5179 km public sewers were operated, as detailed in the following:

Specifications of the sewer network in Budapest in km

Year	Main sewer	Connencting sewer	Total	Out of this: new construction
1999.	3202	1277	4479	66
2000.	3267	1306	4573	94
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

63,5% of the Budapest sewer network is combined, 28.3% is sewage and 8.2% is rainwater sewer.

Length of the Budapest sewer network in km

Year	Sewage	Rainwater	Combined	Total
1999.	999	380	3100	4479
2000.	1047	390	3136	4573
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

144 automatic pump stations support the transfer of sewage from low laying areas, which are integrated into the sewer system. Beyond these pump stations we also operate a manned intermediate transfer pump station. We received trucked sewage collected from areas with no public sewers system at 7 septic waste-receiving stations also in 2005 and at 19 additional designated locations along the sewer network.

Terminal stations

On 31 December 2005 two major sewage treatment plants operated in Budapest. In addition, 11 automatic and 8 manned terminal pump stations were transferring sewage into the river Danube. The pump station at Angyalföld plays the role of an intermediate transfer station as well. In total, our stations transferred 234 099 thm³ sewage and rainwater, which represents 90.2% of the 259 538 thm³ sewage and rainwater generated in the capital. 51.4% of sewage generated in dry periods has been treated at the South-Pest Wastewater Treatment Plant and the North-Pest Wastewater Treatment Plant, whose combined total output reached 280 thm³/day. The biological capacity of the South-Pest plant is

Description	Average capacity	Load	Utilization %
North-Pest plant	200 000	150 608	75.3
South-Pest plant	80 000	59 896	74.9
Total	280 000	210 504	75.2

80 thm³, as well as 80 thm³ capacity for nutrients removal. In 2005, the North-Pest plant operated at its full capacity of 200 thm³/day.

The hydraulic utilization of the North-Pest Wastewater Treatment Plant currently complied with its capacity, its organic substance load however significantly exceeds the planned average daily value of 25 500 kg BOD₅/day. The Environmental Protection Directorate has set individual limits for the quality of the effluent water much restrictive than permitted in the establishment permit based on which the Plant was designed.

The plant has operated continuously during the whole year and has continuously received sewage delivered to the Angyalföld plant. In 2005, the construction of the pressure pipe under the river bed collecting the North-Buda wastewater to the plant, as well as the preparation of the nutrient removal phase has started.

At the South-Pest Wastewater Treatment Plant a considerable stride forward was observed in the field of sludge and waste management. The automated sludge thickening capacity was doubled, the trial operation of both the thermophile



digester and the waste collector was successfully finished. By covering the waste management unit and the sludge dehydration machinery, their deodorization was also resolved. The parameters of the effluent water of our wastewater treatment plants have remained within the threshold limits set by the authorities in relation to all components.

Sludge disposal

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

In 2005 79% of the waste was made up by dehydrated sludge originated from the North-Pest plant, 45% of which was placed at the Csomád landfill, owned by the City but operated by the Company. 13% of the waste was putrefied and dehydrated sludge for the South-Pest plant; the remaining 8% was given by general sewer waste. The level of sludge in the year 2005 remained as last year, since we had to handle the placement of 125 841 thm^3 of sludge. 35% of the total quantity was placed at the Csomád landfill; the remaining 65% was treated and disposed by contractors operating with environmental protection permits.

Specifications of waste generated by the sewage network in 2005 in m^3

Description	Volume	Disposal		
		Csomád	Third-p. contractor	Total
Settled sand and sewer sludge	6 884		6 884	6 884
Screened waste	2 763		2 763	2 763
Compressed sludge from plants	117 100	44 540	72 560	117 100
Total	126 747	44 540	82 207	126 747

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 363 million. The change was due to the transfers and changes of HUF 41 million credit balance trade receivables and the increase of diminution in value by HUF 51 million (decreasing accounts receivables) and the increase of receivables by HUF 373 million. 97% of receivables was made up by sewer charges. From 1st of January 2005 sewer charges increased by 14,8%, but receivables increased only by 11,6%. Receivables within the due date increased by 17%. Overdue receivables increased by 4%. The Company's team dedicated to the collection of overdue receivables operated with 14 members and has collected HUF 1735 million of overdue receivables. Through a new collection relationship, we have achieved the collection within due date of another HUF 2598 million of sewer charges on a yearly basis. We have worked out HUF 33 million as irrecoverable sewer charges.

Receivables from other activities increased by 0.8%.

Changes in receivables without diminution in value on 31st December 2005 in thousand HUF

Description	2004 Total	2005		
		Sewage division	Other activities	Total
Overdue receivables				
0 - 90 days	687 940	706 169	14 261	720 430
91 - 180 days	205 072	190 025	931	190 956
181 - 360 days	189 570	228 649	1 408	230 057
361 - day	300 919	293 645	5 377	299 022
Total overdue receivables	1 383 501	1 418 488	21 977	1 440 465
Receivables within due date	1 832 040	2 062 681	85 492	2 148 173
Total trade receivables	3 215 541	3 481 169	107 469	3 588 638
Overpayment to suppliers	282 003			323 225
Loss of value	-499 305			-550 312
Total trade receivables on 31st Dec.	2 998 239			3 361 551



The factoring contract signed with Díjbeszedő Holding Zrt. in 1995 remained in force in 2005.

Collection of sewer charges benefited from the fact that the discounts were available only for consumers with no outstanding debt – when other conditions were fulfilled.

Cash-flow

In 2005, the cash and bank inflows of the Company exceeded HUF 43 174 million; out of this HUF 43 147 million was unrestricted and HUF 27 million held in a separate bank account of the Municipality of Budapest. Composition of own resources: 18% opening balance, 72% cash flow from sewer service, 10% originated from water management, public utility development contribution, interest, sewer fines and receivables from other customers. Inflows were HUF 1021 million, that is 2% higher than budgeted. Actual revenues from sewage collection were HUF 251 million higher. Revenues from other activities, mainly interest received and sewer fines were higher than planned.

The value of financial outflows reached HUF 36 066 million. In regards of the non-restricted cash (HUF 36 039 million), the savings reached HUF 1387 million compared to the budget. In 2005 the Company did not accumulate unpaid debts to the state, to the Social Security, and to its suppliers either. In spite of savings achieved on materials and energy, expenditures increased as opposed to the budget. The greatest expenditures above budget were observed in the fields of wastewater penalty (HUF 702 million), VAT payments (HUF 384 million) as well as rental fees (HUF 289 million). In harmony with the latter, the development fund payment decreased (HUF –237 million). The greatest savings was observed in the investment payments (HUF –3160 million) where major investments were rescheduled to next year. This resulted in the increase of cash and bank balance above planned.

In summary, the value of cash-outflows in 2005 were HUF 6850 million less than actual inflows, in consideration of the changes in the construction of buildings account. The Company continuously retained its liquidity.

Description	Plan	Actual	Difference	
	1-12 Months	1-12 Months	th. HUF	%
Opening balance	7 827 140	7 827 140		
Revenues from sewage charges	30 605 217	30 856 050	250 833	100.82
Revenues from other activities	968 903	1 211 481	242 578	125.04
Revenues from export	0	13 831	13 831	
Sewage penalties	60 000	166 108	106 108	276.85
Public utility development contribution	2 000 000	2 019 203	19 203	100.96
Interest received	421 812	834 607	412 795	197.86
Tax income (VAT return)	97 418	75 903	-21 515	77.91
Other revenues	45 831	39 891	-5 940	87.04
Social Security	100 000	102 614	2 614	102.61
Technical revenues				
Total non-restricted cash available	42 126 321	43 146 828	1 020 507	102.42
Paid to the Municipality of Budapest				
Paid to District Administrations				
Received for flood control equipment maintenance	33 000	27 165	-5 835	82.32
Available on a separate account	33 000	27 165	-5 835	82.32
Purchased materials	1 766 594	1 836 531	69 937	103.96
Energy	951 122	970 534	19 412	102.04
Maintenance	515 743	537 388	21 645	104.20
Wages, remunerations, compensations	1 903 283	2 036 263	132 980	106.99
Social Security	1 127 200	1 035 607	-91 593	91.87
Private Pension Fund	178 761	190 244	11 483	106.42
Wastewater penalties	476 658	1 178 260	701 602	0.00
Environmental load tax	1 110 463	1 077 246	-33 217	97.01
Taxes and penalties	3 431 513	3 492 881	61 368	101.79
Tax paid (VAT)	1 564 080	1 948 441	384 361	124.57
Bank fees and interest expenses	14 497	13 440	-1 057	92.71
Reclassification, water settlement			0	
Own investment and value-added reconstruction	11 079 191	7 919 134	-3 160 057	71.48
Development fund	5 683 991	5 447 012	-236 979	95.83
Other resources for development			0	
Paid for other purposes (not returnable)	23 800	26 490	2 690	111.30
Dividends	3 141 698	3 141 802	104	100.00
VAT for other payments and Sep. accounts			0	
Other payments to suppliers	1 823 017	1 764 418	-58 599	96.79
Rent paid to the Municipality	2 292 769	2 581 357	288 588	112.59
Compensation	342 100	342 100	0	100.00
Technical expenses		500 000	500 000	
Total available financial instruments	37 426 480	36 039 148	-1 387 332	96.29
Development investments			0	
District investment				
Maintenance of flood control equipment	33 000	27 165	-5 835	82.32
Restricted payments	33 000	27 165	-5 835	82.32
Total financial instruments	4 699 841	7 107 680	2 407 839	151.23
Out of this: fixed liquid securities, portfolio	97 741	254 830	157 089	260.72
fixed deposit	4 600 000	6 850 353	2 250 353	148.92
petty cash	2 100	2 497	397	118.90

Sewer charges

The basic activity of our Company is collecting and treating sewage and rainwater. Revenues are determined, beyond the volume of sewage, by the level of sewer charges. The relevant authority determines charges for the public utility. Since 1st of January 1994, pursuant to Act LXXXVII/1990 amended by Act CIV/1993, the rights of the pricing authority are exercised by the body of representatives of local municipalities – in case of our Company, to the General Assembly of the Municipality of Budapest. The formula used for determining sewer charges is approved by the Municipality of Budapest by Decision No. 1422/96. (X. 31.) of the General Assembly. Appendix No. 2 of the Public Utility Service Contract, signed with the investors, includes the tariff formula applied by the Municipality of Budapest (majority shareholder). Profits allocated to dividends are also defined on the basis of this tariff formula (Appendix No. 4 of the Shareholders' Agreement).

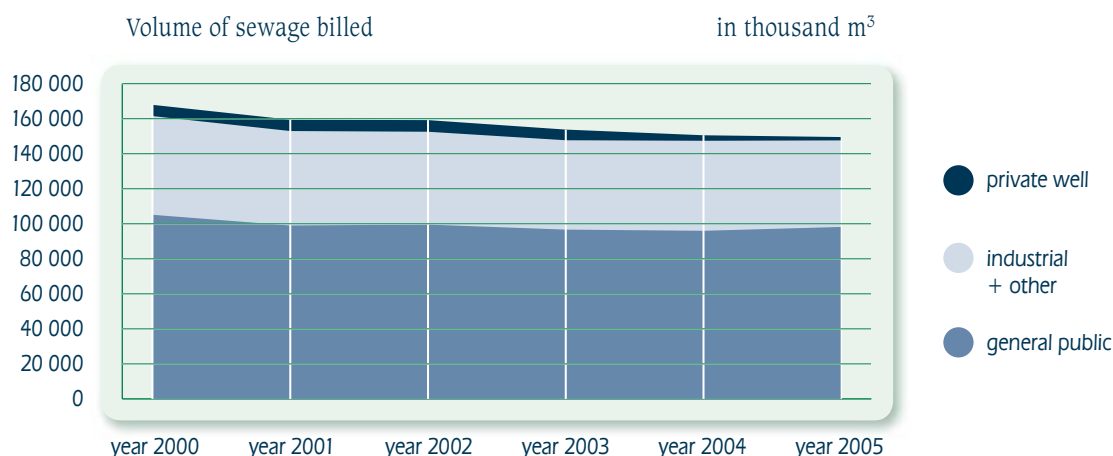
Tariff calculation for the year 2005 has been negotiated in November 2004. According to Decree No. 68/2004. (XII. 31.) of the General Assembly of Budapest, sewer charges for the City of Budapest from 1st of January 2005 have been set at HUF 186.10/m³. The new service fee contains an average of HUF 42.61/m³ development contribution which is meant to cover the investments defined by Budapest following the taxation and the transfer to the Municipality of Budapest. The sewage charge also contained environmental load tax in the amount of HUF 8.29/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 applications, the rules of watering discounts introduced in 1994 have also changed. The 2004 modification of the Government Decree number 38/1995 (IV. 5.) has made it possible to separately measure the watering water usage on the secondary meters. Its volume cannot be taken into consideration when calculating the wastewater volume. 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. This discount is applicable after 1st of January 2001 under certain conditions. This rule of the price application has not changed but does not apply to the re-charged environmental load tax. The sewer charges have been subject to 15% VAT instead of a 12% VAT since January 1, 2004.

The General Assembly of the Municipality of Budapest, in its decision No. 2087/2004. (XI. 25.), requires from our Company a compensation fund of HUF 342 million for the year 2005, to be used for helping customers using the public sewer network. (HÁLÓZAT – Foundation for Customers in Budapest and for People with Outstanding Charges.)

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 2005 this income was HUF 27 129 million, which also contained HUF 1212 million environmental load tax. The revenue is 10.3% higher than in the previous year due to the 14.8% increase of the tariff while the volume of invoiced sewage was reduced by 0.7%.



The annual plan targeted the invoicing of 150 000 thm³ sewage, as well as deferred services of 16 400 thm³ sewage. In fact, 149 527 thm³ were billed, and 12 802 thm³ were accrued for. We have advanced the invoicing of a factoring client base – in accordance with the invoicing of the consumption. This change decreased the accrued quantity, while increasing the billed quantity in 2005 and the trade receivables within due date. Thus the achieving of the planned billed wastewater quantity is apparent. In total, the basis of revenue is 4 million m³ less than planned. All analysis related to the volume of sewage refers to volume actually invoiced. The composition of invoiced services is known, however, deferred services are only estimated, and may vary according to actual sewage discharge.

Invoiced volume consists of the following two parts: services rendered in current year and invoices issued for previous years' consumption.

- Current year's consumption remained 0.9% below last year's level, and actual bills for services were 0.2% below the plan.



- Deferred income in 2005 was 1% above last year's level, and it was 1.1% below planned.

As the cumulated result of the above two factors, in 2005 billed sewage was 1015 thm³ less than in 2004, and 473 thm³ less than planned.

The change in deferred income and the self-correction made the account of 145 581 thm³ of sewage volume as revenue basis. This was less than in 2004 by 7975 thm³ and less than planned by 4071 thm³.

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

Description	2004	2005 Plan	2005 Actual
Brought forward	16 053	16 400	16 214
Current year consumption	134 489	133 600	133 313
Total invoiced volume	150 542	150 000	149 527
Deferred volume	16 748	16 400	12 802
Self correction	1 580	0	0
Change in deferred volume	1 434	-348	-3 946
Total volume	153 556	149 652	145 581

In 2005 66% of the bills were issued to households, which was 2192 thm³ less than in the previous year, due to the change in the invoicing system. Non-household consumption in 2005 remained 3207 thm³ below the level of 2004. Volume of billed sewage services rendered to industrial and institutional consumers in Budapest reached 34% of the peak output. (In this consumer category services peaked in 1985 with 153.4 million m³.)

As a summary, invoices for 149 527 thm³ sewage and deferred income made the accounting of HUF 27 129 million revenue possible, of which deferred income raised HUF 2382 million.

In 2005 a significant proportion of the Company's net revenues (96%) came from sewage collection and treatment charges. This proportion is identical to the previous year's.

Revenues

in thousand HUF

Description	2004 actual 1	2005 plan 2	2005 actual 3	Index % 3/1	Index % 3/2
1. Sewage collection and treatment	24 596 371	27 916 900	27 128 880	110.3	97.2
2. Bath discharges, secondary water meter	132 336	153 000	154 166	116.5	100.8
3. Other sewage services	191 359	187 100	175 803	91.9	94.0
4. Water damage control, quality protection	149 166	149 000	168 425	112.9	113.0
5. Industrial	13 144	5 000	8 282	63.0	165.6
6. Construction	1 354	1 400	3 728	275.3	266.3
7. Transport activities	1 498	1 400	4 845	323.4	346.1
8. Mediated services	58 492	47 000	52 443	89.7	111.6
9. Other activities	518 348	516 200	530 429	102.3	102.8
Revenues from domestic sales	25 662 068	28 977 000	28 227 001	110.0	97.4
Revenues from export sales	9 554	0	13 831	144.8	
I. Net sales revenue	25 671 622	28 977 000	28 240 832	110.0	97.5
II. Other revenues	8 807 903	11 555 000	13 312 092	151.1	115.2
A. Operating revenues	34 479 525	40 532 000	41 552 924	120.5	102.5
B. Financial revenues	905 825	660 000	789 269	87.1	119.6
C. Ordinary revenues	35 385 350	41 192 000	42 342 193	119.7	102.8
D. Extraordinary revenue	307 415	348 000	397 673	129.4	114.3
E. Total revenue	35 692 765	41 540 000	42 739 866	119.7	102.9

Water damage control generated revenues of HUF 168 million based on the contract concluded with the Municipality of Budapest.

Beyond the services rendered to the City of Budapest, the Company provided other sewage related services in the value of HUF 176 million. Revenues generated from public bath discharges (at 50% discount) and separate billing for secondary water meters reached HUF 154 million.

In 2005 the Company generated HUF 17 million from industrial, construction and transport activities.

Mediated services provided HUF 52 million revenue.

In comparison to last year's figures, revenues from other activities increased by HUF 12 million and reached HUF 530 million. The Company received HUF 10 million for the management of investments made by the Capital and additional HUF 2 million were realized in other fields.



Other revenues were above last year's figure by HUF 4504 million. This represents an increase of 51%. Three kinds of major revenues increased compared to 2004: factoring revenue increased by HUF 2584 million as a result of the price increase and the change in invoicing, the reversal of provisions increased by HUF 1932 million – as a consequence of the previous years' accounting – and wastewater penalty by HUF 69 million. The combined effects of smaller items led to a HUF 7 million extra revenue. The total other revenue increase reached HUF 4592 million. The decreases, in total HUF 88 million, were mainly caused by the loss of non-recurring revenues of 2004, the revenue of asset sales fell short of the planned by HUF 61 million. Amortization was lower than the previous year's by HUF 20 million, while the other smaller items by HUF 7 million. We are HUF 1757 million above the plan mainly because we forecasted HUF 901 million less for factoring revenues. The remaining HUF 50 million is due to asset utilizations above the plan and penalty and compensations.

Revenues from financial transactions were HUF 117 million below the level of the year 2004. Since the cash balance decreased as a consequence of the settlement of the previous years' wastewater penalties, we had less temporarily available cash, while the average interest rates also decreased.

Amortization of assets received without compensation was included in extraordinary revenues, which was increased, in comparison to the base period, by HUF 90 million.

As a summary, in 2005 the Company's net revenues reached HUF 28 241 million, HUF 2569 million more than in the previous year. Wastewater revenues resulted in 98.6% of the surplus, while the revenues of other activities increased only by 1.4%. The revenues of the Company reached the HUF 42 740 million. This amount is higher by HUF 7047 million (20%) 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-related expenses occur regardless to the level of services rendered and these expenses contribute to most of the costs. Among these costs, amortization and maintenance play the most significant role in both volume and proportion.

In 2005 amortization constituted 62.4% of the trade costs, within which amortization and amortization built into rental expenses was 45.7% and maintenance 16.7%.

In summary, actual expenses increased by HUF 1323 million (10%) in comparison to the previous period. The annual plan was realized at 103%.

Actual trade expenses

in thousand HUF

Description	2004 actual	2005 plan	2005 actual	Index %	
	1	2	3	3/1	3/2
Material type expenses	5 412 245	5 955 800	6 394 344	118.1	107.4
Personnel type expenses	4 027 053	4 198 300	4 213 743	104.6	100.4
Depreciation	4 444 913	4 653 000	4 652 967	104.7	100.0
Capitalized own products	-189 729	-210 800	-243 787	128.5	115.6
Operating expenses	13 694 482	14 596 300	15 017 267	109.7	102.9

Material-type expenses include all costs of materials, the costs of material-type, other and mediated services, in the value of HUF 6394 million. Additional expenses of HUF 982 million in comparison to last year are mainly caused by the increase of material usage related to own investments, the above planned increase of rental fees, the increase of external maintenance and, to a less extent, by inflation. Materials expenses: materials and energy 62.3%, material-type services 35.9%, 1.2% other services and 0.6% mediated services. Among purchased services, the rental fee of assets owned by the Municipality of Budapest, at a total of HUF 2213 million, was the most important item.

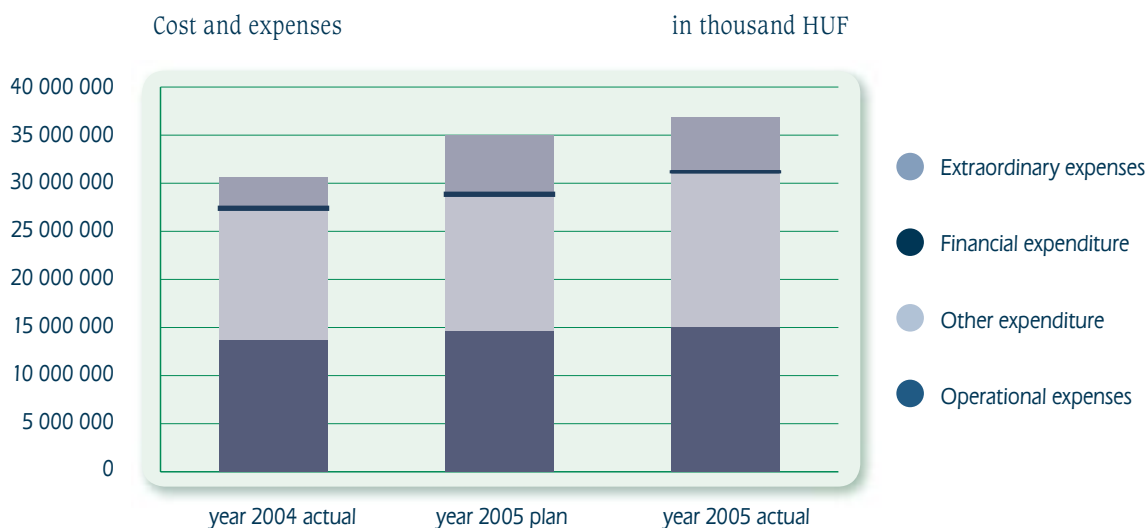
In the category of material-type services the excess of the plan by HUF 438 million was caused by the material usage of own investments, the increase of fuel consumption and the above planned rental fees and external maintenance.

Personnel-type expenses reached HUF 4214 million. Wages (68% of personnel-type expenses) indicate the impact of wage increase. Other personnel-type

expenses contributed to 7.3% of the total of personnel-type expenses. Social security contributions reached 24.7% of the personnel-type expenses. In terms of the personnel type expenses there was a HUF 15 million excessive use mainly due to the higher than expected number of staff.

In 2005 amortization was HUF 4653 million. The increase was caused by the increase in the value of fixed assets. Despite the delay in timing of actual capitalization, depreciation virtually remained at the planned level.

Capitalized own production contributed HUF 244 million to the above listed expenses. This amount, due to changing demand and possibilities, was HUF 54 million higher than in last year and exceeded the planned amount by HUF 33 million.



Above operational expenses, other expenditure reached HUF 16 161 million, which is HUF 2578 million higher than last year's figure. Items with the highest level of increase: wastewater penalties for previous years was HUF 1178 million, the increase of the cost of factoring was HUF 2687 million. The following other expenditures decreased: environmental load tax by HUF 1074 million and the provisions by HUF 251 million.

The cost of financial transactions of the Company reached HUF 20 million.

In 2005 extraordinary expenses reached HUF 5693 million. Its major part comes from the development contribution with a value of HUF 5321 million. Payables to the fund providing compensation for sewage users reached HUF 342 million. Other payables of HUF 30 million were included in the extraordinary expenses category.

In summary, total expenses of the Company reached HUF 36 296 million. Because of the revenues, profit before tax was HUF 6443 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 10 969 million. Profit from financial transactions increased this by HUF 769 million. However, financial instruments transferred for development without repayment reduced this extraordinary profit by HUF 5295 million. The combined effect of the above resulted in the profit before tax of HUF 6443 million. In 2005 the Company had a profit tax obligation of HUF 1817 million, since factors increasing the taxable income exceeded the factors decreasing it by HUF 4914 million.

Profit in 2005

in thousand HUF

Description	Revenues	Expenses	Profit
Operating services	41 552 924	31 178 231	10 374 693
Financial transactions	789 269	19 849	769 420
Usual business activity	42 342 193	31 198 080	11 144 113
Extraordinary activity	397 673	5 692 559	-5 294 886
Profit before tax	42 739 866	36 890 639	5 849 227
Tax payable	0	0	1 817 123
Profit after tax			4 032 104
Paid (approved) dividend			3 219 185
Balance sheet profit figure			812 919

After analysing specific services of the Company, we can declare a net operating profit (as a result of the development contribution) in the sewage division (HUF 10 385 million), in other water management services (HUF 145 million), in the construction division (HUF 1 million), as well as in other activities not related to the core activities (HUF 125 million). Similar to figures in previous years, water damage control and water quality protection services generated a loss (HUF –279 million).

The industrial activities generated a loss of HUF 2 million.

Profit after tax is reduced by HUF 3219 million dividend paid, thus the retained profit stood at HUF 813 million.

Investments and developments

Capital investments

The operation of sewers is investment intensive. Development and reconstruction expenses are high and of a bigger volume as well. The sewer system 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 the Company.

I. Development financed by the Municipality of Budapest

In 2005 the Company – with the shareholders' approval – contributed to the development of sewage network in Budapest through the funds accumulated from the development contribution incorporated into sewage charges and from rental payments.

Planned development resources of the Municipality of Budapest at the time of approving the sewer charges for 2005 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	5 404 800	5 439 407		5 439 407
Transfer on net rent	2 197 200		2 213 159	2 213 159
Total	7 602 000	5 439 407	2 213 159	7 652 566
Year-end correction		-118 752		-118 752
Total	7 602 000	5 320 655	2 213 159	7 533 814



In 2005, the average development, rental and usage fee portion was HUF 57.16/m³, which represented a total development resource of HUF 7602 million after tax. This value ensured in the tariff was modified to HUF 7534 million due to the change in wastewater volume and the shift of internal proportions towards untaxed resources.

Sewage works owned by the Municipality of Budapest are operated by our Company. The Company pays rent and usage fees for assets under our operation. In 2005 it was HUF 14.80/m³ instead of the planned HUF 14.55/m³ due to the takeover of district sewers (total: HUF 2213 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 planned tariff portion of HUF 42.61/m³ – due to the rental fee higher than expected – a payment obligation of HUF 42.36/m³ was generated in average. Total actual payment in 2005 reached HUF 5321 million. On the basis of expected data, the amount transferred until the end of December was HUF 5439 million.

Investments in the possession of the Municipality of Budapest and operated by the Company (excluding property value, replacement for housing property value and transfer of funds) in thousand HUF

Project description	till the end of 2004	in the year 2005	till the end of 2005
Main sewer at XI., Hamzsabégyi-Ajnácskő str.	389 176		389 176
Main sewer at Rákosvölgy-North	1 870 149		1 870 149
Main sewer along IV-XV., Szilas stream	356 666		356 666
Main sewer at IV., Corvin-Bajza-Fóti str.	382 990		382 990
Pump station at II., Zsigmond Square	1 458 427	32 792	1 491 219
South-Pest Wastewater Treatment Plant	6 531 678	4 162	6 535 840
North-Pest Wastewater Treatment Plant	5 552 872	19 781	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., Szűcs and Eötvös streets	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 str.	80 174		80 174
XVIII., Sülysáp street pump station	37 523		37 523
Haller street in the IX., district	67 786		67 786
Fiumei str.		90 124	90 124
Rákoscsaba-Péceli street		92 016	92 016
Orczy str.		1 316	1 316
Bácskai street-Laskay str.		279 435	279 435
IV.,Káposztásmegyer development area		184 357	184 357
Real estate		14 572	14 572
District sewers	3 779 373	8 704 941	12 484 314
Total	23 930 192	9 423 496	33 353 688



II. Projects completed from own resources of the Company

In 2005 own development resources of the Company reached HUF 8754.4 million and were the following:

- Opening amount of available financial resources HUF 1955.7 million.
- Development contribution received: HUF 1618.7 million.
- Amortization: HUF 4653 million in the reporting period.
- Book value of assets write-off: HUF 103.6 million.
- Cumulated interest of development funds was: HUF 274.2 million.
- Purchase of instruments out of environmental load tax was HUF 147.9 million.
- HUF 1.3 million was received for sewage damage compensation.

Utilization of resources available for development

HUF 6443.5 million was contributed from the Company's own resources. The Company devoted HUF 184.9 million out of separated resource, the re-charged environmental load tax, to the purchase of environmental protection instruments. The amount spent in total was HUF 6628.4 million.

93.1% of our resources was spent on reconstruction and replacing assets and 6.9% on development projects.

In the reporting period the Company did not utilize HUF 2163 million from all its available financial resources. This closing balance was however fully burdened with obligations tied by actual contract obligations as of 31 December 2005. The fact that the investment works of the North-Pest digestion unit were delayed to next year due to the length of the authorization process considerably contributed to the high level of closing balance. This is covered by HUF 1.3 billion from own resources. The reconstruction of small pump stations was not completed in 2005 due to the repeating of the public procurement process. The planned amount of this investment was HUF 250 million.

The investments of our projects fall under the process of public procurement. In order to handle related tasks the Company in 2004 set up the Public Procurement Group. In 2005, the Group managed 59 public procurement processes related to our investments.

Description	year 2004 actual	year 2005 actual
Sewage treatment		
Reconstruction with added value	76.6	172.8
Reconstruction	941.5	329.9
Pump stations		
Reconstruction with added value	121.1	89.3
Reconstruction	198.9	274.6
Sewer network		
Reconstruction	2954.6	4108.0
Other		
Reconstruction with added value	452.9	339.9
Reconstruction	0.0	66.2
Design	81.4	78.6
TOTAL RECONSTRUCTION	4827.0	5459.3
Information Technology	0.0	46.4
Special machinery	39.8	53.5
Transport equipment	18.5	216.9
Small machines, instruments	258.8	143.0
Fixed assets with low value	43.2	82.6
TOTAL REPLACEMENT	360.3	542.4
RECONSTRUCTION + REPLACEMENT	5187.3	6001.7
Information Technology	269.5	258.2
Odor emission prevention	50.5	37.5
Operational building construction	128.8	78.5
Low value assets	43.2	67.6
TOTAL DEVELOPMENT	492.0	441.8
Resources used for own purposes	5679.3	6443.5
Purchase of environment protection instrument	38.3	184.9
USED RESOURCES	5717.6	6628.4
Deferred obligation	1 720.5	2 126.0
TOTAL USED RESOURCES	7438.1	8754.4

Reconstruction, value-added renovation, replacement

Out of the reconstruction, utilization and replacement was HUF 6001.1 million. We dedicated 68.4% to the reconstruction of the sewer network, 8.4% to that of wastewater treatment plants, 6.1% to that of pump stations, and 8.1% to that of other assets. The replacement of assets constituted 9% of the utilization. The Company spent proportionately less on plants, since the investments planned to these areas have been delayed – due to external reasons – to next year.

We have spent HUF 4108 million on network reconstruction in 2005. The sewers have been rebuilt in a good quality before the deadlines determined in the contracts. A total of 19.8 km of sewage has been reconstructed.

The amount spent on the reconstruction of wastewater treatment plants was HUF 502.7 million. At the South-Pest Wastewater Treatment Plant, the reconstruction of the sludge thickening dehydration system and of the internal

The largest projects realized in 2005 in million HUF

Description	Total linear meter	Value
IV., Attila street	845.3	239.9
IV., Mikszáth Kálmán str.	659.7	169.7
X., Kolozsvári str.	362.9	164.1
X., Keresztúri str.	618.5	225.5
IV., Baross str. (Károlyi-Szabadkai)	622.0	269.1
IV., Nádor str.	322.0	164.1
XIV., Nagy Lajos király str.	889.6	336.9
IV., Templom str.	748.5	288.0
XII., Városmajor str. (Szamos-Diószárok)	817.2	264.8

water network was finished as well as the sludge digester and waste receiving unit investments. At the North-Pest Wastewater Treatment Plant, the reconstruction of the drinking water network was finished. The renovation of the spiral pump house and the transformation of the laboratory have started.

The reconstruction of pump stations has made up HUF 363.9 million.

In 2005, the largest investments were the transformation of the stormwater machinery room at the Kelenföld station, the modernization and transformation of the automated pumps as well as the building of the central dispatching building.

We have spent on value adding reconstruction in total an amount of HUF 602 million.

The value of value adding reconstruction conducted as outsourced work was HUF 359 million while as in house was HUF 243 million.

In connection with the replacement of small machinery, ground machinery and transport equipment, we have spent a total of HUF 53.5 million, of which the followings have been purchased: 1 MUT sewer cleaning vehicle mounted on a Renault chassis and 1 Aquatech sewer cleaner. The planned purchase of three machines was delayed to 2006 due to external reasons.

In 2005, we have spent a total of HUF 304.6 million on information technology, including development. The trial period of the network client system was completed and the introduction of the Szolinfo system with the same order of magnitude is under way.

We have spent a total of HUF 216.9 million on transport equipment, which are the followings: 2 trucks, 16 personal vehicles, 2 sludge transport vehicles, 1 bus, 35 sludge transport containers and 4 specific maintenance vehicles.

Maintenance

To provide appropriate maintenance for large number of fixed assets it is essential to keep operation undisturbed. Since the end of 1998, the Maintenance Division has been coordinating these services.

The primary aim of the maintenance service is to improve technical conditions of assets required for operating the Company. In 2005 we were able to ensure continuous and safe operation. The Company tried to achieve this goal in a most effective way, with applying the following measures in order to increase efficiency:

- to optimize the amount spent on external maintenance; with bargaining and tendering, or by replacement with our own workforce;
- to distinguish value-added reconstruction and other maintenance services both on the fields of technology and administration;
- to perform feasibility studies (to analyse the age, net value and conditions of maintenance equipment and the expenses of the required service), before actual 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 2005 the Company spent HUF 2501 million on maintaining fixed assets. Maintenance contributed to 16.7% of actual sales expenses.

In 2005 the Company ordered maintenance services from contractors for HUF 492 million. This represented 20% of total maintenance expenses. Third-party

Maintenance services provided in 2005 in thousand HUF

Description	2004	2005	Index %
Own workforce	1 885 025	2 008 969	106.6
Contractors	381 469	492 016	129.0
Total	2 266 494	2 500 985	110.3

contractors provided, first of all, maintenance for technological engineering equipment necessitating special skills, as well as for fixed assets used in operating and social services, including other activities. In construction projects of new wastewater treatment plants more and more complex equipment are installed that require a high level of maintenance. Installation, repair and maintenance of this modern equipment require the services of specialized companies.

80% of all maintenance works was provided by our own workforce. Most of these works involved sewer maintenance, which can be illustrated by figures in the following table.

The 2005 maintenance activities were characterized by efficiency. In relation with the sewer cleaning, we have reached a 5.8% increase with the optimal organization of human and technical resources. Due to the good

Maintenance of the sewer network

Description	Unit	2004	2005	Index %
Cleaning main sewers	lm	23 309	18 905	81.1
Traditional cleaning with pulleys	lm	16 682	18 320	109.8
Cleaning with high pressure machines	lm	457 533	492 467	107.6
Total	lm	497 524	529 692	106.5
Blockage removal	lm	53 645	53 505	99.7
Total cleaning	lm	551 169	583 197	105.8
Cleaning of lines of street drains	pcs	30 576	29 321	95.9
Cleaning specific drains	pcs	14 384	14 228	98.9
Total cleaning of drains	pcs	44 960	43 549	96.9
Blockage removal	pcs	3 533	3 429	97.1
Sludge discharge	m ³	30 540	39 854	130.5
Length of sewers inspected	lm	1 440 561	1 458 117	101.2
Length of sewers repaired	lm	4 591	4 637	101.0

maintenance state of the network – and in spite of the strong rains and long precipitations – the number of unexpected failures was lower. The number of sewer blockages has decreased in comparison to the previous year (both in terms of number and linear meter). In the reporting period we increased the preventive works, especially in the area of cleaning of collective drains with high pressure vehicles. The length of inspected sewers exceeded the previous year's outstanding value by 18 thousand linear meters. We have increased the quantity of camera inspections versus the traditional diver inspections.

The new inspection evaluation system introduced at the end of 2003 has greatly eased the gain of information on the network as well as the preparation of construction proposals during sewer reconstructions.

The length of repaired sewers is practically the same as that of the previous year, the additional performance reaches 46 lm. It is generally true that thanks to increased sewer reconstructions, the number of sewer breaks decreases, thus repair needs also decrease. In the meantime, the nature of works in 2005 also justifies this stagnation. In the course of the completion of the work it turned out on many occasions that the work to be completed is greater than originally thought and therefore considered as value adding renovation, that is to say investment.

Environmental protection

The environmental activities of the Company in 2005 were still influenced by the legal changes occurring as a result of the legal harmonization processes due to the accession to the EU. We had to comply with several new regulations and fulfil tasks in the areas of water quality, water protection, waste management and air quality protection. In the operational area of the Company, among the main tasks, one can find the tasks in connection to the environment in line with Law LIII of 1995, the compliance with environmental protection laws, the control of the wastewater quality flowing into the Danube, registration of data and the compliance with the data supply requirements.

Our environmental system has had certifying documents since June 11, 2001 issued by the Lloyd's auditing organization pertaining to our North-Pest and South-Pest plants. The issued certification deeds are valid by the end of 2007. During the year we have revised our system and reshaped it in compliance with the new MSZ EN ISO 14001:2004 standard. The environmental programs planned for the year 2004 have been pro-rata executed at both of our treatment plants.

In the area of environmental protection, the Company has made the contacts with authorities regulated. The rapporteur system introduced in 2003 has been successful, the contact keeping has been balanced and free of problems throughout the year.

The Company has developed and implemented the system of tasks related to the management of the preparations of the required reports, the registration of hazardous waste, and the control of the management of hazardous waste. We complied with all obligations regarding the data supply and licensing.

We prepared our individual waste management plan valid until the end of 2006 in which we took into consideration the points noted in the decree issued on the preparation of the national waste management plan as well as the regional objectives.

We completed all tasks related to the protection of air quality for the entire Company. We conducted the measurements connected to the air quality reports and completely fulfilled our data supply obligations. In 2005 a significant air quality investment was commissioned at our South-Pest Wastewater Treatment Plant. Through this, 100% of the air sucking and cleaning of the covered installations is realized at both plants.

Our central laboratory and the wastewater sampling unit operated in line with MSZ EN ISO/IEC17 025:2001 system standard in 2005 as well. The laboratory activity was accredited under number NAT-1-1333/2004, while the sampling

activity was accredited under number NAT-1-1334/2004. The revision of the accreditation in 2005 at both units was successful.

As a result of the significant technical developments undertaken in the laboratories in the years 2003-2005, the number of analyses have further increased. The preparation of the investments resulting from the current changes in the legal rules pertaining to the laboratory measurements techniques was carried forward.

The creation, equipment and instrumentation of the South-Pest sludge laboratory was completed in 2004. The equipment with the most modern laboratory great instruments was continued during the year. The realization works of the transformation of the North-Pest Central Laboratory started in December 2005.

The inspection of wastewater discharges

We have placed great emphasis on the inspection of the origins of the public sewage damages caused by industrial outputs. Using the new inspection system introduced in 2003, the effectiveness of our inspections has increased significantly.

We monitored our liquid waste suppliers in order to ensure we comply with the contracts pertaining to the liquid waste receiving sites. In case of infringements of rules, we took the necessary measures.

Activities of the year 2005

measurement in pieces

Activity	2004	2005
Inspection of business units	730	531
Inspection of complaints of the population	88	125
Number of self control sampling	915	885
The control of the transfer of the liquid waste	3 045	2 553
Project documentation opinion	145	240
Number of samples processed at the laboratory	21 156	20 227
Number of laboratory analyses	92 283	99 488

The quality of effluent water at the wastewater treatment plants

We inspect the quality of wastewater running into the Danube as receiver 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. We continuously inform our partner organizations of the results.

Based on the self control measurement results, the wastewater load of the Danube has improved in comparison to 2004 in terms of all components.

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

Year	COD	Organic eluting solvent extract	Total nitrogen	Phosphorus
2001	73 875 152	6 139 118	6 991 403	1 120 793
2002	66 275 464	5 533 592	6 615 212	1 171 011
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

The obligation of the Company, (in accordance with the Public Utilities Service Contract concluded with the Municipality) is not to increase the contaminant load of the Danube in comparison to last year (up to 20% loading increase) and not to allow the quality parameters of the wastewater of the treatment plants to worsen in comparison to 1996.

South-Pest Wastewater Treatment Plant

The capacity of the plant is 80 000 m³/day, while its actual daily water output is 59 896 m³. Its load in the reporting period was close to 75%. The third cleaning grade of a same capacity at the full quantity makes the removal of nutrient (phosphorus and nitrogen).

Water quality parameters of the South-Pest Wastewater Treatment Plant in mg/l

Component	Drained water quality		Threshold	
	1996	2005	Planned	From June 2003
COD	70.0	4.8	50	50
Floating matter	21.0	3.6	35	100
NH ₄ nitrogen	25.7	0.5	–	2
Total phosphorus	2.4	0.9	1	1.8

As it is apparent from the table, there has been significant water quality improvement since 1996 and its impact on the Danube at Soroksár will only be detectable in the future.

North-Pest Wastewater Treatment Plant

In 2001 and 2002, the capacity of the North-Pest Wastewater Treatment Plant was increased to 155 000 m³/day average and to 200 000 m³/day maximum load. In the framework of the project financed by the World Bank a large capacity activated sludge system was carried out which was complemented by a partial chemical phosphorus removal process. Its load was 75% in 2005.

There is partial nutrient removal carried out in the plant, there is no nitrification. In the year 2005, at the North-Pest Wastewater Treatment Plant, the average hydraulic load was 149 184 m³/day and 43 610 kg BOD₅/day the average organic substance load. The hydraulic load of the plant is currently in line with the capacity but the organic substance load significantly exceeds the planned average value of 25 500 kg BOD₅/day.

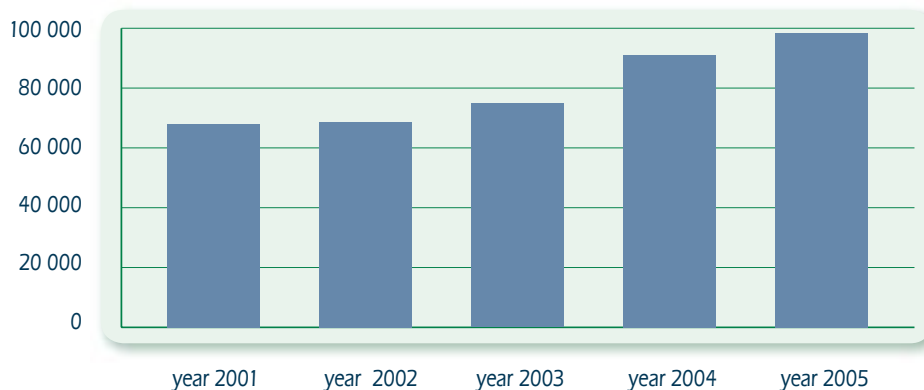
In its resolution of KF: 30709-3/03 the Environmental Protection Inspectorate has set an individual threshold in terms of the quality of drained treated water. This is more restrictive in terms of the COD and N-NH₄ than the threshold set in the establishing permit of H. 27.833 based on which the plant was designed. In spite of all this, the quality parameters of the treated water were below the planned value and the individual threshold.

Water quality parameters of the North-Pest Wastewater Treatment Plant in mg/l

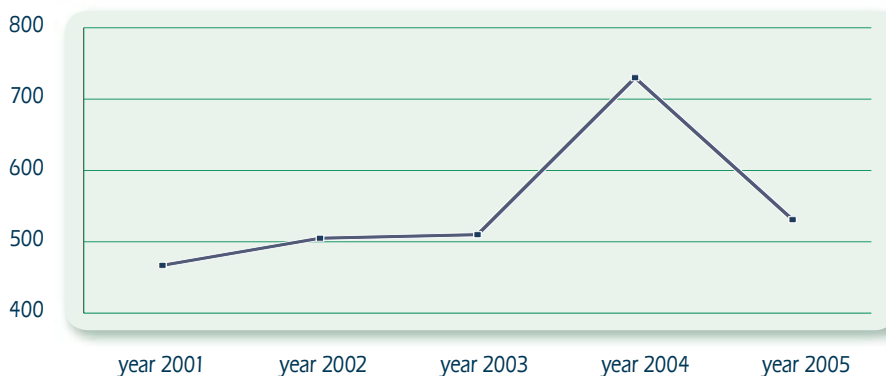
Component	Drained water quality		Planning value	Limit
	1996	2005		
COD	52.0	55.4	93.0	75.0
Floating matter	13.7	6.1	32.0	100.0
NH ₄ nitrogen	14.1	15.6	27.0	25.0
Total phosphorus	4.9	1.9	4.0	5.0

The concentration of COD and N-NH₄ of the cleaned drained water in 2005 was higher than the figure of 1996. The loading of the plant, however, increased by more than 20% in comparison to 1996 (more than twofold) from 20 869 thm³ to 54 452 thm³. In terms of Budapest, the increase of the quantity of the cleaned water has meant significant improvement.

Number of laboratory analyses



Evolution of the number of analyses of business units



Human resources

In 2005 the human resources activity was mainly determined by the strategic targets and tasks of the Company defined in the Shareholders' Agreement. The HR activities also played an important role in achieving business goals of the Company for the year 2005. Efficiency was increased and the Company continuously maintained its operational capacity and stability.

In 2005, a statistical decrease of 1.5% in the number of employees was planned. With the natural decrease, the termination of the portal service due to the closure of sites and because of the rationalization of the activities of the Consumer Services Department and taking into consideration the increase of staff due to the extension of works on the network, the yearly statistical staff is 1130, which represents a decrease of 1%.

Average number of employees

Description	2004		2005	
	persons	%	persons	%
Blue-collar	741	64.89	731	64.69
White-collar	377	33.01	378	33.45
Total full-time	1118	97.90	1109	98.14
Part-time	24	2.10	21	1.86
Retired	1142	100.00	1130	100.00

In the reporting period the employment of 67 people was terminated. During the year, 62 people were recruited.

Description of job termination

Reason of termination	persons
Mutual agreement	27
Contract expired	5
Termination within trial period	2
Terminated by employer	2
Extraordinary notice	2
Old age retirement	25
Sickness retirement	2
Deceased	2
Total job terminations	67

Wages

In 2005, based on the wage-increase provided by the Municipality of Budapest in the tariff but upon the approval by the investors, was exceeded, and 7% wage increase was implemented.

The utilization of the wage increase, based on an agreement with the Workers' Council and the Trade Union was completed in three steps. In the first step, a wage increase of 7% was implemented from 1 April not retroactively. In the second step, an amount equaling half a month of base salary of the employees was paid out in May, while the third step involved the payment of one month of base salary to the employees in November as premiums from the floating salary. Due to the decrease of staff, payroll costs only increased by 6%.

The development of the labor cost in thousand HUF

Description	year 2004	year 2005	Index %
Full-time blue-collar workers	1 413 350	1 515 029	107.2
Full-time white-collar employees	1 175 793	1 238 511	105.3
Total full-time employees	2 589 143	2 753 540	106.3
Part-time workers	26 526	25 791	97.2
Remunerations on assignments	48 278	44 820	92.8
Total payroll for employees	2 663 947	2 824 151	106.0
Remunerations	39 028	42 339	108.5
Total payroll	2 702 975	2 866 490	106.0

In 2005, the average wage of all employees of the Company reached HUF 2 499 249/person/annum.

In order to increase professional education and the level of quality, we spent HUF 22 263 thousand on education and trainings. We treat courses leading to skills in a profession as prime importance. The IT and language trainings of our employees were also continuous.

In the field of holidays, six holiday resorts were at the disposition of employees for their and their families' regeneration (with a total of 192 places), three with continuous opening and three with seasonal opening. In 2005, 1610 people took this opportunity (employees and their family members). We have ensured group wise holiday opportunity to 88 persons among the children of our employees in the summer holidays.

The corporate health services of the Company moved from Soroksári site to the new surgery equipped with modern appliances and located at the Kerepesi



avenue site in 2005. In the reporting period – within the framework and possibilities provided by the law on health services – not only regular medical checks and job suitability control were ensured to the employees, but dental services as well. Besides, the services provided – upon payment – to employees of FCSM Mélyépítő, UPONOR, and Enviroduna Kft. based on contracts concluded with them. For the purpose of prevention of infectious diseases, vaccinations were regularly provided to the employees of the Company. For the sake of preserving health, our employees had the possibility to take part in ultra-sound examinations also in 2005.

We have financed the housing loans from the amounts of re-payment of previous loans. In 2005, this coverage exceeded HUF 30 million. At the utilization of the amount, we granted non-interest-bearing loans (to be reimbursed) to 29 people for purchasing, building or upgrading homes, in the value of HUF 24 300 thousand.

In 2005 the Company provided meal contribution to its employees, in the value of HUF 4000/person/month.

IT technology

In 2005, significant changes occurred in the work of the corporate computer users. Among the realized tasks, several big projects were observed in respect of their volume.

In 2005, the Company started the realization of its former decision according to which it would operate its IT solutions on network client basis. In 2005, the network client system was completed, replacing the previous system working with a PC technology. We have placed the existing resource intensive applications on Windows terminal servers, while the programs with a more modern technology have been integrated in a manner complying with the network client architecture, in a platform-independent manner. Further to the replacement of the clients and the change in architecture, we have carried out an important consolidation as well. We have changed the correspondence system, the office program packages and numerous network services and integrated them into the network client infrastructure. We have integrated a total of more than fifty programs with different technologies into a unified environment. The simpler operation of the system caused the advantage that all registered users were automatically integrated into the correspondence system. Previously, the number of users of the correspondence system at the Company was smaller. The network client system represented a major change for the users. The environment in which they had worked before changed considerably. We have organized trainings for the surfing in the new, unified interface and the understanding of the new system. During the trial period, it was clear that a great user support would later be necessary, therefore, we have created an independent organizational unit, which is meant to fulfill the helpdesk tasks. Besides the setting up of the helpdesk, we have also created a distance help system.

The other great stride of the Company was the evaluation of the customer service system tenders and the beginning of its introduction. We have designed the SZOLINFO system specifically by taking into account the network client technology, therefore, SZOLINFO will be the most modern application of the Company after its introduction.

We have also developed our GIS system, as a result of which the digital maps are also available on the trucks carrying out the sewer inspections. We have connected the sewer network operation data to the GIS database, thus the inspection results have become available on the maps as well.

We have also carried out developments on the IT network of the Company, increasing the bandwidth of local networks with faster equipments.

We have built a new, high technical standard central dispatching center, where three high performance servers were located among others and a high bandwidth network was set up.

Communication

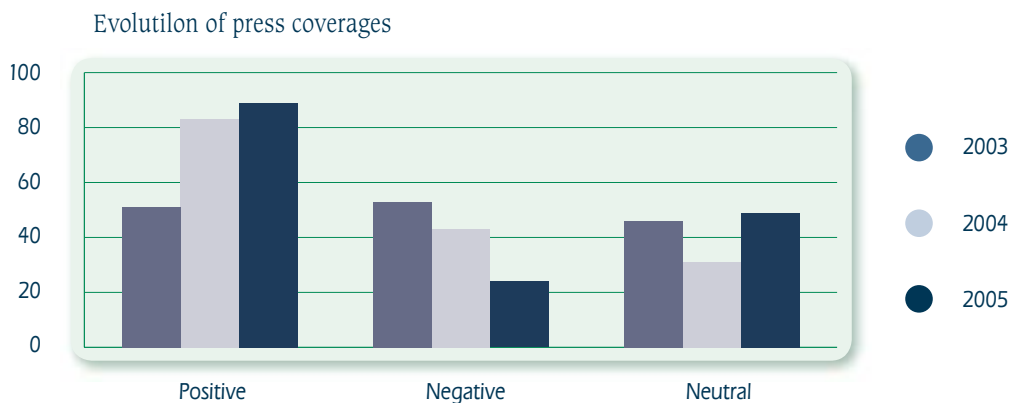
The North-Pest investments completed in recent years and those started in 2005 were cognitive steps of the planned strategy through which we could witness how the former sewer management and wastewater treatment company became a modern environment management company.

As the greatest environment protection service provider we consider an important task of ours to find solutions to the environmental problems linked to our activities beyond wastewater collection and treatment. With the completion of the South-Pest waste receiving and treatment unit or with the beginning of the electric and heat energy production out of wastewater sludge, we have definitely put our mark in the field of environment management.

Our main communication objective is to position our Company as the greatest environment management company of Hungary. This is a longer term communication process. The Company has set the development of sewer management for 2005, therefore, its communication message was the “Year of the Network”. We have communicated the enormous development achieved in the field of sewer management as a part of active communication in numerous press releases and our newsletters. For instance:

- we have spent a historically high amount, more than HUF 4 billion on sewer reconstruction, of which we have renewed almost 20 km of sewers in 80 streets of Budapest;
- we have carried out the greatest sewer cleaning of the last ten years;
- thanks to the Company’s own patent, more than 5000 manhole covers and raintraps have been built into the roads in a non-sinking manner;
- we have created one of the most modern Central Dispatching of the country, which is able to react in the quickest way not only to complaints by consumers, but with the help of the Distance Surveillance System, to failures and even flood threats;
- with the support of the police, we have managed to reduce by half the number of manhole cover thefts that constitute considerable danger and great damages to our Company.

Almost one hundred and fifty articles and about 40 radio and TV programs dealt with the activities of our Company in 2005. 55% of the news was positive, 30% neutral and 15% negative. This proportion is significantly better than in the previous years.



Our communication tool, the internet portal – that is used more and more often by interested people – through which our informative data are available continuously, twenty four hours a day and in the quickest manner.

For the purpose of ameliorating the communication with clients, we have reorganized the customer relationship activities. We have accelerated the management of affairs with the introduction of the “front office” and “back office” system. Our colleagues entering into direct contact with the clients take part in tailor-made trainings.

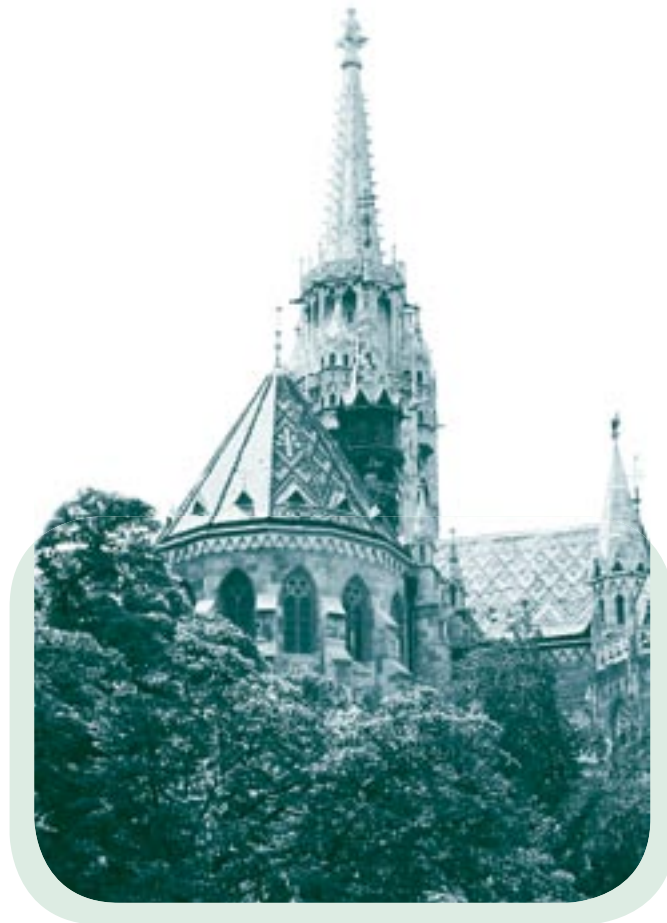
We have further developed our call center services, thus our clients receive a more extended information out of working hours. Interactivity is ensured by our central supervision that can be called day and night. With the help of the centre renewed in 2005 and thus one of the most modern ones in the country, we are able to react significantly faster to complaints from costumers and to failures.

For the purpose of the most positive reputation of the Company, we have introduced uniforms and protective clothing that reflect the image and which takes into consideration the opinion of the employees as well. Our colleagues are well-distinguishable from the employees of other public services companies or other workers active on the roads. The unified and highbrow appearance reinforces the image of a Company functioning well and at high professional standards.

Our publications and PR films are also meant to reinforce this. Following the developments at South-Pest, we have renewed the brochure of the treatment plant. We have recorded the basic materials of the planned PR film constituted of various units. Out of this, the first short image film has been completed and we have presented it to the profession at the 2nd Wastewater Sector Conference. At the conference organized jointly with the professional association, presentations were given by authoritative university teachers and experts that have not only gained the recognition of the profession but have also raised the attention of the public. The event contributed to the strengthening of our relationships in the sector and towards the authorities.

The role we play in the fields of environmental protection and now environment management as well obliges us to continue to spread the environmental conscious thinking. Within this, our primary purpose is to contribute to the environmental conscious education of growing up generations. At our open days, we have showed the wastewater treatment and environment management that plays an important role in the cycle of life to the pupils at displaced environmental lessons.

Appendix



(This is a translation of the Hungarian report)

Independent Auditors' Report

To the Shareholders of Fővárosi Csatornázási Művek Rt.

We have audited the accompanying balance sheet of Fővárosi Csatornázási Művek Rt ("the Company") as at 31 December, 2005, which shows a balance sheet total of THUF 108,794,858 and a profit for the year of THUF 812,919, the related profit and loss account for the year then ended and the notes included in the Company's 2005 annual financial statements. The annual financial statements are the responsibility of the Company's management. The auditor's responsibility is to express an opinion on the financial statements based on the audit.

On March 11, 2005 we issued a qualified auditor's report on the Company's 2004 annual financial statements on the following grounds:

The revenues of Fővárosi Csatornázási Művek Rt were based on actual water consumption and sewer usage metered by an independent third party. Billed water consumption and sewer usage information was not fully available for certain consumers as of the balance sheet date. In the absence of this information, we were unable to satisfy ourselves as to the completeness of accrued income stated at THUF 2,714,883.

Except for the matter referred to in the following paragraph, we conducted our audit in accordance with Hungarian National Audit Standards and with applicable laws and regulations in Hungary. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The revenues of Fővárosi Csatornázási Művek Rt 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 2006. In the absence of this information, we were unable to satisfy ourselves as to the completeness of accrued income stated at THUF 2,382,452. 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.

We have audited the elements of and disclosures in the annual financial statements, along with underlying records and supporting documentation of Fővárosi Csatornázási Művek Rt in accordance with Hungarian National Auditing Standards and have gained sufficient and appropriate evidence that the annual financial statements have been prepared, except for the matter referred to in the preceding paragraph, in accordance with the Hungarian accounting law and with generally accepted accounting principles in Hungary. In our opinion, except for the effects of that adjustments which may become necessary if we could ensure the completeness of the accrued income, the annual financial statements give a true and fair view of the equity and financial position of Fővárosi Csatornázási Művek Rt as at 31 December, 2005 and of the results of its operations for the year then ended. The business report corresponds to the disclosures in the financial statements.

Budapest, 24 March, 2006

except for the dividend payment of THUF 3,219,185 for the year ended 31 December, 2005, as to which the date is 26 May, 2006.


Ernst & Young Kft.
Registration No. 001165


Havas István
Registered Auditor
Registration No. : 003395

Balance Sheet

in thousand HUF

a	Description b	Previous year c	Modific. of prev. year(s) d	Current year e
01. A.	Fixed assets (02.+10.+18. lines)	92 365 551		95 027 654
02. I.	INTANGIBLE ASSETS (03–09. lines)	66 209		51 072
03.	Capitalised foundation/restructuring			
04.	Capitalised research and development			
05.	Concessions, licenses and similar rights	15 084		12 067
06.	Trade-marks, patents and similar assets	51 125		39 005
07.	Goodwill			
08.	Advance payments for intangible assets			
09.	Adjusted value of intangible assets			
10. II.	TANGIBLE ASSETS (11–17. lines)	92 154 425		94 828 986
11.	Land and building and related property rights	84 697 245		87 766 262
12.	Plant, machinery, equipment and vehicles	3 177 147		3 847 334
13.	Other equipment, fixtures and fittings, vehicles	275 667		580 136
14.	Breeding stock			
15.	Assets in the course of construction	3 991 678		2 635 254
16.	Prepayments for capital expenditures	12 688		
17.	Adjusted value of tangible assets			
18. III.	LONG-TERM FINACIAL ASSETS (19–25. lines)	144 917		147 596
19.	Long-term participations in related parties	71 750		71 750
20.	Long-term loans granted to related parties			
21.	Other long-term investments	100		100
22.	Long-term loans granted to other investments			
23.	Other long-term loans granted	73 067		75 746
24.	Long-term debt securities			
25.	Adjusted value of financial investments			

Balance Sheet

in thousand HUF

a	Description	Previous year	Modific. of prev. year(s)	Current year
	b	c	d	e
26. B.	Current assets (27.+34.+40.+45. lines)	11 755 436		11 239 039
27. I.	STOCKS (28–33. lines)	158 701		166 857
28.	Raw materials and consumables	158 570		166 503
29.	Work in progress and semi-finished products	131		354
30.	Animals for breeding, fattening and livestock			
31.	Finished products			
32.	Goods			
33.	Advance payments for stocks			
34. II.	RECEIVABLES (35–39. lines)	3 769 595		3 964 502
35.	Trade debtors	2 947 727		3 308 072
36.	Receivables from related parties	50 512		53 479
37.	Receivables from other investments			
38.	Bills of exchange receivables			
39.	Other receivables	771 356		602 951
40. III.	SECURITIES (41–44. lines)	6 296 099		6 850 353
41.	Participations in related parties			
42.	Other participations			
43.	Treasury shares and own participation			
44.	Marketable debt securities	6 296 099		6 850 353
45. IV.	LIQUID ASSETS (46–47. lines)	1 531 041		257 327
46.	Cash, cheques	919		2 496
47.	Bank deposits	1 530 122		254 831
48. C.	Prepaid expenses and accrued income (49–51. lines)	2 796 130		2 528 165
49.	Accrued income	2 785 071		2 393 842
50.	Prepaid expenses	11 059		134 323
51.	Deferred expenses			
52.	TOTAL ASSETS (01.+26.+48. lines)	106 917 117		108 794 858

Balance Sheet

in thousand HUF

a	Description b	Previous year c	Modific. of prev. year(s) d	Current year e
53.	D. Shareholders' equity (54.+56.+57.+58.+59.+60.+61. lines)	93 021 666		93 834 585
54.	I. ISSUED CAPITAL	70 045 200		70 045 200
55.	of which: treasury shares redeemed at face value			
56.	II. ISSUED CAPITAL NOT PAID (-)			
57.	III. CAPITAL RESERVE	13 556 590		13 556 590
58.	IV. RETAINED EARNINGS / (LOSSES)	8 778 167		9 419 876
59.	V. ALLOCATED RESERVES			
60.	VI. REVALUATION RESERVE			
61.	VII. PROFIT OR LOSS FOR THE YEAR	641 709		812 919
62.	E. Provisions (63-65. lines)	2 687 522		1 965 351
63.	Provisions for contingent liabilities	2 687 522		1 965 351
64.	Provisions for future commitments			
65.	Other provisions			

Balance Sheet

in thousand HUF

a	Description	Previous year	Modific. of prev. year(s)	Current year
	b	c	d	e
66. F.	Liabilities (67.+71.+80. lines)	1 946 788		1 681 183
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)	166 784		244 133
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	166 784		244 133
80. III.	CURRENT LIABILITIES (81. and 83.–89. lines)	1 780 004		1 437 050
81.	Short-term borrowings			
82.	of which: convertible bonds			
83.	Other short-term loans			
84.	Prepayments received from debtors	117		106
85.	Creditors	476 805		602 315
86.	Bills of exchange payable			
87.	Short-term debts to related parties	237		2 882
88.	Short-term debts to other investments			
89.	Other current liabilities	1 302 845		831 747
90. G.	Accrued expenses and deferred income (91–93. lines)	9 261 141		11 313 739
91.	Deferred income	53		
92.	Accrued expenses	22 735		10 031
93.	Deferred extraordinary revenues and negative goodwill	9 238 353		11 303 708
94.	TOTAL LIABILITIES (53.+62.+66.+90. lines)	106 917 117		108 794 858

Profit and Loss statement

in thousand HUF

a	Description b	Previous year c	Modific. of prev. year(s) d	Current year e
01.	Domestic sales, net	25 662 068		28 227 001
02.	Export sales, net	9 554		13 831
I.	Total sales, net (01.+02.)	25 671 622		28 240 832
03.	Direct cost of sales	11 740 765		12 988 445
04.	Cost of goods sold	443		342
05.	Provision of (consignment) services	54 788		39 243
II.	Direct costs of sales (03.+04.+05.)	11 795 996		13 028 030
III.	Gross sales (I.–II.)	13 875 626		15 212 802
06.	Selling and marketing costs	53 257		35 407
07.	Administration costs	1 082 593		1 118 228
08.	Other general overhead	762 636		835 602
IV.	Indirect costs of sales (06.+07.+08.)	1 898 486		1 989 237
V.	Other revenues	8 807 903		13 312 092
	of which: diminution in value	26 903		6 713
VI.	Other expenditures	13 582 855		16 160 964
	of which: reserved diminution in value	161 984		212 960
A.	OPERATING PROFIT/(LOSS) (±III.–IV.+V.–VI.)	7 202 188		10 374 693

Profit and Loss statement

in thousand HUF

a	Description b	Previous year c	Modific. of prev. year(s) d	Current year e
09.	Dividends and profit-sharing (received or due)	7 650		10 200
	of which: dividends from related parties	7 650		10 200
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)	780 507		692 008
	of which: from related parties			
13.	Other revenues from financial transactions	117 668		87 061
VII.	Financial revenues (09.+10.+11.+12.+13.)	905 825		789 269
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	238 732		19 849
VIII.	Financial expenditures (14.+15.+16.+17.)	238 732		19 849
B.	FINANCIAL PROFIT OR LOSS (VII.–VIII.)	667 093		769 420
C.	PROFIT OR LOSS OF ORDINARY ACTIVITIES (±A.±B.)	7 869 281		11 144 113
IX.	Extraordinary revenues	307 415		397 673
X.	Extraordinary expenditures	3 136 370		5 692 559
D.	EXTRAORDINARY PROFIT OR LOSS (IX.–X.)	–2 828 955		–5 294 886
E.	PROFIT BEFORE TAX (±C.±D.)	5 040 326		5 849 227
XI.	Tax payable	1 423 531		1 817 123
F.	PROFIT AFTER TAX (±E.–XI.)	3 616 795		4 032 104
18.	Dividends and profit-sharing paid from retained earnings			
19.	Dividends and profit-sharing paid (payable)	2 975 086		3 219 185
G.	PROFIT OR LOSS OF THE YEAR (±F.+18.–19.)	641 709		812 919