

Stredoslovenská vodárenská prevádzková spoločnosť, a.s.

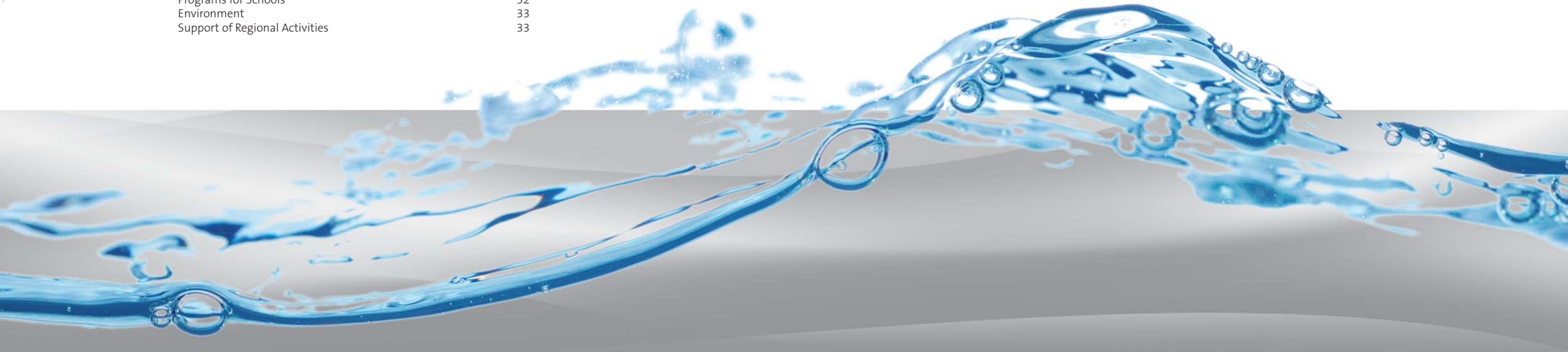
Annual Report 2009



Stredoslovenská vodárenská
prevádzková spoločnosť, a.s.

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Basic Data

Trade Name:	Stredoslovenská vodárenská prevádzková spoločnosť, a. s.
Seat:	Partizánska cesta 5, 974 01 Banská Bystrica, Slovak Republic
Legal Form:	Joint-Stock Company
Company Identification Number:	36 644 030
VAT Registration Number:	SK 2022102236
Capital Stock:	34 000,- EUR
Registered at:	Business Register of District Court in Banská Bystrica, Section: Sa, Insert No.: 840/S
Date of Entry:	01. 01. 2006

Main Business Activities:

- operating the public water-supply systems of 1st up to 3rd category,
- operating the public sewerage systems of 1st up to 3rd category,
- consulting, technical and expert assistance in the area of production, treatment and supply of drinking and industrial water, operating the water-supply systems, sewerage systems and waste water treatment plants,
- cleaning of water pipelines and sewerage lines,
- execution of sewerage systems inspections by instrument techniques,
- searching of hidden water leaks by correlation and electro-acoustic techniques,
- setting-out of water-supply systems, sewerage systems and armatures and determination of contact areas for instrument techniques connecting,
- measurement of wastewater volumes in measuring objects and sewerage systems with determination of immediate or cumulative flow by instrument techniques,
- physical-chemical, radiological, microbiological and hydro-biological analysis of drinking, industrial and sewage waters, including technological waters analysis,
- execution of water-tightness tests of water management objects and equipment,
- business activities in the area of disposal of other than dangerous waste,
- execution of technical inspection of pipelines,
- renting of machines, instruments and equipment,
- designing, solution and evaluation of geological tasks of hydro-geological survey, engineering-geological survey and environment geological survey,
- public procurement,
- repairs and installation of water-meters,
- realization of buildings and their conversions,
- realization of simple and small buildings and their conversions,
- accomplishment of site manager activities,
- accomplishment of building inspection activities,
- repairs of electric equipment,
- execution of professional inspections and professional testing of dedicated electrical equipment,
- installation, maintenance and service of electrical equipment,
- road automobile transport – domestic freight road transport,
- renting of real estates,
- power production in small water power plants with the output up to 5 MW,
- engineering activities in building industry within the free trade,
- purchase of goods for the purpose of its sale to other trade license holders (wholesale trade) within the free trade,
- purchase of goods for the purpose of its sale to the end consumer (retail trade) within the free trade,
- intermediation in trade and services within the free trade.

The company does not have an organizational unit abroad.



Editorial

Dear Madams and Sirs, Dear Shareholder,

365 days are over, and as expected previously, it was not easy to manage them. Despite of persisting economic crisis our company achieved a positive economic result.

We continue further in improvement of services for our customers. The evidence thereof is opening of our customer center in Brezno. We have directed our attention also to the preparation of the project Responsibilities of Customer Services guaranteeing the quality of provided services with the target to be available for our customers continually, to provide them with all necessary information and to answer their requirements in an appropriate time.

We have managed the transition to a new currency without any problems and expanded the possibilities of payment by credit cards at our customer centers as well. Similarly as in the previous years the customers' satisfaction survey was performed confirming the complete satisfaction with provided services by 88% of respondents.

One of the goals of Stredoslovenská vodárenská prevádzková spoločnosť, a.s. besides the improvement of standards within the customer care is also the modernizing and improvement of efficiency of activities at all levels. In 2009 emphasizing the quality of drinking water we have realized several projects such as the complete modernizing of filters at the water treatment plant Klenovec or the change of cleaning technology at the water treatment plant Pohronský Bukovec. In the area of reduction of water losses our technicians have checked 1888 km of water piping and detected 1019 hidden water leaks. The realization of investments was also successful – several projects were realized and the most important was the project called Provision of Drinking Water Supply in the South Part of the District Veľký Krtíš. The priority of our water management policy remains still the protection of surface and ground waters as well.

The involvement of our company in the area of environment protection is confirmed also by the educational projects for schools and the events for publicity. The project Water in the Country and the competition Our Planet, Our Future support the interest of young people in recognition of environment and its protection. Within the World Water Day the citizens were offered the possibility to analyze the samples of water from individual sources in the accredited laboratories of our company free of charge.

Although we are pleased by the results achieved in 2009, we perceive them as a challenge to further improvement of our work and services and to next growth in the direction to a modern, customer focused water management company.

At the conclusion please allow me to express my acknowledgements for the cooperation and confidence to all colleagues and employees of Stredoslovenská vodárenská prevádzková spoločnosť, a.s., to our business partners, shareholders, members of the Board of Directors and Supervisory Board. I wish you Slovakia to remain further one of the countries which can be proud of sufficiency of high-quality drinking water cared for by wise and competent people.


Ing. Peter Martinka
Managing Director of StVPS, a.s.



Company Profile



Company Profile

Statutory Bodies of the Company as per 31st December 2009

Board of Directors

Chairman of the Board of Directors

Philippe Guitard

Members of the Board of Directors

Etienne Petit
Ing. Robert Tencer
Ing. Peter Martinka
JUDr. Soňa Šáliová

Supervisory Board

Ing. Robert Javorčík
Tomáš Paclík
Ing. Ivan Kubinec
Rostislav Čáp
Ján Kováčik
Zdeněk David

Executive Management of the Company

Managing Director

Ing. Peter Martinka

Economic Director

Ing. Peter Dobrý

Director for Production-Operational Activities

Ing. Robert Javorčík

Commercial Director

Ing. Mária Vicianová

Directors of Plants

Plant 01 Banská Bystrica	Ing. Pavol Badinský
Plant 02 Lučenec	Ing. Ladislav Solkový
Plant 03 Prievidza	Ing. Vladimír Švec
Plant 04 Rimavská Sobota	Ing. Branislav Jurík
Plant 05 Veľký Krtíš	PaedDr. Zoltán Balla
Plant 06 Zvolen, Žiar nad Hronom	Ing. Milan Vlček
Plant 08 SVS Banská Bystrica	Ing. Jozef Ivanič

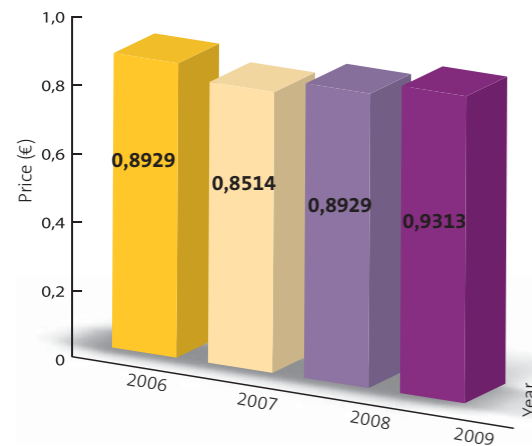


Comments on Financial Results

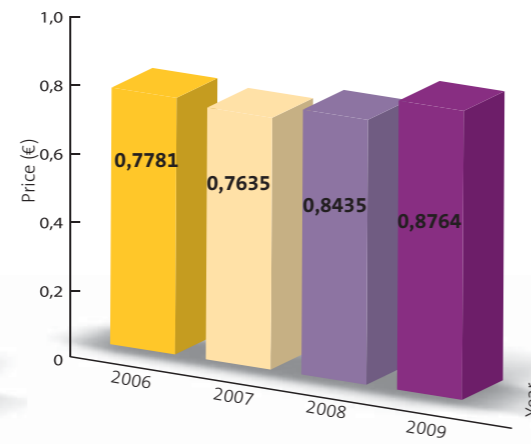
Despite of persisting economic crisis which has interfered aggressively in most economic sectors in the Slovak Republic our company succeeded to avoid the “red numbers” in the year 2009. The clear evidence of it is the positive economic result in the height of 1 291 360 EUR after tax representing the 52% increase compared with the previous year. This positive result was achieved in the company by the total revenues 53 734 310 EUR and the total costs 52 442 950 EUR.

The revenues from sales of own products and services in the value of 52 087 570 EUR, compared with the previous year, increased only by 0.74 %. One of the reasons of this slight increase was the long-lasting economic crisis as well as the Resolution of the Institute for Regulation of Network Industries not to raise the maximum prices for the production and supply of drinking water by public water supply system and for the diversion and purification of waste water through public canalization. The maximum prices increased only at the beginning of July when the maximum price for the production and supply of drinking water by public water supply system increased by 4.29 % and the maximum price for the diversion and purification of waste water through public canalization by 3.90 %. Though, the decreasing demand for the commodities of our company has induced that the prices increase has not been reflected sufficiently in the expected revenues increase.

Development of Price for Water Utility excl. VAT in the Years 2006-2009

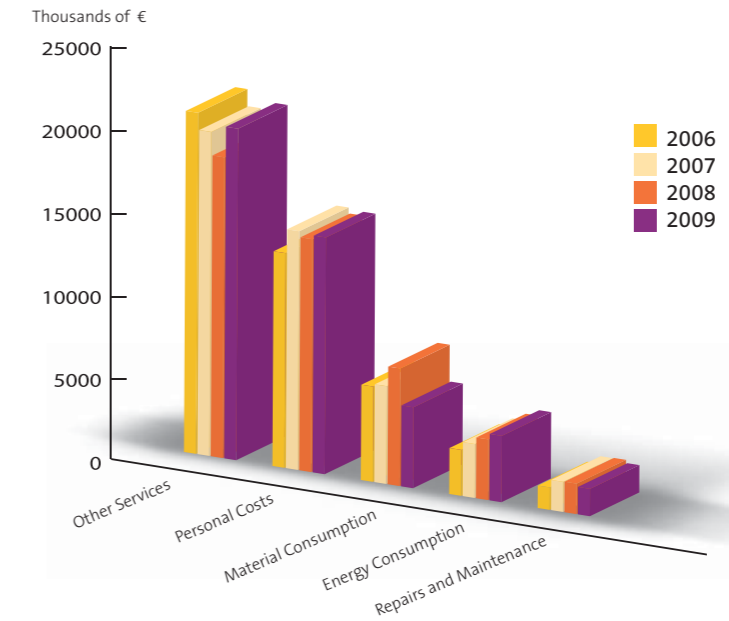


Development of Price for Waste Water Utility excl. VAT in the Years 2006-2009



The company has experienced only a slight growth of costs. The total costs increased only by 0.33 % against the year 2008. Even though the highest cost items have still remained: the other services in the height of 20 780 590 EUR, the personal costs 14 840 830 EUR, the material consumption 5 071 540 EUR, the energy consumption 4 159 030 EUR and the repairs and maintenance 1 714 900 EUR.

Development of Highest Cost Items in the Years 2006 – 2009



The total assets of the company made 30 889 490 EUR. The acquired non-current assets, compared with the last year, increased by 20.93 % to 8 285 870 EUR. This increase confirmed that the company continuously makes efforts to invest into modernizing with the target to enhance the satisfaction of its customers.

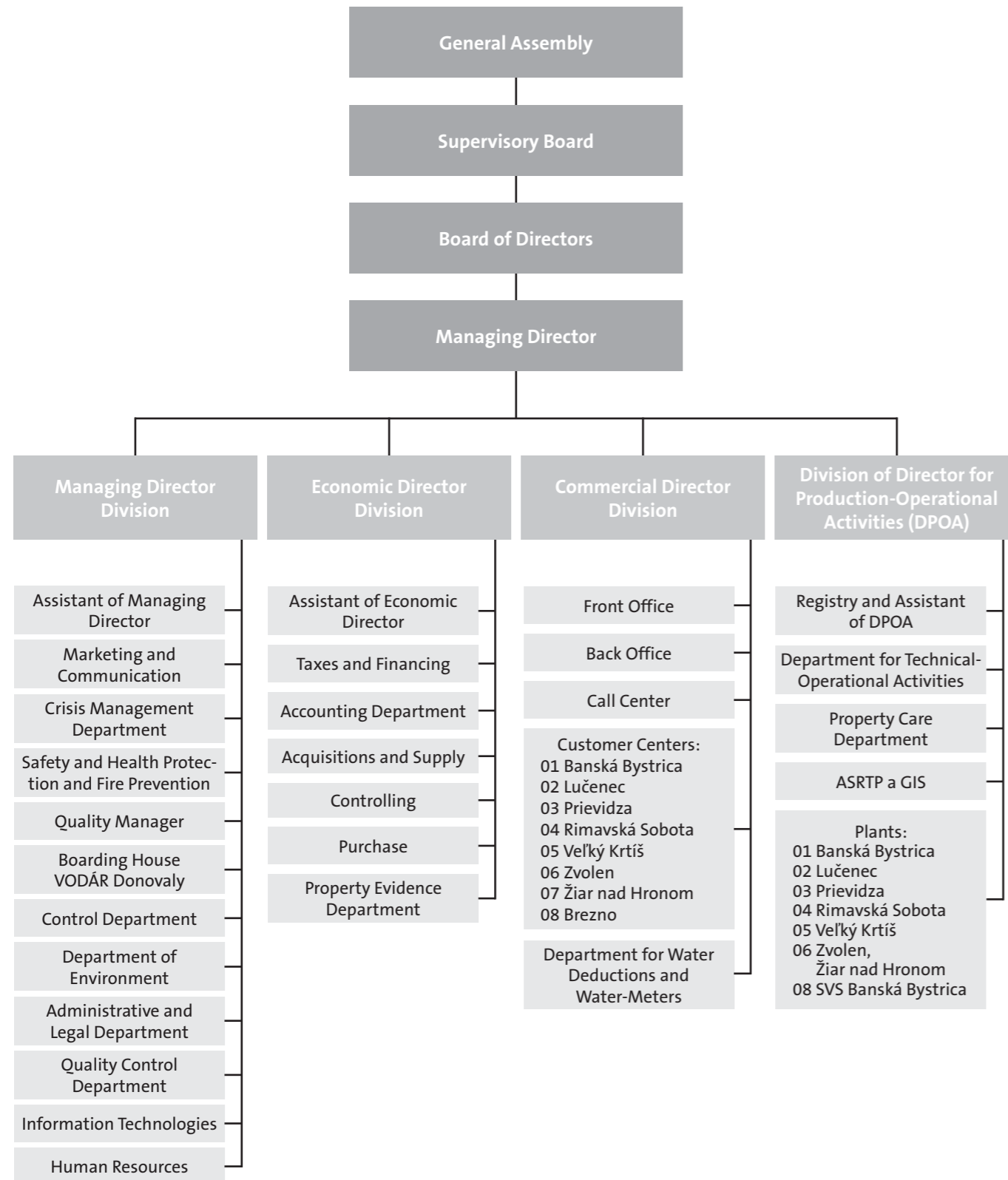
Financing of the company was assured especially by external sources – by bank overdraft and investment credit. The bank overdraft was used by the company mainly for financing of its own operational requirements. The investment credit, similarly as in 2008, was used mainly for purchase of assets associated with the business activities of the company.

The total financial situation of the company was stable. Despite of persisting economical crisis the company during the year managed to carry out its obligations so that financial discipline of our company, either that of the companies we cooperate with, was not impaired.

The company equity was increased by the value of acquired profit to 4 310 000 EUR. The common stock was transferred from the Slovak currency to EUR during the year 2009 and its value makes 34 000 EUR.

The proposal for profit distribution submitted by the statutory body to the General Assembly is contained in the notes to the financial statement as of 31st December 2009. The same is valid also for the information about the events occurred after the day as of which the financial statement was prepared up to the day of financial statement preparation. Besides these mentioned facts neither other changes nor extraordinary events occurred up to the time of the Annual Report preparation which could affect the achieved results.

Organizational Structure



Approach to Customer



Approach to Customer

Contact with Customers

In 2009 Stredoslovenská vodárenská prevádzková spoločnosť, a.s. completed the building of and put into operation the last of eight customer centers – the Customer Center in Brezno. All customer centers are equipped in modern style and use the unified methods by processing of customers' demands. The professional approach to our customers is provided by skilled staff educated in 2009 in trainings focused on the development of communication techniques, improvement of assertive behaviour, marketing communication and legal minimum. Following the integrated approach to our customers we have adjusted the opening hours at our customer centers so that all centers have in two days of attendance (Monday and Wednesday) the prolonged opening hours to 17:00 p.m.

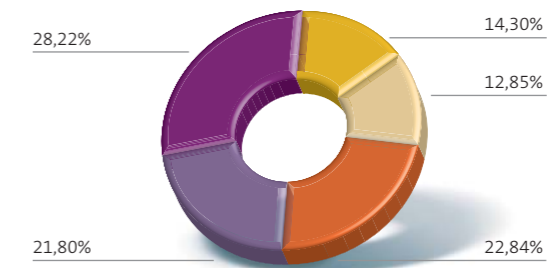
In the year 2009 the company directed its attention especially to the preparation of the adopted Responsibilities of Customer Services guaranteeing the quality of provided services with the target to be available for the customers continually, to provide them with all necessary information and to answer their requirements in an appropriate time.

For our customers we have issued the leaflets on the Responsibilities of Customer Services which are available in all customer centers.



Our customers have contacted our company by phone, by mail or personally on the average almost 11 thousand times per one month. Mostly they were interested in:

Average Data on Number of All Contacts per Month related to:	Totally	%
Water Supply, Sewage Diversion, Pressure, Water Quality and Damages	1 550	14,30%
Connections and Water-Meters	1 393	12,85%
Contracts	2 475	22,84%
Invoicing	2 363	21,80%
Other Information Not-Listed above	3 059	28,22%
Summary	10 840	100,00%



New Services

In the year of transition to new currency EUR we have expanded the possibilities of payment realization by credit cards at each customer center as well as we have enabled to our consumers to pay for water and waste water utilities in cash directly at the customer centers.

Each new customer since 2009 by proceeding at the customer center receives the "New Customer File" contained the information related to the contract, services, chosen indicators of water quality according to the particular district, actual prices of water and waste water utilities and the brochure on Commitments of Quality of Provided Services.

For our customers we have prepared the registration to the service SMS info on the basis of which our customer will receive the information on planned water supply shut-downs and accidents on water supply or canalization pipings directly to his mobile phone free of charge.

Customer Satisfaction Survey

In the frame of the provided services the company is focused on the improvement of the services required within the customer satisfaction survey. The survey in 2009 was performed by an external company and the customers of the water supply company, chosen randomly, answered 18 questions within the telephone research. In this year even 1000 respondents were requested in order to acquire a better reflection of the evaluation by the customers. The aim of this survey was to find out the level of complete customers' satisfaction with the water supply company, satisfaction with the services provided by the company as well as the preferences of the ways of communication in the company. On the average 88 % of respondents expressed their full satisfaction with the quality of provided services. The company evaluates the survey results also according to the individual localities what enables to concentrate the attention more directly to the regions with a lower level of satisfaction.

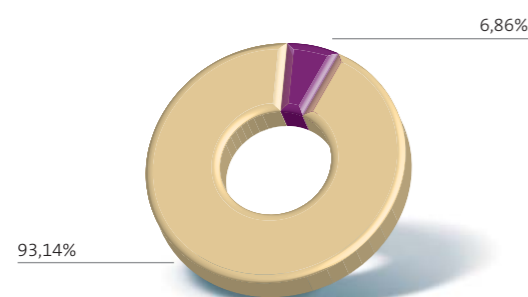
Besides the external survey at eight customer centers the internal customer satisfaction survey related to the provided services was performed by a questioning method and a specific form of self-filling. Questionnaire used for data acquisition was at the disposal in every customer center; it contained 3 closed questions and after its filling the customer dropped it into a sealed ballot-box. Sample of respondents was created by the customers who visited any of the customer centers and filled-in the questionnaire. This internal customer satisfaction survey is still continuing.

Structure of Customers

In regard with the number of customers the largest category is created by households with just 93.14 % whereby the households as individual customers form 91.26 %.

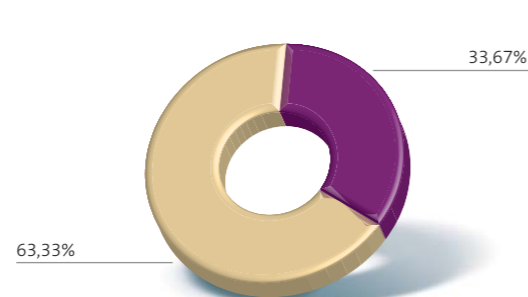
From the viewpoint of sales volumes this category represents the decisive customers group too amounting to 66.33 %. As visible also from the schedule below indicating 10 most significant companies with highest turnover, even 9 companies thereof belong to the category of housing economy and housing association.

Structure According to Number of Customers



Households Totally
Others

Structure According to Sales Volume



Households Totally
Others

10 Most Important Customers in 2009

	Name
1	Stavebné bytové družstvo Banská Bystrica (Cooperative Building Society Banská Bystrica)
2	Vlastníci bytov bytov. domu podľa odberného miesta v.z. Stavebné bytové družstvo Zvolen (Owners of Flats in Apartment Block according to Point of Supply represented by Cooperative Building Society Zvolen)
3	Okresné stavebné bytové družstvo Prievidza (District Cooperative Building Society Prievidza)
4	Fakultná nemocnica s poliklinikou F.D.Roosevelta, Banská Bystrica (Faculty Hospital with Policlinic of F. D. Roosevelt, Banská Bystrica)
5	Okresné stavebné bytové družstvo Rimavská Sobota (District Cooperative Building Society Rimavská Sobota)
6	BYTOS - správa bytov PRIEVIDZA, s.r.o. (BYTOS – Flats Administration PRIEVIDZA, Ltd.)
7	Stavebné bytové družstvo Žiar nad Hronom (Cooperative Building Society Žiar nad Hronom)
8	BBES, a.s. Banská Bystrica (Energy Company, joint-stock company, Banská Bystrica)
9	Stavebné bytové družstvo Lučenec (Cooperative Building Society Lučenec)
10	SBD Brezno (Cooperative Building Society Brezno)

Quality System

Based on the company strategy, defined policies, targets and programs for their achievement the integrated management system represents the voluntary instrument for application of an effective, unified system and process management of the company in the following areas:

- complete care of environment,
- management and minimizing of environmental aspects and effects,
- improvement of environmental behavior and environmental profile,
- enhancement and continuous improvement of quality of provided services,
- keeping and protection of safety and health of employees at work,
- observance of legal and other requirements which the company is obliged to follow.

In 2009 in Stredoslovenská vodárenská spoločnosť, a.s. the company TÜV SÜD Slovakia performed the audit of integrated management system (the first supervisory audit ISO 9001 and the certification audit of systems ISO 14001 and OHSAS 18001). The company showed its capabilities and met the certification requirements. The system is implemented for the area of operation of public water supply systems, operation of public canalization systems and waste water treatment plants and the services for customers in supply of drinking water and diversion of waste water.

The integrated management system means the possibility for our employees to prove their commitments in the area of relation to the customers as well as relation to environment and protection of health and safety at work.

Marketing and Communication

In the area of communication in 2009 the main subjects were the information on services, quality of services, water quality and environmental quality.

Presentations at the exhibitions (PRO ARCH, AQUA), Open Door Days at our plants, regular communication on results and sponsoring formed the important instrument of communication for the representatives of cities and villages and general public.

The communication with our customers was supported by issue of Customer Newsletter, publishing of actual information at our web-site www.stvps.sk, organizing of Open Door Days and events for general public aimed at the presentation of new services and products. For the communication with customers are important also the regular customer satisfaction surveys and publishing of their results.



Responsibility

Responsibility

Human Resources

Performance of changes focused on improvement of efficiency and productivity of work in the company started at the end of the year 2009 by preparation of merger of Plant 08 SVS into the Plants Banská Bystrica, Lučenec, Prievidza and Rimavská Sobota. Based on implementation of ISO Standards 9001 on all company divisions and at all management levels also in this year the audit was performed focused on the control of range of compliance of management system with the requirements of ISO 9001 namely at the company general headquarters and at the Plants Lučenec and Rimavská Sobota.

Education

Since 1st January 2009 the branch office of the Institute of Environmental Services Campus Prague was established in Banská Bystrica we cooperate closely with in provision of education for the employees of our company in form of trainings, courses and seminars according to the current needs and requirements. The trainings organized in cooperation with the Institute of Labour, Social Affairs and Family, reimbursed up to 60 % from the European Social Funds, were directed at the improvement of quality of provided services by means of the education of employees.

Within the education 146 employees were trained in the following subjects:

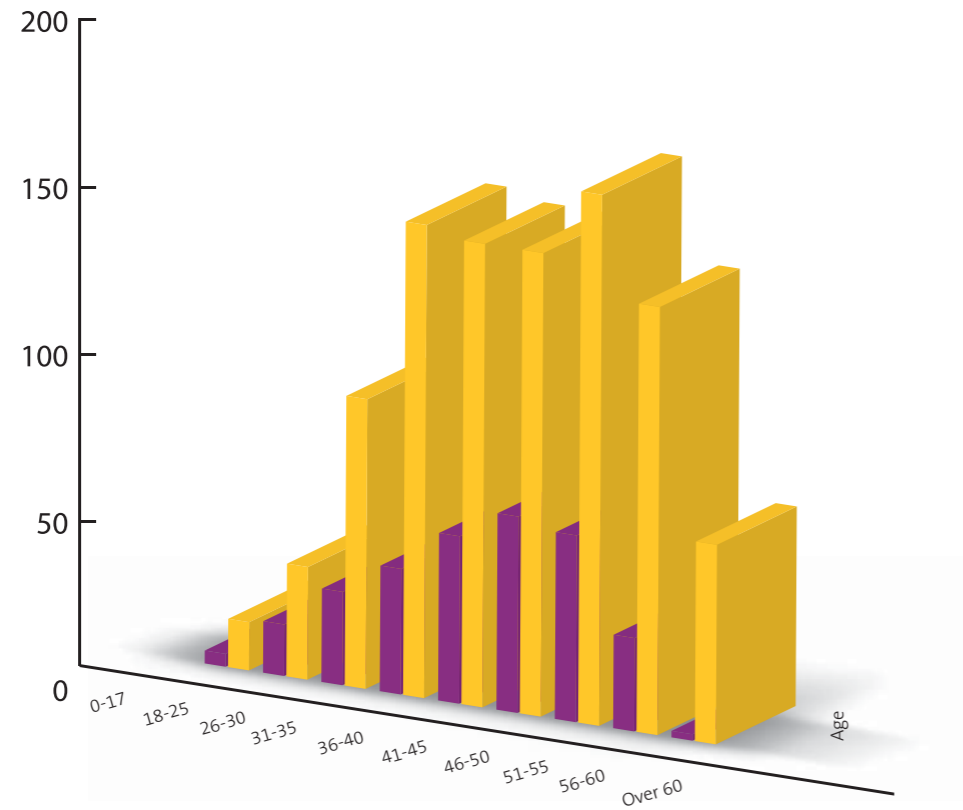
- legal minimum,
- development of communication techniques,
- improvement of assertive behaviour,
- marketing communication.

Structure of Employees

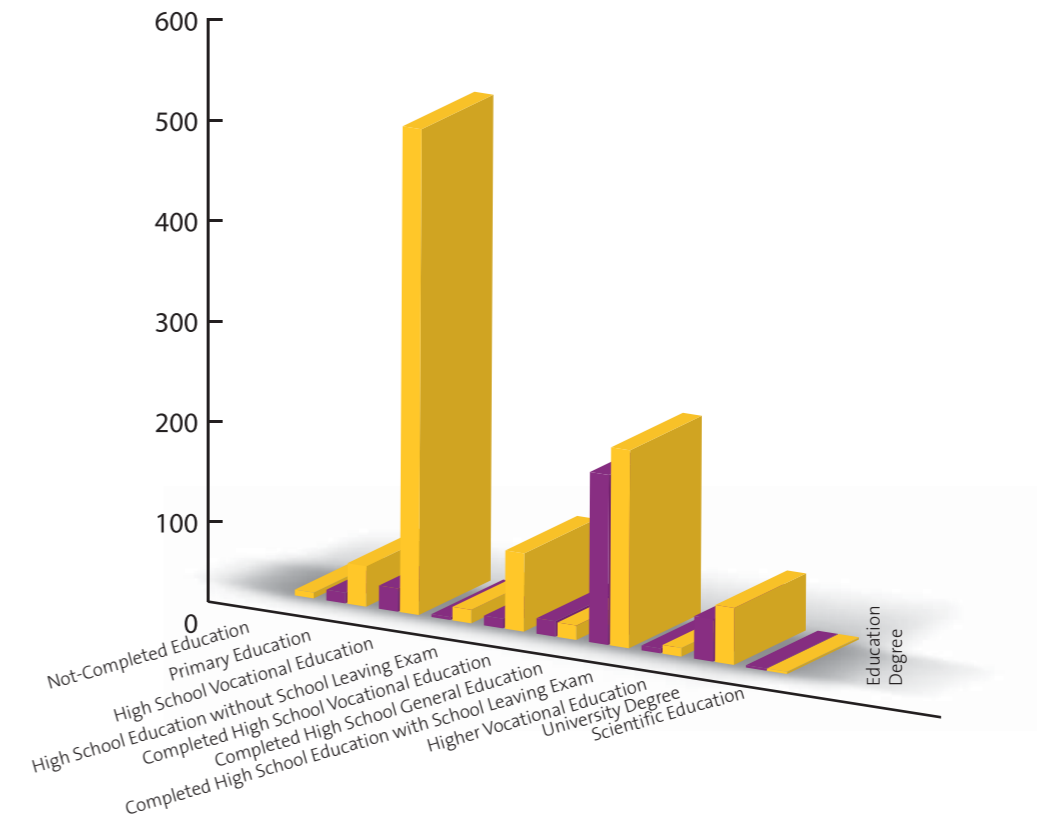
Physical number of employees as per 31 st December 2008	1 239
Thereof:	
Appointed	60
Outgoing	74
Physical number of employees as per 31 st December 2009	1 225
Thereof:	
Category of Workers R	790
Category of Administrative Staff TH	435
Average number of employees as per 31 st December 2008	1 241
Average number of employees as per 31 st December 2009	1 232
what means reduction in number of employees by	9



Age Structure



Education Structure



Age Limit	Women	Women - %
0-17	0	
18-25	4	1,38%
26-30	16	5,52%
31-35	29	10,00%
36-40	39	13,45%
41-45	52	17,93%
46-50	61	21,03%
51-55	58	20,00%
56-59	29	10,00%
Over 60	2	0,69%
Totally	290	100,00%

Age Limit	Men	Men - %
0-17	0	
18-25	15	1,60%
26-30	35	3,74%
31-35	90	9,63%
36-40	147	15,72%
41-45	144	15,40%
46-50	144	15,40%
51-55	165	17,65%
56-59	133	14,22%
Over 60	62	6,63%
Totally	935	100,00%

Education Degree	Women	Totally %	Men	Totally %
Not-Completed Education	0	0,00%	6	0,64%
Primary Education	11	3,67%	42	4,47%
High School Vocational Education	24	8,00%	503	53,57%
High School Education without School Leaving Exam	3	1,00%	14	1,49%
Completed High School Vocational Education	10	3,33%	81	8,63%
Completed High School General Education	16	5,33%	15	1,60%
Completed High School Education with School Leaving Exam	176	58,67%	205	21,83%
Higher Vocational Education	5	1,67%	9	0,96%
University Degree	44	14,67%	59	6,28%
Scientific Education	1	0,33%	1	0,11%
Totally	290	96,67%	935	99,57%

Social Area

Within the social area in 2009 it has been again decided on increase of capital for the employees (SEQUOIA) of the Group Veolia Voda (Veolia Water) which was planned so as in the last years.

In the company the Collective Agreement was concluded at the presence of the representatives of labour union determining the rules of labour-law relations, employment, utilization of working time, social care and health protection which the company conforms to.

The part of Collective Agreement forms the Appendix No. 1 – Rules of Social Fund (SF). The SF was created in the height of 95 278.46 EUR, the initial state as per 1st January 2009 made 36 671.51 EUR. The SF was used especially as the contribution to catering for employees in the height of 52 273 EUR, the contribution to recovery and culture in the height of 60 260 EUR namely in June 20.00 EUR per employee and in November 30.00 EUR, the one-time emergency loans in the height of 830 EUR, the contribution by child birth 735 EUR, reward granted to employees by life anniversary and at retirement, disability or early pension in the height of 5 068.12 EUR, the contributions for blood-donors 481.40 EUR, the contributions to activities organized for children of our employees (International Children's Day, St. Nicholas) in the height of 6 874 EUR. The balance of SF is transferred to the year 2000. The total use of the SF is specified in the schedule below:

Use of Social Fund Overview in 2009 in EUR

Social Fund Budget of StVPS a.s.	Plan for 2009	Use as of 31 st December 2009
Initial state as of 1 st January 2009	39 671,51	39 671,51
Social fund creation	89 845,43	95 278,46
Incomes in 2009 (from profit in 2008 1%)	0	0
Creation totally:	129 516,94	134 949,97
Contributions by live anniversaries, at retirement	4 865,67	5 068,12
One-time non-returnable loan	1 660,00	830,00
Contribution to catering	54 383,59	52 273,90
Contribution to recovery and culture	25 950,00	60 260,00
Contribution to transport	93,00	0,00
Contribution for blood-donors	498,01	481,40
Contribution by child birth	455,00	735,00
Contribution to activities for children (ICD, St. Nicholas)	7 420,00	6 874,00
Sport games VEOLIA	12 060,00	0,00
Expenses totally:	107 385,27	126 522,42
Reserve / anticipated balance as of 31st December 2009	22 131,67	8 427,55

Internal Communication

The main topic within the internal communication in 2009 was the introduction of Responsibilities of Customer Services (information of the employees' newsletter, information meetings).

In connection with the prepared acceptance of this project we have elaborated the brochure on internal communication addressed for the employees with the target to provide the information on new tasks resulting from their work.

Within the internal communication we continue in issuing of the newsletter for employees informing on the current activities in both companies (the main themes in this year were the Internal audits, the World Water Day, the World Environment Day, the Campaign "I drink healthy water - the drink from water-pipe", the Responsibilities of Customer Services).

The company management together with the labour union during the year organized several social gatherings and sport events. The important communication instrument remains the intranet.



Solidarity



Solidarity

Programs for Schools

One of the activities of Stredoslovenská vodárenská prevádzková spoločnosť, a.s. is also the cooperation with schools and young people. We want to support the interest of young people in environment and to help them to understand how important is to keep a healthy environment for all of us. The Project Water in the Country was determined for the pupils at the second stage of basic schools and organized in cooperation with the Center for Environmental and Ethical Education ŽIVICA (Resin). The aim of this project was to acquire a cognizance of the importance of water in a country. Thanks collecting of materials on water, taking the pictures in a nature and country research the pupils get a detailed knowledge of a road that water runs through till it comes to our table, what helps them to understand better the issue of water protection. For the schools we have prepared also the competition called Vodoauto (Watercar) and the competition Around the World – Our Planet, Our Future, accompanied during the whole year by excursion tours and events related to meaningful environmental days.



Environment

At the occasion of the World Water Day the inhabitants of Middle Slovakia were offered the possibility to analyze the samples of water from their individual sources in the accredited laboratories of the company StVPS, a.s. free of charge. The schools as well as a general public used our offer of excursions into the premises of waste water treatment plants and filter water treatment plants and trips to the water sources under the operation of our company. Besides the view of objects the professional commentary was provided for the visitors as well as the information materials on water quality and the quiz. In the commercial centre in Banská Bystrica at the occasion of World Water Day the presentation took place where the public get more information on water quality, water properties and the advices how to save water and how to protect it. The information on water sources and their protection are published during the year also in media and in the Customer Newsletter of the company.



Support of Regional Activities

Among the important company activities belongs also the support of regional activities intended for general public. It is realized in a form of financial contributions or by providing of drinking water at mass events, by support of environmental projects, of schools and universities.

Our company, as for organizing and financing as well, promoted the events such as the children folklore festival Children under Poľana, the children summer camp for children from socially deprived families, the completion of construction of Eco-Center Zaježová and many others.



Innovations

Innovations

Modernization of Water Treatment Technologies and Hygienic Safety of Drinking Water

In the year 2009 emphasizing the quality of supplied drinking water for our customers our company realized and put into operation the following projects:

- "Water Treatment Plant (WTP) Klenovec – Measures for Improvement of Water Quality" – modernizing and optimising of chosen technological processes,
- "WTP Klenovec – Complete Modernizing of Filters" – modernizing of filters where together with the previous building project we managed to achieve the improvement of separation efficiency in the indicators of living and dead organisms by ca 75 % and together with the other measures we have achieved the unobjectionable quality of water supplied to the consumers in biological as well as microbiological indicators,
- WTP Málinec and WTP Klenovec – trial and verification of the technology for removal of excess limits of manganese by dosage of potassium permanganate,
- WTP Hriňová – installation and putting into operation of continual measurement of iron content with the purpose to improve the control of ferric sulphate dosage, optimizing and minimizing of iron content in the finished, clean water at the output from WTP,
- WTP Málinec – during the year the verification of suitable high-pressure sewage (hose) pump for chamber filter press for pressing of sewage from water treatment; at the same time the verification of appropriate pressures for pressing, dosage of chemicals etc. for improvement of this process,
- based on the requirements and warnings from the side of hygiene authorities to endangering of water quality from Water Reservoir Turček and Water Reservoir Málinec through reproduction of cyanobacteria and algae we have assured the enhanced monitoring of their occurrence in raw water, and in cases of their increased quantities the measures have been taken focused on prevention of their penetration into finished water within the current possibilities of the existing technologies at the WTP,
- "Treatment of Drinking Water Tále and Trangoška" – the target was the passivation of steel pipes surface by generating of passivation phosphate coating, and thus the achievement of limits for iron (secondary) according to the Government Order of the Slovak Republic No. 354/2006 Coll.,
- WTP Pohronský Bukovec – the change of technology to a double-stage filtration with automatic filter washing with filtration material and sorbent in order to achieve the arsenic limit in compliance with the Government Order of the SR No. 354/2006 Coll.

Innovations in Reduction of Water Losses

Reduction of water losses is one of important tasks of each water management company. The most considerable share in water losses make the hidden water leaks, localization of which is difficult and requires the application of the newest technique and technologies for their detection and the most accurate location as well.

The centralized management of detection of hidden water leaks and the purchase of instrumental technique for this activity had a significant share in location of hidden water leaks in our company since 2007. After location of defects the typed water leaks were removed by workers of the individual plants according to their importance and thus the increased water losses due to leakage into underground were avoided. The workers of the individual department for defects detection in 2009 checked 1888 km of water piping and located 1019 hidden water leaks



Innovations in Sewage Technique

In 2009 we have enlarged the park of sewage technique by the loader UNC Locust 1 203 for the operation of Sewage Water Treatment Plant Detva and by the sewage vehicle CAS 6 m³ for the operation of sewage system in Lučenec.

We have purchased also the mobile ultra-sound device Nivus used for measurement of waste water overflow.

We are preparing a new activity at the Division for Production-Operational Activities – the smoke testing of sewer systems. For this purpose we have bought the smoke simulator with centralized electric system. The aim is to locate the broken pipes and certainly to detect the illegal connections to public sewer system.

Innovations in Power Engineering

Within our company Stredoslovenská vodárenská prevádzková spoločnosť, a.s. in 2009 the consumptions of electric power and natural gas as well were regulated in accordance with the agreed commercial conditions and business contracts concluded with the suppliers of energetic media.

Following the target to reduce the electric power consumption as well the costs for electric power consumption we have taken the measures specialized especially in:

- reduction of reserved outputs
- reduction of current values of circuit breakers located prior to the measurement point for purpose of invoicing
- individual selection of appropriate products for the individual takings
- failure-free operation of compensation equipment
- putting of regulated drives into operation
- introduction of automated technological operations
- minimizing of electric heating of objects
- replacement of the old, ineffective drives for the driving mechanisms with lower electric output value and higher efficiency
- regular performance of electric equipment maintenance

Significant accent was put on the failure-free operation of cogeneration units located at the Sewage Water Treatment Plant (SWTP) Rakytovce, SWTP Zvolen and SWTP Lučenec, where 1790 MWh were produced in the year 2009 what means the gain for the company more than 235 000 EUR.

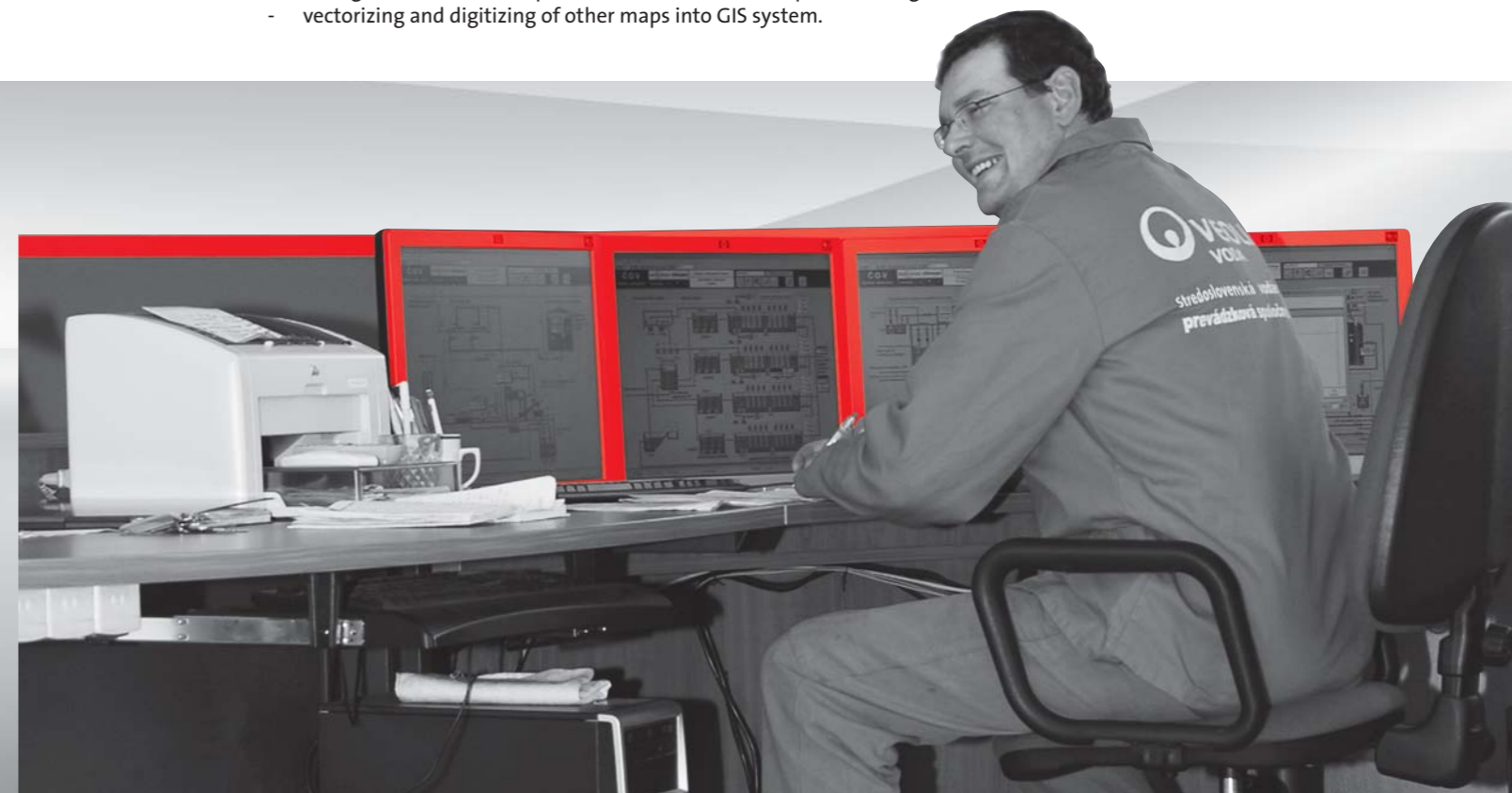
Other contribution in 2009 was created thanks the operation of small hydropower plant (SHP) Motyčky and after deduction of costs for electric power consumption from the SSE networks makes 9 273 EUR.

Supplies of fuels for boiler plants were provided continuously according to the requirements of the individual consumers in expected quantity and quality. In order to reduce the gas consumption we have realized the complete thermostatisation of the heating system at the WTP Málinec and WTP Klenovec, where the total savings of financial costs by the assumed operation make yearly more than 10 %.

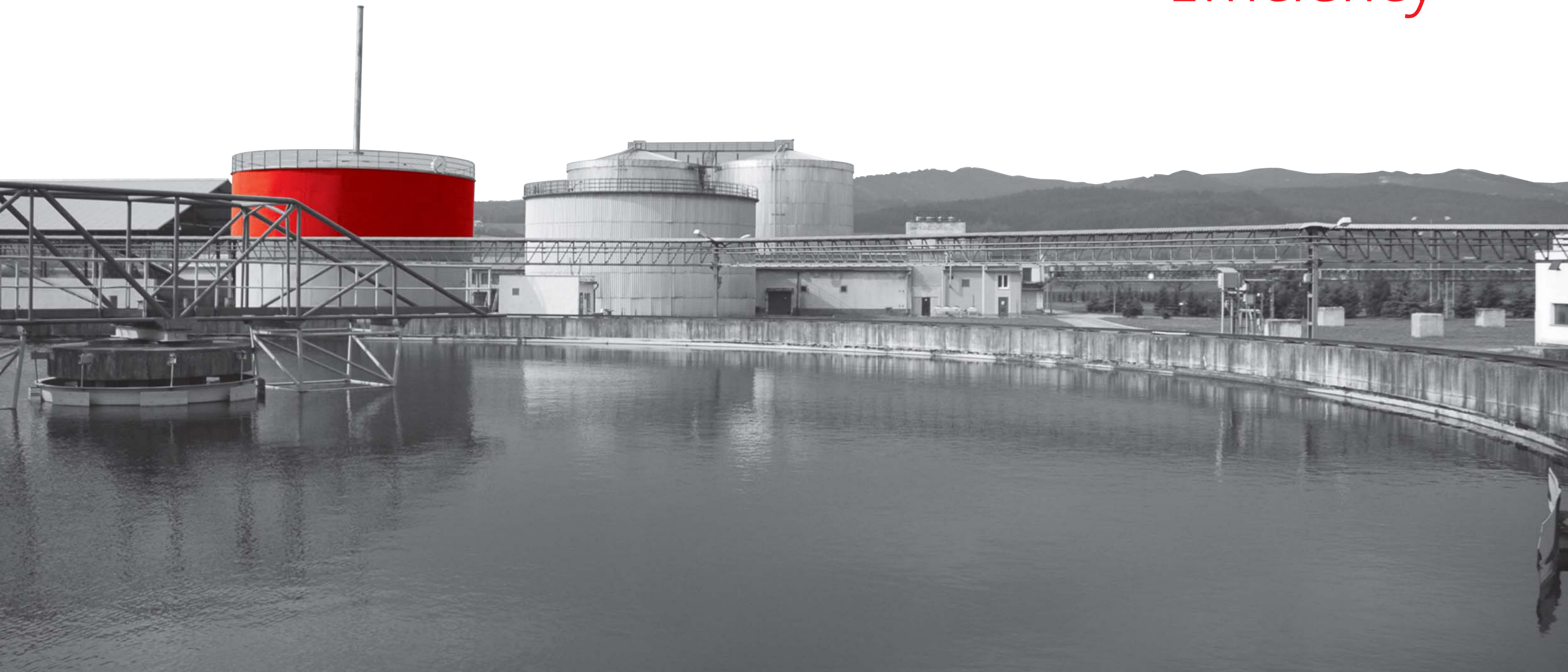
Innovations of Information Technologies

In 2009 the following projects were realized in the area of informatics:

- total completion of the IP telephony implementation – the transition to IP telephony in all operations where it is allowed by the technology,
- construction of data and communication center for the needs of Call Center and Customer Centers,
- diversification of data connection between the headquarter and remote offices (creation of backup connections to Call Center and Customer Centers),
- MPLS/VPN speed increase respecting the safety and accessibility of the individual connecting locations, increase of Internet connection speed,
- virtualization of chosen servers,
- proposal for solution and implementation of software and hardware for download and subsequent processing of data from digital tachographs from selected vehicles of the company,
- completion of the pilot operation of PREVIS software for evidence of water withdrawals from water sources and putting into proper operation,
- creation of the customer service of SMS info center in order to keep the customers informed on accidents, water supply shut-downs and other cases,
- modification of web-sites emphasizing the customer section containing the information for our customers,
- proposal, production and implementation of system for informing the customers on planned repairs by means of web-site,
- integration of user operating environment at working stations and servers in the form of central software LANDesk (with extension to hardware and software inventory control),
- elaboration of documents related to safety policy of the company respecting the ISO Standards and safety,
- implementation of centralized laboratory software LabSystem for collection and evidence of the results of laboratory measurements of drinking as well as waste waters,
- introduction of the Document Management System (DMS) which solves the circulation and administration of documents in the area of orders and the processing of supplier and customer invoices in electronic form with the unified implementation within the company,
- pilot operation of the connection between the dispatching and the technological control units at the sewage water treatment plants and water treatment plants through GPRS,
- vectorizing and digitizing of other maps into GIS system.



Efficiency



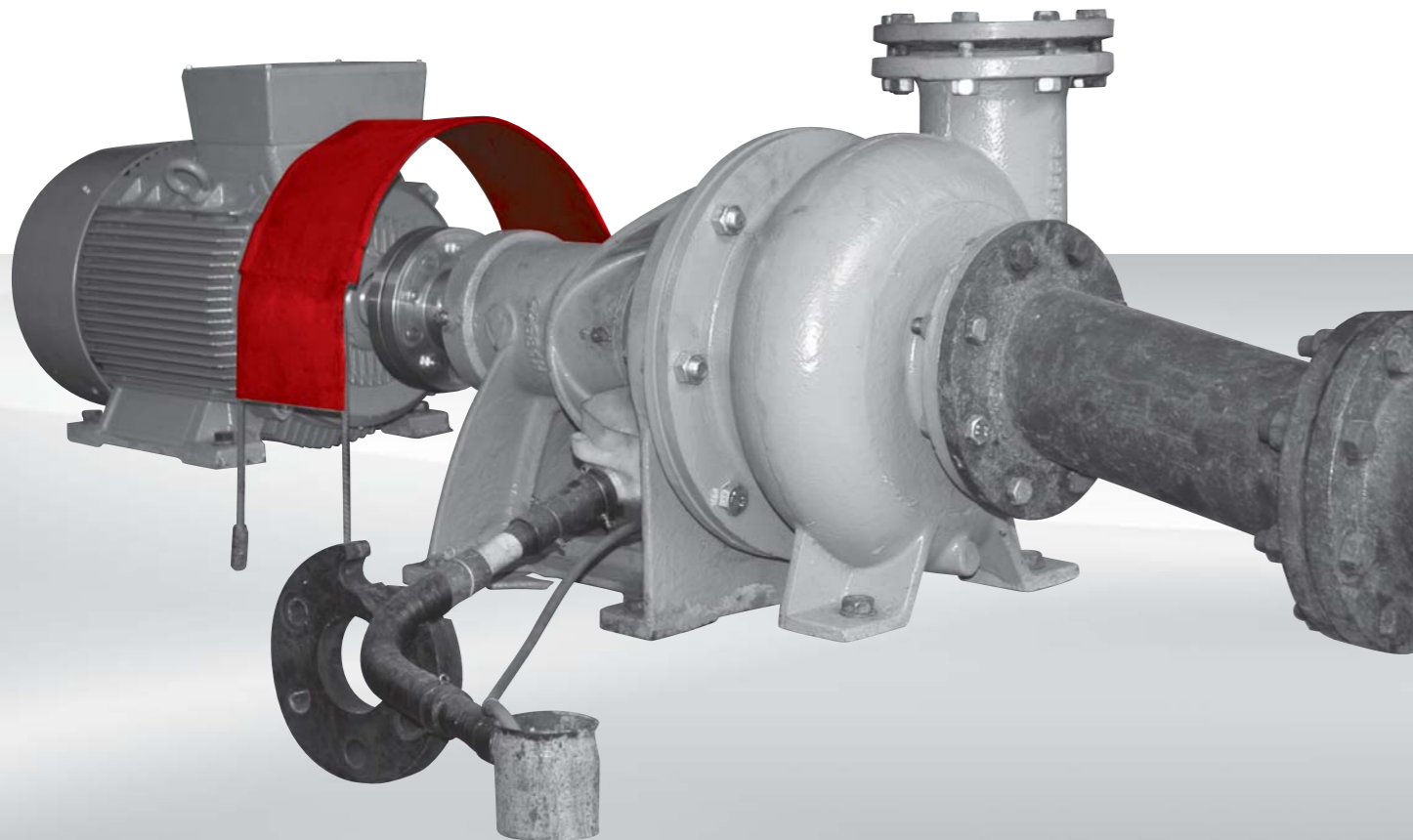
Efficiency

Area of Drinking Water Supply

In the area of drinking water supply continued also in 2009 the downward trend in consumption of drinking water. In this year, compared with the year 2008, we have invoiced less by 593 thousand m³ of water what means the reduction by 2.02 %. In this connection we have registered also the decrease of other indicators of production and supply of drinking water.

Production and Supply of Drinking Water

Length of water supply system in km	4 235
Number of water-service laterals	108 167
Length of water-service laterals in km	729
Number of pumping stations	224
Number of water reservoirs	542
Number of water treatment plants	24
Number of supplied inhabitants	649 634
Produced water in thousand m ³	46 513
Water for realization in thousand m ³	46 413
Invoiced water in thousand m ³	28 828
Water for own consumption in thousand m ³	1 370
Water losses in pipe network in thousand m ³	16 128
Total number of water-meters in water supply system	108 572
Specific consumption of drinking water in liter/inhabitant/day	196



Efficiency

In the area of waste water diversion we have observed a slightly decreasing trend – in comparison with the year 2008 the inter-annual decrease by 633 thousand m³ was registered what makes 2.64 %.

Diversion and Treatment of Waste Water

Length of sewage system in km	889
Number of sewer connections	28 867
Length of sewer connections in km	232
Number of pumping stations	12
Number of sewage treatment plants	38
Number of inhabitants connected to sewage system	416 111
Number of inhabitants connected to sewage treatment plants	386 637
Invoiced waste water in thousand m ³ /year	23 396
Purified waste water in thousands m ³ /year	54 568
Volume of produced sludge in t/year	30 146

Emergencies

Number of emergencies (defects) in water and sewer systems is a reflection of their current technical condition. Accidents occurred on supply and distribution rows and laterals. The number of emergencies increased in winter and spring what is the state which is repeated every year because of changing weather conditions (ground movement). We manage to reduce the number of emergencies especially by reconstruction of most defective networks, building-up of measurable zones and expansion of dispatchings.

Water Leaks

Our company makes all its efforts focused on the reduction of non-invoiced water volumes especially by removal of water leaks from pipelines thanks systematic activities during their detection. The water leaks, which are one of the components of non-invoiced water, were higher mainly in the cases of obsolete steel, cast-iron and PVC pipelines. The next item of non-invoiced water is the water for own consumption which still reaches the considerable volumes. This is reasoned by the fact that in order to provide the water quality complying with the Government Order of the Slovak Republic No. 354/2006 Coll. it is necessary to perform the more frequent defecation and flushing of pipelines.

Quality Control of Drinking Water and Waste Water in 2009

During the period from January to December 2009 we have monitored the quality of sources of drinking water and the quality of supplied drinking water according to the individual plants in the microbiological, biological as well as physical-chemical indicators.

Totally 3010 samples were taken, 405 thereof were impure what means 13.46 %. **The allowed, acceptable impurity is 15.14 %, and this limit was not exceeded.**

The exceeded allowed impurity occurred at the Plant 01 Banská Bystrica, where the impurity amounted to 7.81 % and the allowed limit is 6.0 %, further at the Plant 02 Lučenec the impurity reached 30.04 % while the allowed limit is 30 %, and at the Plant Veľký Krtíš with impurity of 37.44 % against the allowed limit of 25 %. These exceedings are caused mainly by a secondary iron.

At the present time the company is solving the removal of secondary iron in three directions. The first one is a water hardening at outputs from the water treatment plants. It has already been realized at the WTP Klenovec, currently its realization is prepared at the WTP Hriňová.

The second one represents the dosage of phosphate into the pipes of distribution network for the purpose of pipe passivation.

The third way is the removal of iron prior to places of consumption by embedding of filters for removal of iron and manganese.

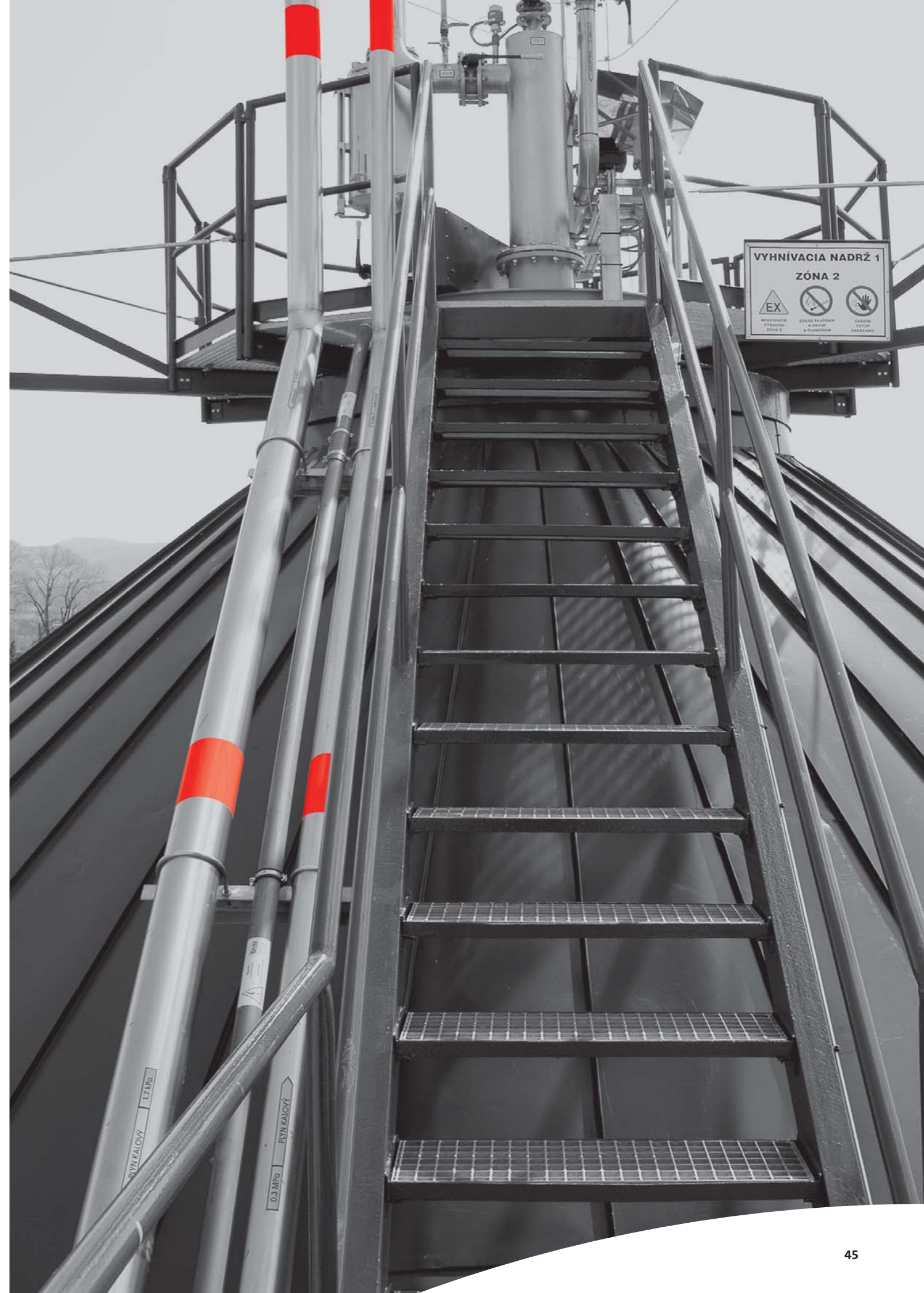
The pilot program has been initiated only in March 2010 at the water reservoir Hrachovo.

Realization of Investments

In 2009 the company Stredoslovenská vodárenská prevádzková spoločnosť, a.s. invoiced the output from realization of investments in the total value of 2 620 000 EUR. This financial volume reflected the current possibilities of the infrastructural company financing these investments. We have realized totally 20 projects which have solved the most burning problems connected with operation of properties entrusted to us. Mostly it concerned to the reconstructions of most defective parts of the public water supply systems or sewer systems, eventually to the investments into technologies, with a relatively quick economic return.

A special investment action, on realization of which our company participated since 2008, is the project called the Provision of Drinking Water Supply in the South Part of the District Veľký Krtíš. This project is co-financed by the European Union by means of Cohesive Fund and the main ambition of this project is the reduction of economical and social inequalities among the citizens of the European Union. In 2009 we invoiced the works on this project in the value of 1 414 000 EUR.

The realization of such number of investment projects has required the considerable efforts of all interested organizational units of our company and we believe this will contribute, not in a small degree, to a problem-free operation of rented infrastructure and thus to a satisfaction of our customers as well whereby the main target of our customer-oriented company is met.



Financial Part



Cash Flow Statement

	2009 EUR	2008 EUR
Cash flow from operational activities		
Cash flow from current activities	5 370 711	-4 548 774
Interest paid	-327 921	-738 721
Interests received	88	1 875
Corporate income tax paid	-560 680	366 676
Net cash flow from operational activities	4 482 198	-4 918 944

Cash flow from investment activities		
Purchase of non-current assets	-1 434 870	-5 703 114
Receipts from sale of non-current assets	0	7 509
Net cash flow from investment activities	-1 434 870	-5 695 605

Cash flow from financial activities		
Receipts from credits	1 327 756	8 829 582
Granted loans	144 288	-115 704
Receipts from long-term liabilities	0	2 476 435
Repayments of withdrawn credits and granted loans	-4 033 000	
Net cash flow from financial activities	-2 560 956	11 190 313
(Decrease) increase of cash and cash equivalents	486 372	575 764
Cash and cash equivalents at the beginning of the accounting period	-3 608 225	-4 183 989
CASH AND CASH EQUIVALENTS AT THE END OF THE ACCOUNTING PERIOD	-3 121 853	-3 608 225

Cash flow from current activities		
Net profit (before deduction of interests, taxes and extraordinary items)	1 948 349	1 560 480
Adjustments for non-cash transactions:		
Depreciations of tangible and intangible fixed assets	1 443 545	886 709
Rectifying item to receivables	-144 618	1 042 570
Rectifying item to inventories	-37 188	-105 941
Provisions	519 070	-12 946
Profit from current activities before change in working capital	3 729 158	3 370 872
Change in working capital:		
(Decrease) increase of receivables from business relation and other receivables (including accruals and deferrals of assets)	1 576 599	-9 184 193
Decrease (increase) of inventories	-654 157	-118 445
(Decrease) increase of liabilities (including accruals and deferrals of liabilities)	719 112	1 382 992
Cash flow from current activities	5 370 711	-4 548 774

Profit-and-Loss Statement as of 31st December 2009 (in EUR)

Code	Item	Line	Real Status	
			Current Accounting Period	Immediate Previous Accounting Period
a	b	c	1	2
I.	Revenues from sales of goods	01	19 736	0
A.	Expenses for goods sold	02	19 736	0
+	Commercial margin	03	0	0
II.	Production	04	52 811 812	52 056 811
II.1.	Incomes from sales of own products and services	05	52 087 568	51 703 140
2.	Changes in stock of finished goods and work-in-progress	06	705 032	334 557
3.	Own work capitalized	07	19 212	19 114
B.	Consumables and services purchased	08	33 087 739	31 903 586
B.1.	Consumed material, energy and other non-inventory items	09	10 508 210	11 070 994
2.	Services	10	22 579 529	20 832 592
+	Added Value	11	19 724 073	20 153 225
C.	Total personnel expenses	12	14 840 827	14 598 034
C. 1.	Wages and salaries	13	10 470 288	10 318 356
2.	Remuneration of board and co-operative members	14	73 690	69 707
3.	Social insurance	15	3 590 957	3 546 659
4.	Other social security expenses	16	705 892	663 312
D.	Taxes and charges	17	86 148	87 653
E.	Depreciations and of intangible and tangible fixed assets	18	1 443 546	886 709
III.	Revenues from sales of fixed assets and inventory	19	8 739	32 535
F.	Net book value of fixed assets and inventory sold	20	7 462	7 734
G.	Creation and accounting of rectifying items to receivables	21	-144 618	1 051 077
IV.	Other operating incomes	22	839 379	906 031
H.	Other operating expenses	23	2 374 496	2 876 175
*	Operating profit or loss	26	1 964 330	1 584 409
X.	Interest incomes	38	53 800	122 205
N.	Interest expenses	39	327 922	738 721
XI.	Foreign exchange gains	40	846	2 700
O.	Foreign exchange losses	41	2 477	12 224
P.	Other costs of financing activities	43	14 350	14 405
*	Profit / loss from financing activities	46	-290 103	-640 445
**	Profit / loss from ordinary activities before tax	47	1 674 227	943 964
S.	Income taxes on ordinary activities	48	382 863	93 479
S.1.	- Current	49	299 635	374 132
2.	- Deferred	50	83 228	-280 653
**	Net profit / loss from ordinary activities	51	1 291 364	850 485
***	Profit / loss for accounting period before tax	59	1 674 227	943 964
***	Net profit / loss for accounting period	61	1 291 364	850 485

Balance Sheet as of 31st December 2009 (in EUR)

Code	ASSETS	Line	Current Accounting Period		Immediate Previous Accounting Period
			Gross - Part 1	Net	
a	b	c	1 Correction - Part 2	2	Net 3
	TOTAL ASSETS	001	34 955 492	30 889 487	31 580 250
A.	Non-current assets	002	4 066 005	5 882 734	5 889 472
A.I.	Total intangible fixed assets	003	8 285 873	412 443	442 644
3.	Software	006	2 403 139	409 083	440 335
7.	Intangible fixed assets in acquisition	010	702 474	3 360	2 309
			290 031		
A.II.	Total tangible fixed assets	012	699 114	5 470 291	5 446 828
3.	Separate movable assets and sets of movables	015	3 360	5 434 692	4 941 353
7.	Tangible fixed assets in acquisition	019	7 583 399	35 599	505 475
			2 113 108		
A.III.	Total long-term financial investments	022	7 547 800		
B.	Current assets	031	2 113 108	16 504 435	14 492 585
B.I.	Total inventory	032	1 662 866	1 598 036	906 690
B.I.1.	Material	033	1 719 680	581 793	570 415
2.	Work-in-progress and semi-finished goods of own production	034	121 644	1 012 819	335 679
5.	Livestock	037	703 437		140
7.	Advance payments for inventory	039	121 644	3 424	456
B.II.	Total long-term receivables	040	1 012 819	227 033	310 415
B.II.1.	Trade receivables	041	5 396	227 033	5 550
6.	Deferred tax receivables	046	221 637	221 637	304 865
B.III.	Total short-term receivables	047	16 119 217	14 577 995	13 147 782
B.III.1.	Trade receivables	048	1 541 222	11 370 469	9 882 640
2.	Receivables from subsidiaries and controlling entity	049	12 911 691	2 386 468	2 342 986
3.	Other receivables from entities in consolidation field	050	1 541 222	390 823	578 592
7.	Other receivables	054	2 386 468	430 235	343 564
B.IV.	Total financial accounts	055	390 823	430 235	127 698
B.IV.1.	Cash in hand	056	430 235	101 371	74 269
2.	Bank accounts	057	88 092	13 279	53 429
C.	Total accruals and deferrals	061	88 092	8 502 318	11 198 193
C.1.	Prepaid expenses long-term	062	13 279	5 576 578	11 153 157
2.	Prepaid expenses short-term	063	2 877 963	2 877 963	39 655
4.	Prepaid incomes short-term	065	47 777	47 777	5 381

Code	EQUITY AND LIABILITIES	Line	Current Accounting Period	Immediate Previous Accounting Period
	TOTAL EQUITY AND LIABILITIES	066	30 889 487	31 580 250
A.	Equity	067	4 309 995	3 018 631
A.I.	Total registered capital	068	34 000	33 194
A.I.1.	Registered capital	069	34 000	33 194
A.II.	Total capital funds	073	3 319	3 319
3.	Legal reserve fund from capital deposits	076	3 319	3 319
A.III.	Total funds from profits	080	3 319	3 319
A.III.1.	Legal reserve fund	081	3 319	3 319
A.IV.	Profit / loss from prior years	084	2 977 993	2 128 314
A.IV.1.	Retained earnings from prior years	085	2 977 993	2 128 314
A.V.	Net profit / loss for current accounting period	087	1 291 364	850 485
B.	Liabilities	088	26 461 907	28 494 158
B.I.	Total provisions	089	2 005 958	1 486 896
2.	Legal current provisions	091	951 073	538 770
4.	Other current provisions	093	1 054 885	948 126
B.II.	Total long-term liabilities	094	1 659 384	2 516 107
B.II.1.	Long-term trade liabilities	095	1 650 957	2 476 435
8.	Social fund payable	102	8 427	39 672
B.III.	Total short-term liabilities	105	8 138 035	6 614 623
B.III.1.	Trade payables	106	5 550 123	4 238 854
2.	Short-term liabilities unbilled	107	162 431	199 222
6.	Employee liabilities	111	986 648	689 294
7.	Social security payables	112	613 021	449 965
8.	Tax liability and subsidies	113	791 432	1 010 604
9.	Other payables	114	34 380	26 684
B.IV.	Short-term financial accommodations	115		
B.V.	Bank loans	116	14 658 530	17 876 532
B.V.1.	Long-term bank loans	117	7 402 244	10 107 548
2.	Short-term bank loans	118	7 256 286	7 768 984
C.	Total accruals and deferrals	119	117 585	67 461
C.4.	Deferred incomes short-term	123	117 585	67 461



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Independent Auditor's Report

To the Shareholder, Supervisory Board and Board of Directors of the Company Stredoslovenská vodárenská prevádzková spoločnosť, a. s.:

We have audited the accompanying financial statement of the company Stredoslovenská vodárenská prevádzková spoločnosť, a. s. containing the balance sheet as of 31st December 2009, the profit and loss statement for the year ending on 31st December 2009 and other explanatory notes.

Responsibility of the Statutory Body of the Company

The statutory body of the company is responsible for the preparation and objective presentation of the financial statement in accordance with the Slovak Accounting Act. This responsibility includes the proposal, implementing and observation of internal control relevant for the preparation and objective presentation of such financial statement which does not contain any considerable errors, either in consequence of a fraud or a mistake, and further for the choice and application of appropriate accounting principles and accounting methods, as well as the realization of accounting assumptions reasonable under the given circumstances.

Responsibility of the Auditor

Our responsibility is to express the opinion on this financial statement based on the results of our audit. We conducted our audit in compliance with the International Standards on Auditing. According to these standards we are obliged to observe the ethical requirements and to plan and perform the audit so that we become sure that the financial statement does not contain any considerable errors.

The part of audit makes the realization of procedures aimed at acquisition of audit evidence about amounts and data showed in the financial statement. The selected procedures depend on the auditor's decision, including the consideration of risks of considerable errors in the financial statement, either in consequence of a fraud or a mistake. By consideration of this risk the auditor takes into account the internal controls relevant for the preparation and objective presentation of the financial statement, in order to be able to propose the audit procedures reasonable under the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the accounting entity. The audit also includes the evaluation of appropriateness of the applied accounting principles and accounting methods and the reasonableness of significant accounting assumptions realized by the statutory body of the company, as well as the evaluation of the presentation of the financial statement as a whole.

We are convinced that the audit evidence we have obtained is sufficient and appropriate as a basis for our verdict.

Verdict

In our opinion, the financial statement presents an objective overview, in all significant relations, of the financial situation of the company as of 31st December 2006 and its economic result for the year ending on 31st December 2009 in compliance with the Slovak Accounting Act.

17th March 2010
Bratislava, Slovak Republic



Audit Company:
KPMG Slovensko spol. s r.o.
SKAU Licence No. 96

Responsible Auditor:
Ing. Luboš Vančo
SKAU Licence No. 745

Report of Supervisory Board

REPORT OF THE SUPERVISORY BOARD OF THE COMPANY STVPS, a.s.

The Annual Financial Statement and the Annual Report of the company StVPS, a.s. were verified by the audit company KPMG Slovensko spol. s r.o. Bratislava appointed for the year 2009 by the only shareholder of the company during the execution of the activities of the General Assembly of the company on 2nd October 2009.

The Supervisory Board examined the Regular Financial Statement at its meeting, in accordance with the Commercial Code, § 198 and the Company Statute, Article XII., Clause 4.

Having examined the Annual Financial Statement, and in connection with the auditor's report, the Supervisory Board states herewith that the company conducts the accounting process in compliance with the Accounting Act and the other related regulations. By investigating the data listed in the Annual Financial Statement for the year 2009 no objections were found restraining the approval of the Annual Financial Statement and the Annual Report of the company.

In the year 2009 the company StVPS, a.s. made the net profit in the height of 1 291 360 EUR.

The Supervisory Board negotiated and examined the Proposal of the Board of Directors for the Profit Distribution. The Supervisory Board makes no objections and recommends to the General Assembly to **approve** the Annual Financial Statement, the Annual Report and the Profit Distribution.

In Banská Bystrica, on 18th June 2010



Tomáš Paclík
Chairman of the Supervisory Board

Customer Centers

Call Center – Customer Line

0850 111 234

e-mail: cc@stvps.sk

fax: +421 48 4327 888

Banská Bystrica

Partizánska 73, 974 01 BB

Prievidza

V. Clementisa 52, 971 55 PD

Lučenec

Komenského 4, 984 53 LC

Rimavská Sobota

Dukelských Hrdinov 42, 979 01 RS

Veľký Krtíš

Banička 39, 990 01 VK

Brezno

Sekurisova 4, 977 01 BR

Žiar nad Hronom

SNP 125, 961 50 ZH

Zvolen

L. Štúra 2208, 961 05 ZV





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