



# Annual Report

# 2010

Stredoslovenská vodárenská prevádzková spoločnosť, a.s.



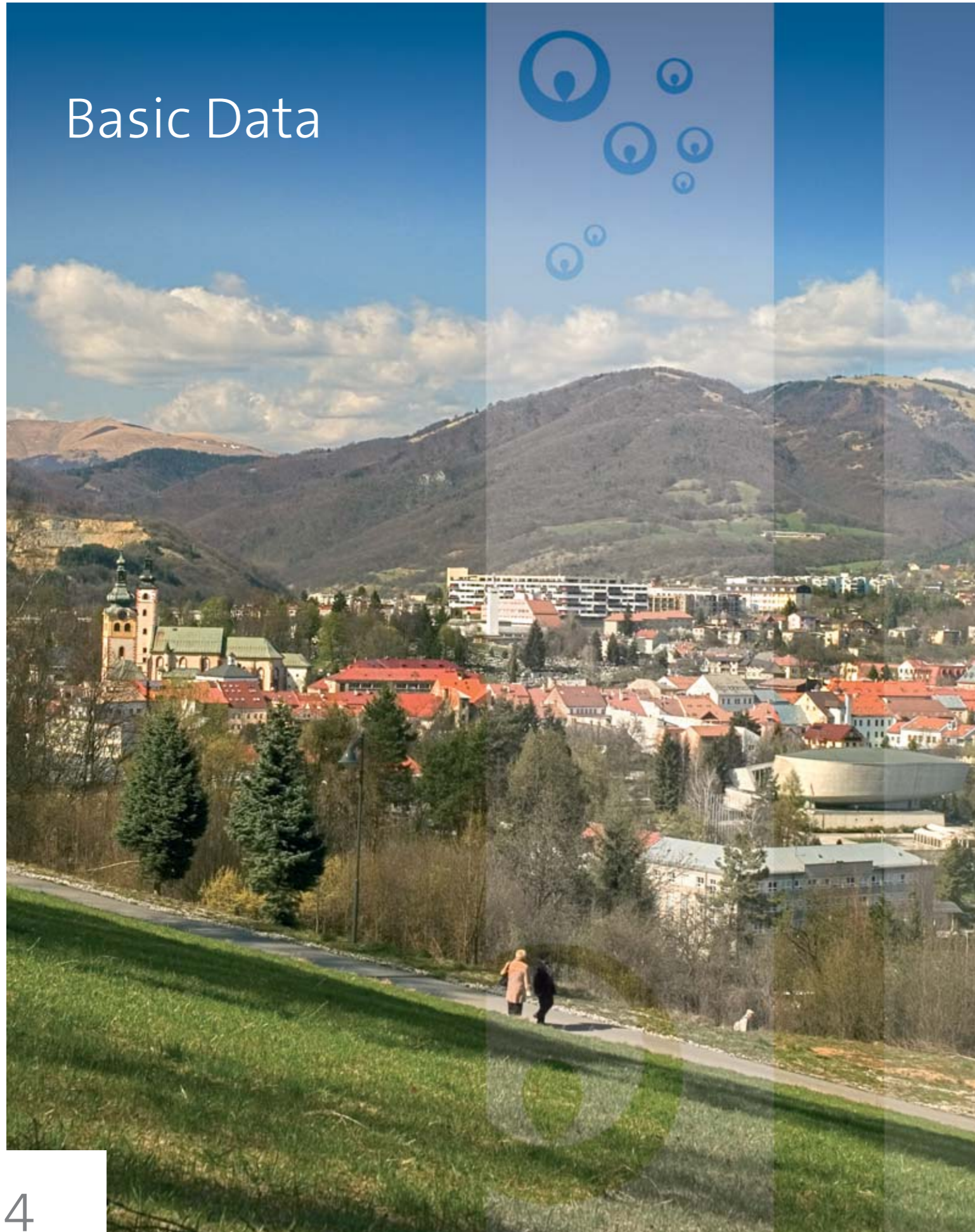
Stredoslovenská vodárenská  
prevádzková spoločnosť, a.s.



# Content

<b>Basic Data</b>	<b>4</b>	<b>Innovations</b>	<b>30</b>
<b>Statutory Bodies of the Company</b>	<b>6</b>	Innovations in Information Technologies	31
<b>Key Data</b>	<b>8</b>	Water Treatment Plants	31
<b>Editorial</b>	<b>10</b>	Innovations in Wastewater Treatment and Operation of Wastewater Treatment Plant	32
<b>Organizational Structure</b>	<b>12</b>	Pumping Stations and Water Reservoirs	33
<b>Approach to the Customer</b>	<b>14</b>	Innovations in Sewage Technique, Diversion of Wastewater and Operation of Sewer System	34
Customer Services Responsibilities	15	Energetics	35
Customer Satisfaction Survey	15	<b>Efficiency</b>	<b>36</b>
Contact Centers	15	Production and Delivery of Drinking Water	37
Structure of the Customers	17	Water Gauges	37
Customer Services	19	Reduction of Water Losses	37
Public Relations	19	Water Supply System Breakdowns	37
<b>Responsibility</b>	<b>20</b>	Diversion and Treatment of Wastewater	38
Human Resources	21	Sewer System Survey and Measuring	39
Safety and Health of Employees at Work	21	Sewer System Breakdowns	39
Social Area	24	Water Quality	39
Program SEQUOIA	25	Environmental Protection	40
Education	26	Waste Management	41
Internal Communication	27	Realization of Investments	41
ISO System	27	<b>Financial Part</b>	<b>42</b>
<b>Solidarity</b>	<b>28</b>	Comments on Financial Results	43
Regional Support	29	Cash Flow Overview	46
Environmental Protection	29	Profit and Loss Statement	47
Projects for Schools	29	Balance Sheet	48
		Independent Auditor's Report	50
		Report of Supervisory Board	52
		<b>Contacts</b>	

# 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

## Business Activities

- operation of the public water supply systems of 1st up to 3rd category,
- operation of the public sewer systems of 1st up to 3rd category,
- consulting, technical and expert assistance in the area of production, treatment and delivery of drinking and industrial water, operation of the water supply systems, sewer systems and wastewater treatment plants,
- cleaning of water pipelines and sewer lines,
- execution of inspections of sewer systems by instrument techniques,
- detection of hidden water leaks by correlation and electro-acoustic techniques,
- setting of water supply systems, sewer systems and armatures and determination of contact points for instrument techniques connecting,
- measurement of wastewater volumes on measuring objects and sewer systems with determination of immediate or cumulative flow by instrument techniques,
- physical-chemical, radiological, microbiological and hydro-biological analyses of drinking, industrial and waste waters, including technological analyses of water,
- execution of water tightness tests of water management objects and equipment
- business activities in the area of disposal of non-dangerous waste,
- execution of technical inspections of pipelines,
- repairs and installations of water meters,
- designing, solutions and evaluation of the tasks of hydro-geological survey, engineering-geological survey and geological environment survey,
- power generation in small water power stations with the output up to 5 MW,
- purchase of goods for the purpose of its sale to other trade license holders (wholesale trade),
- purchase of goods for the purpose of its sale to end consumer (retail trade),
- intermediation in trade and services,
- elaboration of documentation and projects of simple buildings, small buildings and changes of these buildings,
- realization of simple buildings, small buildings and changes thereof,
- realization of buildings and changes thereof,
- execution of water management and engineering buildings,
- realization of activities of a site manager,
- realization of building inspection activities,
- engineering activities in building industry,
- supply and installation of chlorine equipment and dosing devices for chemicals,
- repairs, service, maintenance and execution of professional inspections and professional testings of chlorine equipment and dosing devices for chemicals,
- rental of machines, instruments and equipment,
- public procurement,
- domestic freight road transport,
- rental of real estates,
- repairs and service of all types of pumps,
- execution of technical revisions and pressure tests of stable pressure vessels,
- repairs of electric equipment,
- execution of professional inspections and professional testings of dedicated electrical equipment,
- organization of courses, trainings and seminars, carrying out of courses, trainings and seminars,
- safety technical services,
- accommodation services in accommodation facilities with operation of hospitality services therein.

The Company has no organizational unit abroad.

# Company Profile



6

## Statutory Bodies of the Company on 31.12.2010

### Board of Directors

**Chairman of the Board of Directors**  
Philippe Guitard

**Members of the Board of Directors**  
Etienne Petit  
Ing. Peter Martinka  
Ing. Robert Tencer  
JUDr. Soňa Šáľiová

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



### Executive Management of the Company

**Managing Director**  
Ing. Peter Martinka

**Economic Director**  
Ing. Peter Dobrý

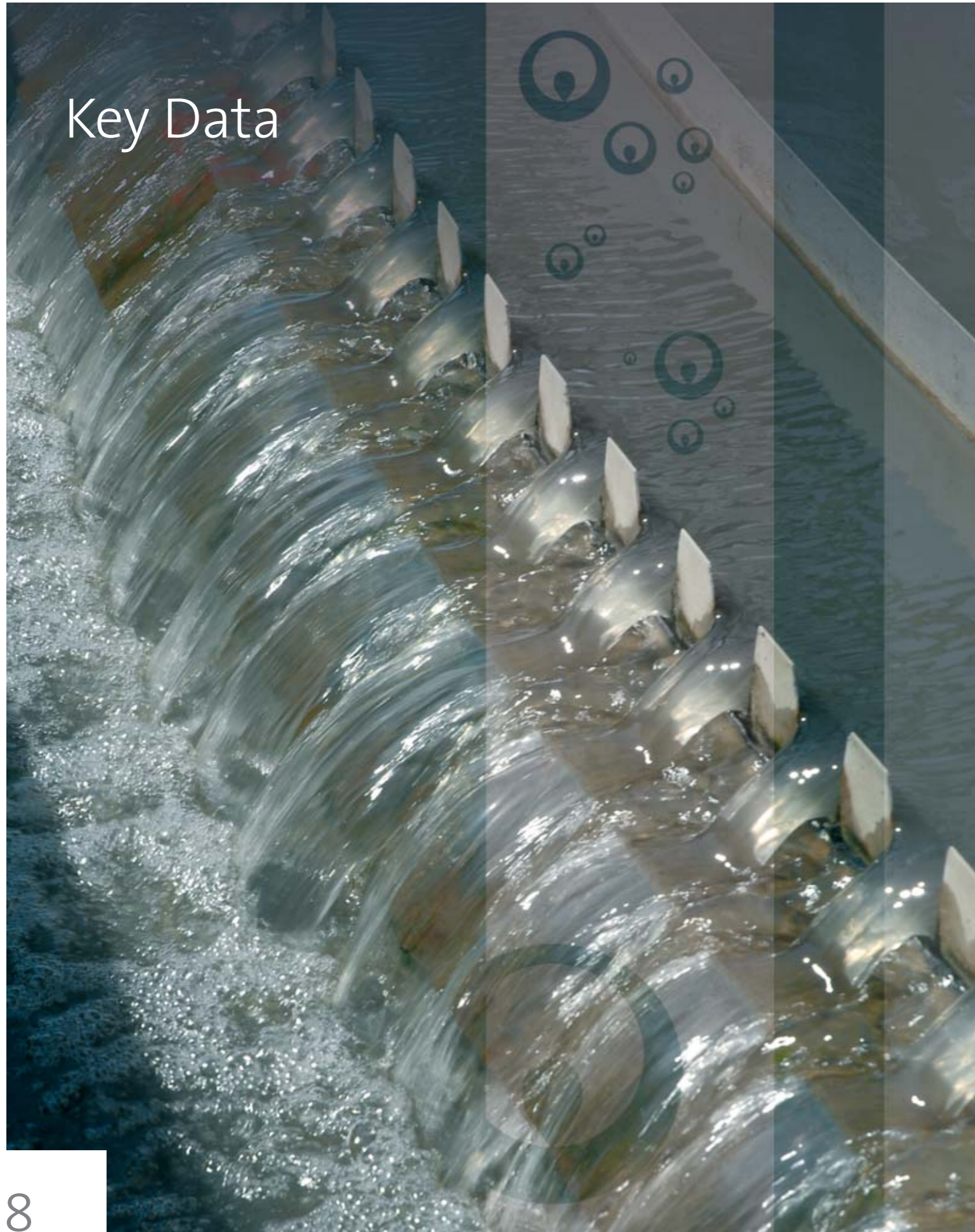
**Director for Production-Operational Activities**  
Ing. Robert Javorčík

**Commercial Director**  
Ing. Mária Vicianová

**Directors of Plants**  
Plant 01 Banská Bystrica  
Plant 02 Lučenec  
Plant 03 Prievidza  
Plant 04 Rimavská Sobota  
Plant 05 Veľký Krtíš  
Plant 06 Zvolen, Žiar nad Hronom

Ing. Pavol Badinský  
Ing. Ladislav Solkový  
Ing. Vladimír Švec  
Ing. Branislav Jurík  
PaedDr. Zoltán Balla  
Ing. Milan Vlček

# Key Data



## Key Data

Turnover of the Company:	53 580 976 €
Number of employees:	1204
Total production of water:	45 271 tis. m <sup>3</sup>
Water losses:	34,64%
Quantity of treated wastewater thereof:	66 333 467 m <sup>3</sup>
Plant 01	24 476 360 m <sup>3</sup>
Plant 02	6 249 042 m <sup>3</sup>
Plant 03	8 593 087 m <sup>3</sup>
Plant 04	6 206 042 m <sup>3</sup>
Plant 05	1 521 286 m <sup>3</sup>
Plant 06	19 287 650 m <sup>3</sup>
Number of defects in the water supply system:	3012
Number of defects in the sewer system:	179
thereof: in the network:	160
on the water service pipes:	19
Number of contracted customers:	107 604
Number of charging water meters:	109 323
Number of phone calls executed on Customer Line:	23 687
Total number of executed calls of customers:	44 660
Number of visits in the Customer Centers:	51 389
Total number of visits of customers:	60 804.



# Editorial



Dear Madams and Sirs, Dear Shareholders,

With respect to the market position, our Company Stredoslovenská vodárenská prevádzková spoločnosť, a.s., in the sphere of activity within its region occupies a natural monopoly position. What are the criteria of successfulness in this position? How are we perceived by our customers? Just a monopoly status means a disadvantage in this case. The customers are very sensitive in perception of all changes related particularly to raising of the price for water. People begin to save water enormously and only a few of them are aware what lies behind the price for water. Is it really so easy to obtain water from the nature, to treat it for drinking purposes, deliver to the consumer and subsequently to divert and treat wastewater? All the activities relating to this process are carried out by our Company with a target to have satisfied and informed customers. Satisfaction of our customers means for us the main criterion of successfulness.

Customer Services Responsibilities, the unique project in Slovakia, is a guarantee of quality of the services provided to our customers. The responsibilities relate to availability and efficiency of services, observance of the dates by handling of technical issues, complaints and objections, system of informing the customers and solidary approach in case of financial problems of a customer. Implementation of a new SMS Info service enables to send the information on interruption or restriction of water supply caused by a planned repair or by a defect in the water supply system to all the customers who are interested in this service.

As a success is evaluated also the putting into operation of the new water supply networks after completion of the largest building project of our Company in the year 2010 – the project called “Provision of Drinking Water Supply in the South Part of the District Veľký Krtíš”. We have realized totally 12 buildings which have solved the most acute problems connected with the operation of properties entrusted to us. A special attention was given by our Company to the realization of building project “Rimavské Brezovo – Water Main” co-financed by the Cohesion Fund of the European Union.

The primary activity of Stredoslovenská vodárenská prevádzková spoločnosť, a.s. is closely associated with the environmental protection. Therefore we try to minimize the impact of all our activities on the individual components of environment, whether by a development of new technologies or by a responsible and safe operation of the existing technological facilities. From the area of innovations for the year 2010 can be mentioned the increase of purification efficiency of biological stage at Wastewater Treatment Plant Prievidza by realization of measures according to the Project called „WWTP Prievidza - Measures for Efficiency Increase” and the starting works at the buildings “Fiľakovo – Intensification and Expansion of WWTP” and “Tisovec - Intensification of WWTP”. Both building projects are co-financed from the EU Funds and their target is to increase the capacity of WWTP and to assure the wastewater treatment and the sludge disposal in compliance with the valid legislation.

As a socially responsible company we do not forget either about the building of relationships with the public. We organize regularly the events at the occasion of the World Water Day and the World Environment Day focused on the providing of information to the public concerning the importance of water and the necessity of its protection, we support the regular education activities at the schools where we cooperate actively with a non-governmental sector.

The social policy of our Company is supported every year by signing of the Collective Agreement and creation of social fund that is used as the allowance for meals for employees, allowance for work capacity regeneration, as one-time social emergency loan, allowance by child birth, allowance granted to employees on their jubilee and at retirement, disability or early pensions, as allowance for blood-donors, allowance to activities organized for children of our employees. The accent is put on a systematic increase of education level of our employees as well.

The last customer satisfaction survey among our customers has confirmed again a high level of satisfaction with the provided services. A positive evaluation got also the quality of drinking water where 84.5 % of customers confirmed the complete satisfaction. In comparison with the last years the number of respondents who are completely satisfied with the professional qualification of our employees has increased substantially (94 %). These data mean a confirmation for us that the way which our Company Stredoslovenská vodárenská prevádzková spoločnosť, a.s. is going ahead, is right, although often full of barriers. However, just these barriers mean a challenge for the further improvement of services and of our work.

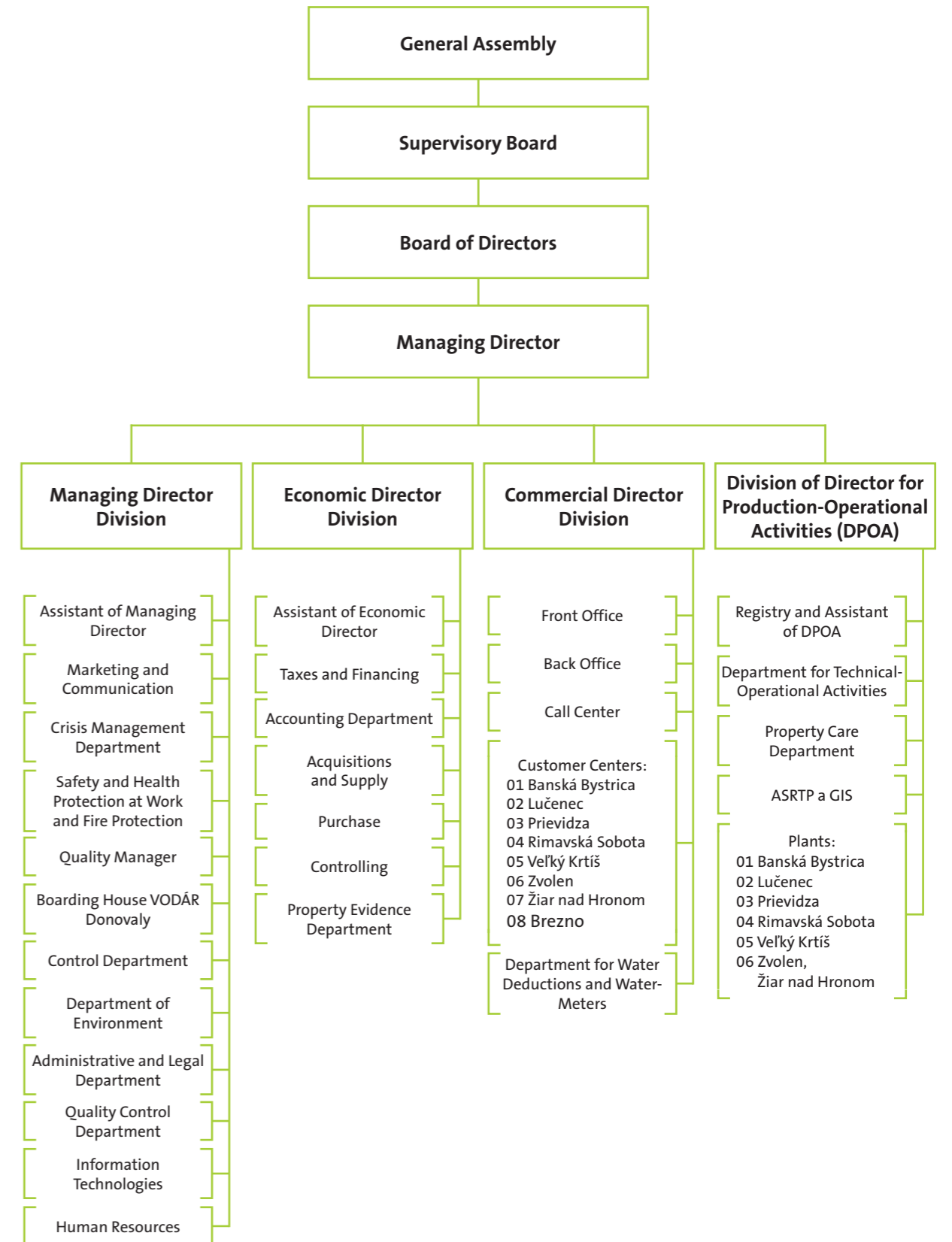
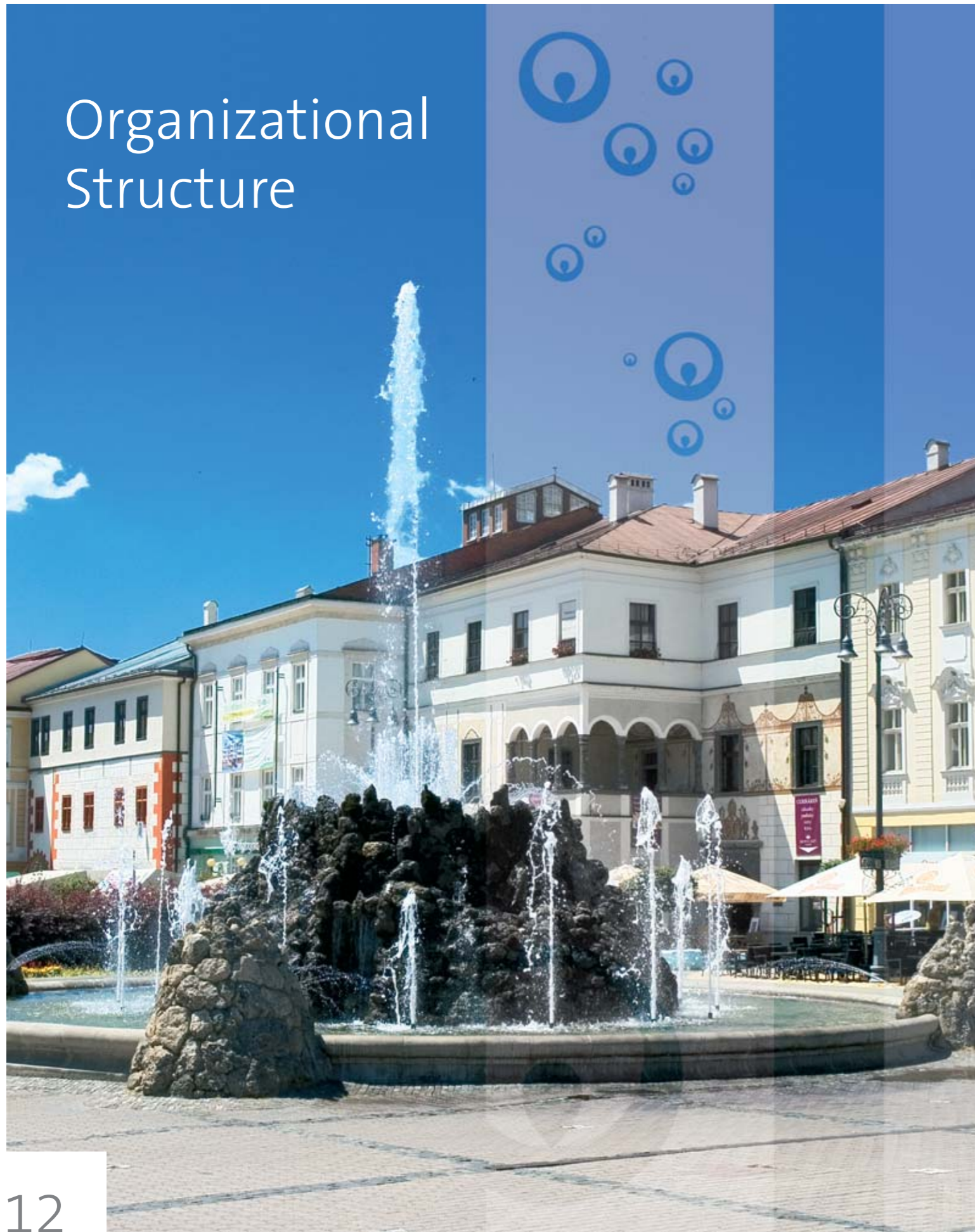
I would like to express my thanks to all who walk this way with us and support us – to our employees, business partners, shareholders, members of the Board of Directors and the Supervisory Board.

I wish to our Company the satisfied customers who appreciate the value of each glass of drinking water supplied everyday into our households.

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



# Organizational Structure



# Approach to the Customer

In 2010, as the reaction on the increasing requirements of our customers and consumers, we have started with the realization of the project which is unique in Slovakia and called Customer Services Responsibilities. Within this project the companies of the Group VEOLIA VODA commit to guarantee the quality of the services provided to the customers. They want to be available constantly for their customers, to inform them as best as possible and to express their solidarity. The responsibilities relate to the availability and efficiency of services, observance of the dates in execution of technical issues, complaints and objections, system of informing the customers and solidary approach in case of financial problems of a customer. Implementation of a new SMS Info service enables to send the information on interruption or restriction of water supply caused by a planned repair or by a defect in the water supply system to all the customers who are interested in this service.

## Customer Services Responsibilities

In 2010, Stredoslovenská vodárenská prevádzková spoločnosť, a.s., after completion of building the modern customer centers focused primary on the improvement of provided services. The Customer Services Responsibilities have been accepted guaranteeing the quality of the provided services with the aim to be available for the customers constantly, to provide them with all necessary information and to answer to their requirements in an appropriate time.

## Customer Satisfaction Survey

More than 89 % of the customers are satisfied with the services provided by StVPS, a.s.

The regular Customer Satisfaction Survey which is carried out for Stredoslovenská vodárenská prevádzková spoločnosť, a.s. by the company KMG International, s.r.o., has confirmed again the high degree of satisfaction of our customers with the provided services. The complete satisfaction in this year was getting near to a high satisfaction level. From the total number of 1000 respondents 89.4 % at average answered that they are completely satisfied with the level of provided services. Also the quality of drinking water was highly evaluated where the complete satisfaction was expressed by 84.5 % of the customers. In comparison with the last years the number of respondents completely satisfied with the professional qualification of the employees increased substantially (94 %). The survey was realized during November and as a method were used the phone conversations according to the electronic questionnaire. Three target groups for this survey were determined – individual customers, companies and housing associations.

### Contact Centers

Our customers contacted our Company by phone, by mail or personally at average more than 10 thousand times per one month. Particularly they were interested in:

Average data on number of all contacts per month concerning:	Totally	%
water supply, sewage diversion, pressure, water quality and damages	1 327	13.16%
connections and water gauges	1 224	12.13%
contracts	2 315	22.95%
invoicing	2 494	24.72%
other information not-listed above	2 728	27.04%
total	10 088	100.00%



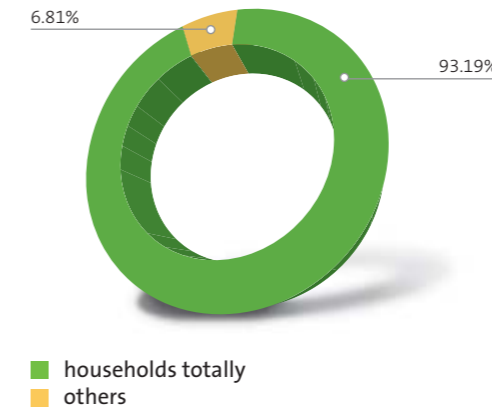


## Structure of Customers

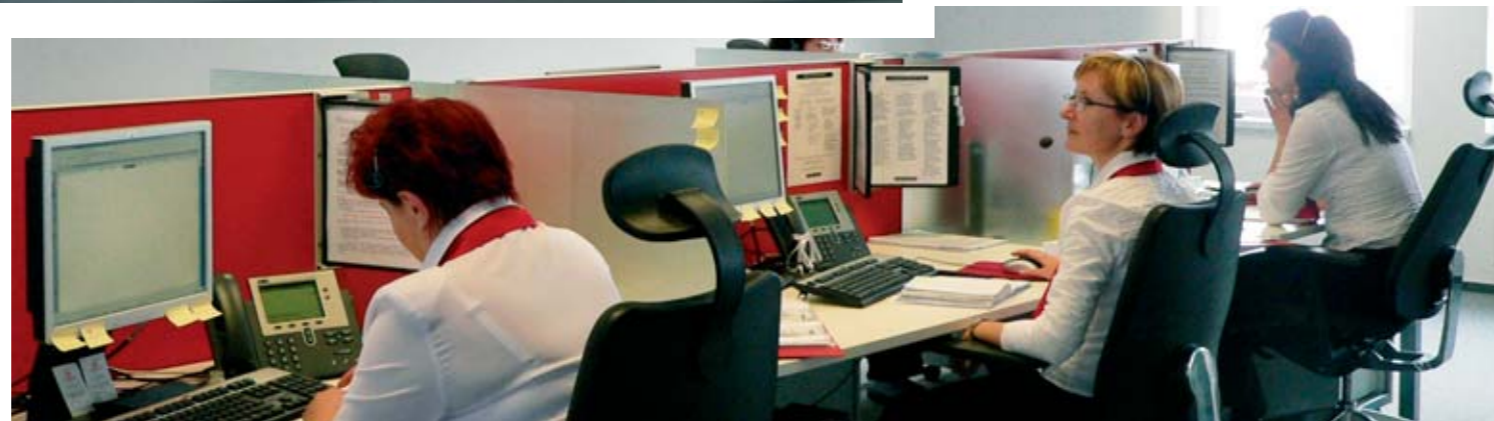
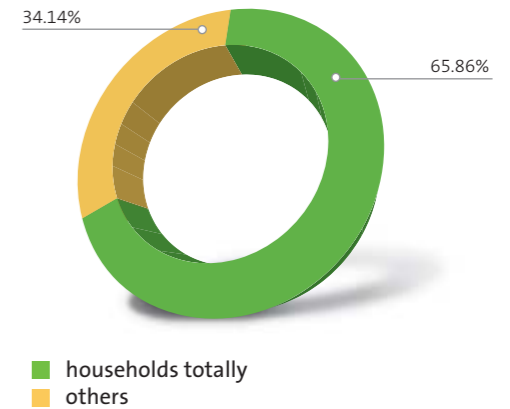
As for the number of customers the largest category is made by households amounting to 93.19 %, where the households as individual customers make 91.27 %.

Also from the viewpoint of sales volumes this category represents the decisive customers group with 65.86 %. As shown also in the table below indicating 10 most significant companies in turnover, even 8 companies thereof belong to the category of housing economy and housing association.

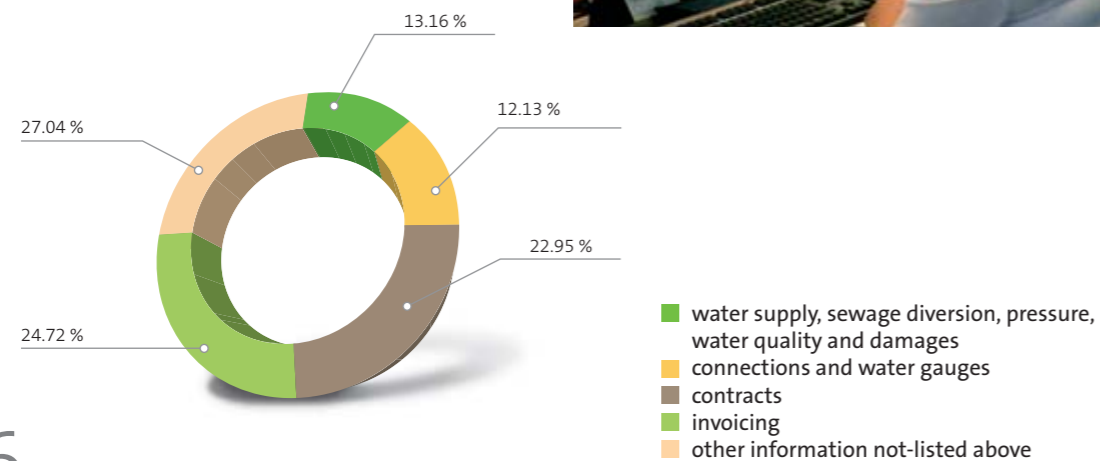
Structure According to Number of Customers



Structure According to Sales Volume



Structure of Discussion Content





## Customer Services

In order to improve information availability of our customers in January we have started with the registration of customers who are interested in sending the SMS containing the information on interruption or restriction of water supply caused by a planned repair or by a defect in the water supply system. Till the end of the year this possibility to send the SMS messages was used by 135 customers. This service is available for a wide range of customers, it is prompt and effective, that is why the Company offers this service also to the customers who wish to be present by the realization of water deduction. Within the improvement of services we realize constantly the upgrade of forms used by our customers, directly in the Customer Centers or by their download from the Company's web-site. The new customers who are not informed on the services and necessary documents are by conclusion of the contract provided with a New Customer File containing the information on the activities of the Company, actual information on the prices and quality of water, explanatory data concerning the invoice for water and wastewater utilities and many other information.



In the last year the Company has organized the leaflet campaign "Competition with Collection" with the target to motivate the customers to the replacement of SIPO payment (centralized collection of payments) to the collection payment. These leaflets were distributed together the invoice during the 2nd half-year to all family houses who are the customers of the Company STVPS, a.s. The leaflets were double-sided, promoting along with the Service UNIKASA also the carbonated water generators Sodastream whereby the Company promoted at the same time the drinking of water from water pipe as well.

New water supply networks were put into use after completion of the largest building action of our Company in the year 2010—the project called "Provision of Drinking Water Supply in the South Part of the District Veľký Krtíš". After handing-over of water supply networks there were elaborated and introduced the procedures for processing the documents of the new consumers who started to be connected to the new-built public water supply system in the south part of the district Veľký Krtíš. The procedures for elaboration and preparation of documents have been implemented so that the process could run continually and the conditions for conclusion of commercial contracts with new customers could be created.

## 10 Most Important Customers in 2010



## Public Relations

Building of public relations is the important part of communication of Stredoslovenská vodárenská prevádzková spoločnosť, a.s. We organize regularly the events at the occasion of the World Water Day and the World Environment Day focused on the providing of information to the public concerning the importance of water and the necessity of its protection. As a member of the Association of Water Supply Companies we have participated in the

	Name
1	Stavebné bytové družstvo Banská Bystrica (Cooperative Building Society Banská Bystrica)
2	Vlastníci bytov bytov.dому 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, družstvo (District Cooperative Building Society Prievidza)
4	Fakultna 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	Stavebné bytové družstvo Žiar nad Hronom (Cooperative Building Society Žiar nad Hronom)
7	BYTOS - správa bytov PRIEVIDZA, s.r.o. (BYTOS – Flats Administration PRIEVIDZA, Ltd.)
8	Stavebné bytové družstvo Lučenec (Cooperative Building Society Lučenec)
9	SENOBLE Central Europe, s.r.o. (SENOBLE Central Europe, Ltd.)
10	SBD Brezno (Cooperative Building Society Brezno)

campaign "I drink healthy water – the drink from water pipe" aimed at the increase of information availability on quality of drinking water, promotion of a healthy lifestyle and at the same time the reduction of quantity of plastic packages. In the period May – June 2010 our customers and general public have been informed on the new services provided in the presentation booths which have been installed in 8 cities where Stredoslovenská vodárenská prevádzková spoločnosť, a.s. operates the water supply systems and sewer systems. The participation of the Company at the specialized exhibitions AQUA Trenčín and PRO EKO Banská Bystrica contributes significantly to the expansion of communication with general public and business partners at a worldwide level. The Customer Satisfaction Survey has shown that our customers are further mostly interested in printed information materials. From this reason we continue in edition of the Customers Newsletter "Water For You" distributed through the Customer Centers as well at all events organized by our Company for the general public. The important source of information remains further the web-site of our Company [www.stvps.sk](http://www.stvps.sk) containing the regularly updated information on new services, projects and on quality and prices of water. The correct relations with the media and the regular communication with the media also support the increase of informedness of the public.

# Responsibility



Application of active social policy in relationship to the employees is in Stredoslovenská vodárenská prevádzková spoločnosť, a.s. solved every year in the Collective Agreement.

Social fund was created in the value of 94 785.73 EUR and used as the allowance for meals, allowance for work capacity regeneration, as one-time social emergency loan, allowance by child birth, allowance granted to employees on their jubilee and at retirement, disability or early pensions, as allowance for blood-donors and allowance to activities organized for children of our employees.

The accent is put on a systematic increase of education level of our employees, whether in the area of compulsory training courses resulting from the law, courses specialized on development of personality or language courses.

## Human Resources

In 2010, with the view of increase of labour efficiency and productivity, several changes in the development of employment and in the organizational structure of the Company have been realized. The physical number of employees on 31.12.2010 made 1225 employees, thereof 47 entering employees and 68 outgoing employees. In comparison with the year 2009 the total number of employees decreased by 27. The average wage in 2010 amounted to 727.34 EUR what means the increase by 2.7 % compared with 2009. The planned average number of employees for the year 2010 made 1200 employees, the real status is higher by 5 employees.

## Safety and Health of Employees at Work

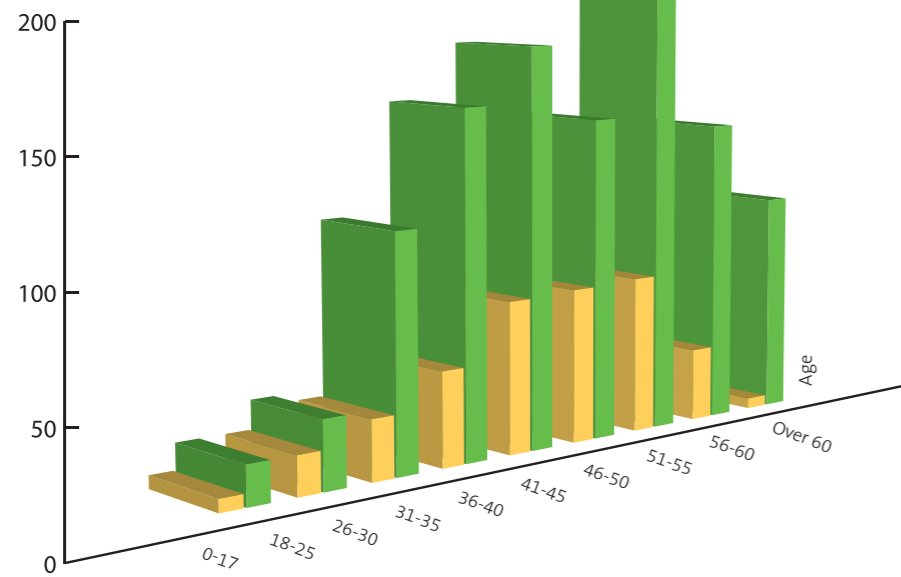
The continual increase of safety and health protection at work means besides an important economical importance also a human aspect and remains further one of the priorities of our Company. Creation of favourable working conditions brings the optimization of working procedures and the positive economic effect. Regularly organized trainings of all our employees, rehearsals in the area of prevention of serious accidents and fire protection help to prevent the potential risks. In compliance with the Regulation of Ministry of Interior of the Slovak Republic No. 121/2002 Coll. on Fire Prevention, § 13, Art. 1, the regular specialized inspections of fire-technical equipment (manual and mobile fire extinguishers and fire hydrants) are performed, the trainings of employees relating to the regulations of fire protection are organized, the professional preparation of employees integrated in the fire prevention guards. In 2010 neither any fire accident occurred in our Company, nor health nor lives of our employees were endangered because of fire or industrial accident.

Number of injuries decreased from 12 to 9 compared with the year 2009 and 3 serious work injuries were registered.

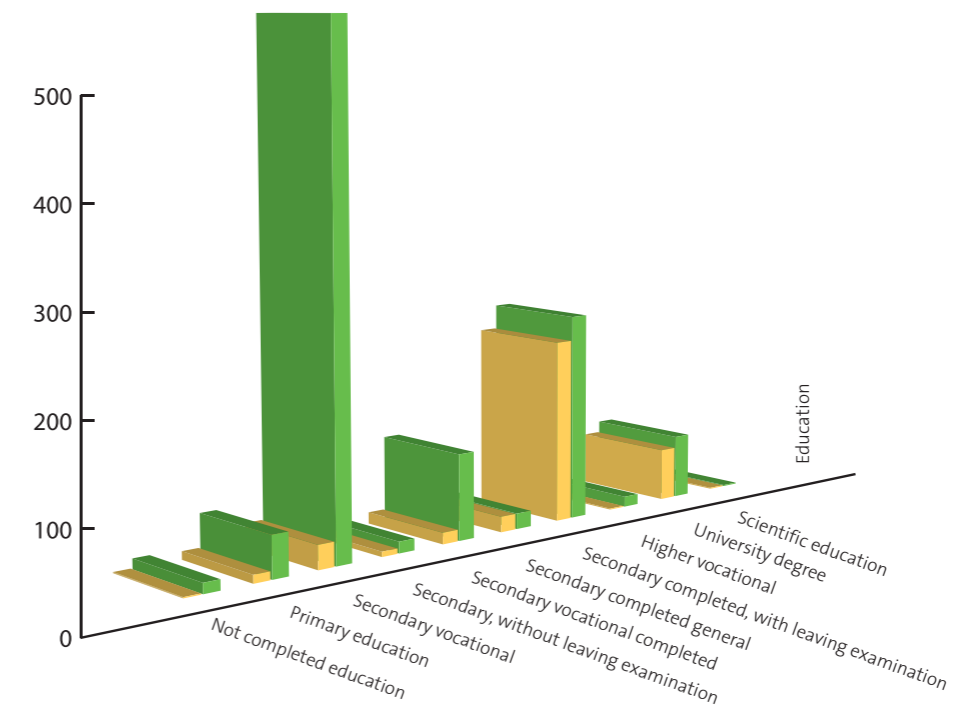
Within the Stredoslovenská vodárenská prevádzková spoločnosť, a.s. there are working places and works with the enhanced risk of health hazard, namely with a risk factor of infections. Employees of these work-places undergo regularly the preventive medical examinations and are vaccinated against hepatitis A. Employees working in a terrain were vaccinated against tick-borne encephalitis.



## Age Structure



## Education Structure



Age limit	Women	Women - %
0-17	0	
18-25	5	1.74%
26-30	15	5.21%
31-35	23	7.99%
36-40	36	12.50%
41-45	58	20.14%
46-50	59	20.49%
51-55	60	20.83%
56-59	28	9.72%
over 60	4	1.39%
<b>Total</b>	<b>288</b>	<b>100.00%</b>

Age limit	Men	Men - %
0-17	0	
18-25	15	1.64%
26-30	26	2.84%
31-35	89	9.72%
36-40	131	14.30%
41-45	152	16.59%
46-50	123	13.43%
51-55	178	19.43%
56-59	117	12.77%
over 60	85	9.28%
<b>Total</b>	<b>916</b>	<b>100.00%</b>

Education	Women	Total %	Men	Total %
Not completed	0	0.00%	10	1.06%
Primary	8	2.67%	40	4.26%
Secondary vocational	23	7.67%	489	52.08%
Secondary, without leaving examination	5	1.67%	11	1.17%
Secondary vocational completed	11	3.67%	82	8.73%
Secondary completed general	15	5.00%	15	1.60%
Secondary completed, with leaving examination	174	58.00%	197	20.98%
Higher vocational	1	0.33%	10	1.06%
University degree	50	16.67%	61	6.50%
Scientific education	1	0.33%	1	0.11%
<b>Total</b>	<b>288</b>	<b>96.00%</b>	<b>916</b>	<b>97.55%</b>

## Social Area

In the Collective Agreement, signed at the presence of labour union, are determined 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 is the Appendix No. 1 – the Rules of Social Fund. The Social Fund was created in the value of 94 785.73 EUR, the initial status as per January 1st, 2010 made 8 427.55 EUR. It was used especially as the allowance for meals for the employees 73 543.70 EUR, the allowance for work capacity regeneration 11 877 EUR, as one-time social emergency loan 829 EUR, the allowance by child birth 840 EUR, the allowance granted to employees on their jubilee and at retirement, disability or early pensions 4 366.52 EUR, as the allowance for blood-donors 650 EUR and the allowance to the activities organized for children of our employees (International Children's Day, Santa Claus) 6 650 EUR. The balance of the Social Fund is transferred to the year 2011. For the total use of the Social Fund please see the Table hereafter.



## Use of the Social Fund in 2010

Plan and use of SF in 2010	Plan in EUR for 2010	Use in EUR on 31.12.2010
Initial status on 1.1.2010	8 427.55	8 427.55
Creation of SF	96 465.18	94 785.73
Incomes in 2010 (from profit in 2009)	0.00	0.00
<b>Total creation</b>	<b>104 892.73</b>	<b>103 213.28</b>
Allowances on the jubilee (50)	2 730.00	2 222.72
Allowance at retirement	1 750.00	2 143.80
One-time social emergency loan	1 660.00	829.00
Allowance for meals for employees	69 615.00	73 543.70
Allowance for work capacity regeneration	21 000.00	11 877.00
Allowance to transport to and from the work	30.00	0.00
Allowance for blood-donors	400.00	650.00
Allowance by child birth	525.00	840.00
Allowance to activities for children (Int. Children's Day, Santa Claus)	7 084.00	6 650.00
<b>Total expenses</b>	<b>104 794.00</b>	<b>98 756.22</b>
<b>Estimated balance on 31.12.2010</b>	<b>98.73</b>	<b>4 457.06</b>

## Program SEQUOIA

In 2010 the employees of our Company have been offered by a project of group savings of employees by means of the employment investment funds Veolia Environnement – SEQUOIA. The employees of the Company had the possibility to get the shares of Veolia Environnement Group (VE) under the advantageous conditions. SEQUOIA is assigned for the employees of the VE

Companies exclusively. The aim of the new plan was to speak to as many employees as possible and to involve them in the growth and profit of the VE Companies.

The advantageous shares for the employees represent a motivation instrument which affects the employees to a positive work approach to the Company they are working in.

At the same time the advantageous shares mean an employment benefit where the contribution of the employer equals to the value of 100 % of investment of the employer, up to the amount of 600 EUR.

VE in 2010 has offered two plans as follows: Sequoia Classiq and Sequoia Plus.

The subscription price for which the employees bought the shares was determined on October 22nd, 2010 in the value of 17.74 EUR. In the period from October 25th, 2010 to November 10th, 2010 there was a possibility to invest into shares of the VE Group.

This interesting offer has been used in 2010 by 155 employees of StVPS a.s. Banská Bystrica what means the 12.9% participation.

## Education

To assure a high professional level of each employee and to form personality and social competencies which influence behaviour and motivation and are reflected also in the interpersonal relations in the workplaces is the target of education of the employees of StVPS a.s. The education of employees in our Company is realized by means of regular cyclic trainings and retrainings legally obligatory in the area of labour protection, economic field, Labour Code and by means of profession trainings as well. We organize also the specialized courses



directed at the development of personality competencies and skills, i.e. courses in communication, assertivity or getting stress under control. In case of interest the language courses are provided as well. The efficiency of courses is regularly evaluated through a questionnaire survey. On January 1st 2009 the branch office of the Institute of Environmental Services Campus Prague was established in Banská Bystrica. We cooperate closely with this institution which provides the employees of our Company with the education services according to the current needs and requirements. The selected courses for the employees have been supported by the EU Funds. On the education, courses and trainings in 2010 the Company has expended 77 249.34 EUR.



## Internal Communication

Prompt and effective informedness of the employees is assured by means of the corporate intranet network. The important communication channel still remains the edition of the employment newsletter "Water is Life"; in 2010 it was issued in 4 editions. Thanks this newsletter our employees are informed about the actual course of events in the Company, about the activities of the individual operations and plants. The new possibilities for education of the employees are contained in the electronic newsletter Le Service which is sent to our employees by e-mail and published on the intranet as well. The effective instruments of internal communication are further the progress meetings at all levels, regular trainings and meetings of employees on sports and cultural events.



## ISO

Integrated Management System of the Company forms a part of the total management system comprising the organizational structure, planned activities, responsibilities, practices, procedures, processes and resources for development, implementation, achievement, investigation and maintenance of the Company's policy. For the Company's Management it means the instrument for assurance of quality, protection of living and working environments and health protection and safety at work of the employees of our Company.

In 2010 our Company has passed successfully the second supervisory audit according to the new Standard STN EN ISO 9001:2009 of the Quality Management System and the first supervisory audit of the Environmental Management System STN EN ISO 14001:2005 and the Management System for Safety and Health Protection at Work STN OHSAS 18001:2008. Audit has inspected the selected articles of the ISO and OHSAS Standards and has concluded the compliance of our system with their requirements. Thus the validity of Certificates has been confirmed also for the next year period. The audit was performed on the operations and objects of the Plants Lučenec, Veľký Krtíš and Zvolen, Žiar nad Hronom.

Successful accomplishment of the supervisory audit means an endless challenge for us because it is not sufficient just to keep the level of the introduced system, but it is necessary to improve it continually. We are fully aware of the fact that we are obliged to analyse constantly the further possibilities for development of the system and we make all our efforts to improve continually the quality of the services provided to our customers. In doing so, we always put emphasis on the observation of requirements for work safety of employees, on monitoring of use of chemicals and waste disposal because of the generated environmental load.

# Solidarity

The support of activities of regions and the cooperation with them is the important part of the activities of StVPS a.s. The aim of our Company is to be not only successful, but also socially and ecologically responsible. We support and organize the educational activities in the schools, we became the partner of the ecological educational center in Zaježová, at the occasion of the World Water Day and World Environment Day we prepare regularly the events for the general public.

## Regional Support

Also in 2010 we have continued in the cooperation with the local communities and supported many activities focused on the development of culture, environmental protection, education and regional development. We have co-financed the issue of publication about the village Slovenska Lupca, we have supported the realization of the children folklore festival "Children under Poľana" and the 11th "Čipkárskô" (local cooking feast) in the village Brusno etc. We communicate regularly with the representatives of municipalities and the regional media as well.

## Environmental Protection

The environmental protection and observance of the principles of permanently sustainable development form a part of our work. Besides the provision of required drinking water and the assurance of sewer diversion in compliance with the valid standards we pay our attention also to the increase in informedness in this area. The efficient instrument are the events for the general public at the occasion of the World Water Day and World Environment Day, Open Door Days in our plants where besides the view of objects the professional commentary and the information materials on the water quality are provided too. By the World Water Day the inhabitants of Middle Slovakia were offered the possibility to analyze the samples of drinking water from their individual sources free of charge. In 2010 the Company StVPS a.s. was a partner of the Educational Ecological Center Zaježová and we have supported its activities financially.

## Projects for Schools

We are aware of our co-responsibility for the upbringing of young generation and organize regularly the educational projects for the schools. Our cooperation with the schools, specialized particularly on the education of children to a permanently sustainable development and formation of positive relationship to water as a unique component of environment, has continued in 2010 with the participation in the campaign supporting the drinking of water from water supply system "I drink healthy water – the drink from water-pipe". The goal of the campaign under the auspices of the Association of Water Supply Companies and the Ministry of Health of the Slovak Republic was to increase the information availability on quality of water and at the same time to reduce the volume of plastic packages. In the school year 2010/2011 our Company StVPS a.s. is a general partner of the international project called "Green School". In addition to a financial support of this project we participate in the preparation of methodical materials and in the realization of trainings for the consultants of project and for teachers. As a part of the International Biodiversity Year we have prepared for the schools, under the patronage of the Company VEOLIA ENVIRONNEMENT, the continuing in the successful campaign AROUND THE WORLD named "Around the World – When Biodiversity Wakes My City Up To Live".



# Innovations

In 2010 have been realized several innovations and modernizations focused on the improvement of provided services, on quality assurance of the supplied drinking water, effluent treatment technologies, for improvement of operation of water-pumping stations and water reservoirs and also for the area of sewer techniques, diversion of sewage water and operation of sewer systems.

## Innovations in Information Technologies

In 2010 in the area of informatics the following projects have been realized:

- optimization of audio and data transmissions within the Company and also with external companies,
- increase of MPLS/VPN speed with respect to the safety and accessibility of the individual connecting locations, increase of Internet connection speed,
- virtualization of server farm for the Customer and Economic Information Systems,
- implementation of software and hardware for downloading and subsequent processing of data from digital tachographs from the selected vehicles of the Company; interconnection of pilot implementation of GPS transmissions from the technological vehicles,
- creation of the customer service of SMS Info Center in order to keep the customers informed about the accidents, shutdown of water supply and other information; implementation of the system for informing the customers on the planned repairs through the website (online),
- elaboration of documents concerning the safety policy of the Company respecting the ISO Standards and safety and the ITIL services,
- implementation of the Document Management System which solves the circulation and administration of the documentation in the area of electronic processing of contracts (evidence, use with other Information Systems),
- replacement of the transmitting equipment working in the frequency band 300 MHz,
- adjustment of vector cadastral maps for the use in Geographic Information System (GIS); vectorizing of other map backgrounds,
- elaboration of the new open data model for optimized GIS,
- beginning of works on the GIS optimization.

## Water Treatment Plants

In 2010 emphasizing the quality of supplied drinking water we have realized and put into operation for our customers the following innovations and modernizations of technologies for water treatment and hygienic safety of drinking water:

- Within the building "Water Treatment Plant (WTP) Klenovec – Measures for Improvement of Water Quality", modernizing and optimizing the selected technological processes, in 2010 the production and dosing of limewater have been put into operation. Realizing this measure the content of aggressive CO<sub>2</sub> and the aggressiveness of treated water were reduced, at the same time the content of secondary iron in the delivered water on the places of consumption was reduced. The contribution of the measures realized on the WTP Klenovec up to now based on the results of the operation in 2010 is significant – the impurity of treated water has been reduced several times.
- The technology for dosing of additive flocculant at the WTP Klenovec which is used in the time of significant impairment of raw water quality.
- In the WTP Zlatno we have realized the automatic dosing of sodium hypochlorite into treated water depending on flow whereby the hygienic safety of delivered drinking water has been improved significantly.
- We have modernized the production and dosing of lime milk and the sludge pumping into filter press on the WTP Málinec using the peristaltic pumps.

During the year we have continued with the works on preparation and realization of innovations and modernizations of technologies on the WTP Hřiňová (water hardening), on the WTP Pohronský Bukovec (change of disinfection to UV radiation) and on the WTP Prochot (change of technology to treatment of underground water). We have continued with the trial operation of the technology for treatment of water from water sources Bystrá and Trangoška by its phosphating and alkalization in order to reduce the aggressive properties of water and to reduce the content of secondary iron in the delivered drinking water.





- Elaboration of project documentation, arrangement of building permit and submission of application for a non-returnable financial contribution for the realization of intensifications of WWTP Handlová, WWTP Veľký Krtíš and WWTP Detva.
- Elaboration of project documentation for the building project “Kremnica – Sewer System and WWTP”. Working-out of the project documentation and arrangement of building permit for the building project “Poltár – Sewer System and Intensification of WWTP”.
- Installation of on-line measurement of the concentration of ammoniacal nitrogen and nitrate-nitrogen at the WWTP Brezno and WWTP Lučenec and that of phosphorus at the WWTP Banská Bystrica. After connection to control systems at the WWTP the on-line measurements shall be used for the aeration regulation, performance of internal recycle and dosing regulation of phosphorus precipitant.
- Realization of reconstruction and intensification of the WWTP Pôtor.
- Replacements of defective chain drive mechanisms for the new compact drive mechanisms of surface aerators at the WWTP Donovaly.
- Replacement of operationally problematic surface aerators at the WWTP Divín for the more reliable immersion aerators.
- Purchase of mobile equipment for machinery sludge drainage for a WWTP without a sewer terminal and for the cases of defective and emergency conditions in sewer management.

## Pumping Stations and Water Reservoirs

With the aim to improve the operation of water pumping stations and water reservoirs the following measures have been realized within the innovation and modernization:

- In the water reservoir for the village Sihla the existing technology for radon elimination has been adjusted in order to avoid a freezing of technology in winter time and to assure the required efficiency of the technology.
  - In the water reservoir for the village Hrachovo the press filter with Cullsorb has been installed with the purpose to reduce the content of secondary iron in the water supplied for the village.

## Innovations in Wastewater Treatment and Operation of Wastewater Treatment Plant



In 2010 in the technology for wastewater treatment and in the operation of Wastewater Treatment Plant (WWTP) the following measures and innovations have been performed:

- Delivery and installation of the new application software LABOD, MPEVO and Vyh1605 in the Operational Information System PreVIS, conversion of data from the databases containing the data from several years from the original version LABOD and training of assigned employees in recording of operational data into this system. At the same time the automatic export of the results of analyses of wastewater and sludge from the software Labsys into the model LABOD was put into operation.
- Increase of purification efficiency of biological stage at the WWTP Prievidza by realization of measures according to the Project called “WWTP Prievidza – Measures for Efficiency Increase”. The parallel activation tank as a preliminary denitrification was put into operation, the internal recycle has been installed and the output power of pumps for reverse sludge has increased.
- In 2010 started the works on the buildings “Filakovo – Intensification and Expansion of WWTP” and “Tisovec – Intensification of WWTP”. Both building projects are co-financed from the EU Funds and their goal is to increase the capacity of WWTP and to assure the wastewater treatment and the sludge disposal in compliance with the valid legislation.

- In the water pumping station Abelová the obsolete horizontal centrifugal pump 40 CVX has been replaced by the new immersion pump Lowara.
- In the water pumping station Kajlovka (the District Nová Baňa) the electric distributors have been reconstructed.
- In the existing facilities of water pumping stations and water reservoirs in the operation of Plant 05 Veľký Krtíš, within the realization of building project “Provision of Drinking Water Supply in the South Part of the District Veľký Krtíš”, the existing Automated System of Technological Processes Management has been replaced by the new system. In the water reservoirs Žihľava, Veľký Krtíš and Veľké Zlievce the fitting chambers have been reconstructed where the existing steel pipe has been replaced by the rustless pipe and the new regulation and closing fittings have been assembled. Within the mentioned building was carried out also the complete reconstruction and modernization of fitting chambers on 4 water reservoirs (Kriváň, Podkriváň, Mýtka and Kopáň) of the regional water main Hriňová – Lučenec – Filakovo and the new Automated System of Technological Process Management has been integrated.



## Innovations in Sewage Technique, Diversion of Wastewater and Operation of Sewer Systems

In 2010 the car park of sewage vehicles has been extended by the sewage vehicle CAS 11 Iveco Trakker for the Plant 01 Banská Bystrica. This vehicle will be used to improve the situation in wastewater disposal in the territories without a sewer diversion system where the wastewater is collected in cesspools. Carrying these effluents their treatment with a necessary efficiency will be assured and thus the environmental level improved.

In the area of installation of sewer laterals the technical conditions for connecting of real estates were elaborated and the new technological procedures for connecting the laterals on sewer system have been introduced. These new technological procedures have been tested at the Plants 01 Banská Bystrica and 03 Prievidza. On these plants these technological procedures are already used. Other plants have to be equipped with a necessary technique. The contributions of these technologies are shown particularly in a substantial increase of service life-time of sewer networks and their quality. Further, in elimination of insufficient working procedures which have deteriorated systematically the technical condition of sewer networks, increased the ratio of ballast water penetrating into sewer networks, they have increased the costs and substantially decreased the life-time of infrastructure and its overall technical condition.

We have worked-out the proposals of technical standards for construction of sewer systems and sewer system facilities and submitted them to the management of the proprietary company and the operating company. These standards assure the quality enhancement of the constructed sewer systems and determine also the conditions for technical solution of facilities as pumping stations and relieving chambers, the quality of performed works, the procedures for quality control of completed work, the proposal of technical conditions for contracts with a project engineer and a constructor. The main target of these standards is to increase the quali-

ty of infrastructure property, to prolong significantly the service life-time of sewer networks and to reduce the operational costs. The important contribution is the more effective use of financial means expended on the building of infrastructure. Within the repairs of inspection chambers and covers the new materials of sealing mixtures and repair mortar materials have been tested and put in practice improving the quality of the final state of repair and doing so bringing the savings in costs reduction by about 40 %. In 2010 there have been elaborated the recommendations for the application of plastic pipelines in construction of sewer systems so that also by the application of these flexible materials the complying quality of the realized sewer networks is observed.

## Energetics

For the operation of the technological, control and security equipment in the individual plants of the Company it is necessary to assure the delivery of the essential energetic media such as electricity, natural gas, heat, propane-butane and solid fuels. The share of the individual media in the total costs for energies in 2010 was as follows:

- 80.3 % electric power
- 16.9 % natural gas
- 1.0 % purchased heat
- 1.1 % propane-butane
- 0.7 % solid fuels

The main energetic medium purchased from the external suppliers on the technological facilities is and still remains in the future the electric energy with its share of about 64 % from the total consumption of the purchased energies. The second, with a substantially lower share of about 32 %, is the natural gas. With regard to a continued interannual increase in prices for energies on the average by 10 % our Company proceeded to the possibility to choose the supplier of electricity in the Slovak market and concluded the contract with the company SSE, a.s. Žilina that had offered the most advantageous price conditions as well as technical conditions for the delivery of electricity for the years 2010 to 2012. The contribution in 2010, compared with 2009, made the costs savings in the amount of almost 20 %. In order to reduce the costs and to manage the energetic media the Company assured the external energetic audit focused on the determination and technical-economical assessment of the potential of energy savings in the facilities of the orderer and the proposal of measures for energy-conscious modernisation of facilities and equipment.

Based on the results of this energetic audit, into the plans of investments and repairs the saving projects have been incorporated liable to several assessment criteria, namely from the following viewpoints:

- economic
- environmental
- technical
- operational
- legislative

High accent was put on the measures of organizational character consisting in a consistent mutual communication of employees at technical departments, employees performing the service, repairs and maintenance of the individual technological equipment with a power-supply manager with the aim to reduce the consumption of energies by the assurance of technological requirements.

The regular verification of the contractual terms for the supply of energies, selection of suitable products provided by the suppliers of energies particularly after the substantial changes in the production volume and the changes in energetically more demanding technological equipment, where the change in energy consumption and power conditions may occur, resulted in the reduction of costs for the purchased energies.

In 2010 the following saving measures in energetics have been realized:

- implementation of the monitoring and targeting system
- modernization of the present dispatching with the addition of energetic management
- hydraulic adjustments and thermostatisation of the heat and central heating distributions
- completion of frequency changers for electric engines
- replacement of obsolete drive mechanisms for the driving mechanisms with the lower performance and the higher efficiency
- retrofitting the control of production and supply of heat
- replacement of heating boiler units
- increase in production of biogas for electricity generation in cogeneration units
- replacement of uneconomic lighting devices
- decrease in reserved outputs for a large-scale offtake of electric power
- reduction of lump fees for circuit-breaker current values prior to charging measurement

By the operation of the cogeneration units as the renewable energy resources placed at the WWTP Rakytove, WWTP Zvolen and WWTP Lučenec the electric power in the volume of 1 302 MWh has been generated what means the contribution for the Company of more than 129 600 EUR.

# Efficiency



In the area of supply of drinking water the continuing declining tendency in consumption of drinking water has been registered. In the year 2010 the volume of invoiced drinking water was lower by 734 thousand m<sup>3</sup> in comparison to the year 2009 what means the decrease by 2.55 %. In this connection the decrease in other indicators of production and supply of drinking water has been experienced.

## Production and Delivery of Drinking Water

Length of water supply system in km	4 230
Number of water-service laterals	110 883
Length of water-service laterals in km	731
Number of water pumping stations	226
Number of water reservoirs	540
Number of water treatment plants	24
Number of supplied inhabitants	649 915
Produced water in thousand m <sup>3</sup>	45 271
Water for realization in thousand m <sup>3</sup>	45 164
Invoiced water in thousand m <sup>3</sup>	28 094
Non-invoiced water in thousand m <sup>3</sup>	17 069
Water for own consumption in thousand m <sup>3</sup>	1 338
Water losses in pipe network in thousand m <sup>3</sup>	15 647
Total number of water meters in water supply system	110 951
Specific consumption of drinking water in liter/inhabitant/day	90

## Water Gauges

As of December 31<sup>st</sup>, 2010 totally 109 323 charging water meters have been mounted in the network. In 2010 totally 19 195 water meters have been replaced, thereof 18 084 water meters within the periodic replacement and 1 111 pieces have been replaced by reason of: damaged water meter, stopped water meter, replacement upon request of customer etc. 53 water meters have been dismantled and sent to the official verification on request of customer, and in 42 cases till the end of the year the Company has already received also the result of this verification. In 2010 we have repaired totally 13 163 water meters, thereof 4 996 were repaired by the external supplier and 8 167 in our own repair service. In 2010 our Company did not use the remote control water meters for the invoicing purposes.

## Reduction of Water Losses

To reduce the volumes of non-invoiced water (and thus also water losses) was the effort of our Company also in the year 2010, particularly by a systematic activity in the detection and subsequent removal of water losses from pipelines. The water losses, which make the largest item of non-invoiced water as for the volume, have emerged mainly on the obsolete steel and cast-iron pipelines. The another component of non-invoiced water is the own consumption, whose volumes are still significant, because it is necessary even more frequently to perform the defecation and rinsing of pipelines because of water quality assurance in compliance with the valid legislation (particularly in indicator of iron).

## Water Supply System Breakdowns

Number of breakdowns (defects) in water supply networks is reflecting their current technical condition. The breakdowns happened mostly in supply and distribution pipelines, but also on laterals. We have removed totally 3 012 accidents, thereof 2 022 on supply and distribution pipelines and 990 on laterals. The increased number of breakdowns emerged in winter and autumn seasons what is repeated every year because of the changing climatic conditions (freezing and thawing of soil). In reduction of breakdowns number the activity of the Company was focused especially on the reconstruction of the most defective networks, building completion of measurable districts, expansion of dispatchings and realization of monitoring of critical sections on the water supply networks.

## Diversification and Treatment of Wastewater

Length of sewer system in km	892
Number of sewer laterals	28 836
Length of sewer laterals in km	234
Number of pumping stations	23
Number of wastewater treatment plants	40



Number of inhabitants connected to sewer system	418 335
Number of inhabitants connected to WWTP	392 766
Invoiced wastewater in thousand m <sup>3</sup> /year	23 158
Treated wastewater in thousand m <sup>3</sup> /year	66 333
Quantity of produced sludge in t/year	27 975



Quantity of purified wastewaters, comparison with the previous year

Indicator	Unit of measure	Year		Index 2010/2009
		2010	2009	
Purified waters totally	thousand m <sup>3</sup>	66 333.467	54 567.649	1.22
thereof: sewage waters	thousand m <sup>3</sup>	11 827.373	11 399.041	1.04
industrial and other waters	thousand m <sup>3</sup>	5 855.909	5 580.583	1.05
rainfall waters	thousand m <sup>3</sup>	11 824.749	9 698.567	1.22
foreign (ballast) waters	thousand m <sup>3</sup>	36 825.436	27 889.458	1.32

## Sewer System Survey and Measuring

In the area of sewer system survey and detection of connected producers, the technology for smoke testing of sewer system has been successfully tested and introduced. This technology enables the detection of defects in sewer pipes and sewer system facilities and the detection of connected real estates as well connected rain-water tanks into sewage canalization. We have elaborated the "Proposal for Decision Support System for Renewal, Reconstruction and Repair of Sewer System". Development of this proposal and its implementation can precise the assessment of the infrastructure status, the evidence of this status and the determination of

sequence of the necessary repairs, reconstructions and renewals.

The part of this system is to be also the assessment of technical condition of pipelines detected by a TV camera survey and scanning of pipelines. In 2010 the selection of a new system for sewer system survey has been finished. This system contains the mobile equipment equipped with TV camera and scanner with measurement of quality and slope of pipes, the hardware and software equipment of one workplace at the sewer system department for a technician who evaluates the data from the survey and processes these data and of one workplace at GIS department.

## Sewer System Breakdowns

Number of breakdowns in sewer system	179 *
thereof:	
• in network	160
• on laterals	19
• congestions in network	60
• congestions on laterals	16

\* Defects and breakdowns which require an urgent intervention (endangered property) or inflict impassability, non-functioning or interruption of sewer network; their removal requires an immediate intervention.

## Water Quality

During the period from January to December 2010 we have monitored the quality of sources, quality of water in the water supply system, quality of water in water reservoirs and on consumption places in the individual plants and according to the microbiological, biological and physical-chemical indicators. From the beginning of the year, totally 3 506 samples have been taken and 41 938 microbiological and biological analyses have been performed. The impurity by the samples made 8.95 % and by the analyses 1.69 %. By the chemical analyses, 3 532 samples have been taken and 64 209 analysis performed. The impurity by the samples reached 21.35 % and by the analyses 1.76 %. The total impurity by the samples - the microbiological, biological and physical-chemical one - amounted to 15.04 % and by the analyses 1.73 %. The permitted levels of impurities made by the samples 15.14 % and by the analyses 2.0 %.

## Environmental Protection

The primary activity of Stredoslovenská vodárenská prevádzková spoločnosť, a.s. is tightly associated with the environmental protection. We try to minimize the impact of all our activities on the individual components of environment, whether by a development of new technologies or by a responsible and safe operation of the existing technological equipment.

Within the operation of stationary energy sources our Company has produced 41 tons of emissions.



In the evaluated period no environmental accidents connected with the activities of our Company have been registered.

The increased attention has been paid to a safe operation of equipment containing the polychlorinated biphenyls (PCB). In compliance with the legal requirements we have assured in the year 2010 the shutdown and liquidation of these equipment and their complete decommissioning.

Within the environmental programs of the Company in 2010 we have realized:

- the modernization of gas boilers in the premises of the Plant Prievidza
- the parallel activation tank at Wastewater Treatment Plant Prievidza was put into operation and the technological adjustments at the biological stage were performed

In an effort to reduce the risks by storage of dangerous and harmful substances the reconstruction of the storage facility for chemicals in laboratory Banská Bystrica at the General Directorate and the reconstruction of the warehouse for chemicals at Water Treatment Plant Hriňová have been realized.

## Waste Management

The total production of waste in Stredoslovenská vodárenská prevádzková spoločnosť, a.s. in 2010 was 30 508 t, thereof the dangerous waste made 7.7 t and the other waste 30 500.3 t. The total sludge production in 2010 made 22 808 t, the sludge from wastewater treatment 22 406 t and the sludge from water defecation 402 t. The other types of waste were produced in the following quantities:

- excavation soil: 2 984 t
- waste from sand catchers: 2 981 t
- waste from canalization cleaning: 928 t
- bitumen mixtures: 382 t
- rakings from bar screens: 252 t
- mixed waste from buildings and demolitions: 99 t
- mixtures of concrete, bricks, tiles: 9 t
- mixed municipal waste: 34 t
- ash, slag and dust from boilers: 5 t
- plastics: 5.5 t.

In connection with the environmental policy of our Company we have assured the assessment of waste disposed in the previous time in dumps what has brought us the economical effect in saving of about 45 thousand EUR. The saved money has been reused for improvement of environment particularly in the area of waste storage in the premises of our facilities.

From the produced biologically decomposable waste, by the further assessment activities we have succeeded to obtain:

- the produced thermal energy in the volume of: 16 107 GJ
- the produced biogas in the volume of: 1 636 818 m<sup>3</sup>.

## Realization of Investments



In the year 2010 the revenues from realization of investments in Stredoslovenská vodárenská prevádzková spoločnosť, a.s. amounted to the total value of about 2.16 million EUR. This financial volume reflected the current possibilities of the infrastructural company that had financed these investments as well as the capacity possibilities of our Company. We have realized totally 12 building projects that have solved the most urgent problems related to the operation of the properties entrusted to us. Mostly it concerned to the reconstructions of the most defective sections of the public water supply systems or sewer systems.

We have put a special attention to the realization of the building project "Rimavské Brezovo – Water Main", the co-financing of which has been provided by the Cohesion Fund of the European Union. The target of this project was to ensure the quality drinking water for the inhabitants of this village, because in the past the water supply

in the village was solved by several group water mains operated by communities and by water wells which however did not meet the requirements for the quality of drinking water. The completion of this project is planned in the year 2011.

The similar building action realized in 2010 was also the project "Tajov – Canalization" where the selected sections of the realized public sewer system were performed by our Company. In 2010 we have successfully finished the project called "Provision of Drinking Water Supply in the South Part of the District Veľký Krtíš", whereby our Company has realized here in 2010 the revenues in the amount of 1.78 million EUR.

The realization of such financial volume in the area of investments realization has required a substantial effort of all participating organizational units of our Company and we believe that this will contribute, not in a small extent, to a problem-free operation of the rented infrastructure and thus also to the satisfaction of our customers whereby the primary goal of our customer-oriented Company would be fulfilled.

# Financial Part

## Comments on Financial Results

In 2010 our Company succeeded to achieve all important economic objectives set for this year. Even in spite of a negative effect of continuing decrease in the consumption of water in Slovakia, what affected also our Company, in comparison with the year 2009 the operating economic result increased, the added value increased and the indebtedness was reduced. Thus our Company has continued in a started trend and has maintained and strengthened the position of a strong and reliable partner.

In 2010 the significant changes in the ownership of our Company have been realized. Starting from January 1<sup>st</sup>, 2010 the Company has been merged with its standing sole shareholder, the joint-stock company Prvá vodárenská, a.s., whereby the new sole shareholder became the company VEOLIA VODA S.A. Paris. The mentioned changes have influenced also our accounting economic results. The value of intangible assets of the company Prvá vodárenská, a.s. has been re-evaluated and transferred into our equity what resulted into a substantial growth of costs for goodwill depreciation. This fact has caused the Company's accounting loss before tax in the value of 23 000 639 EUR. However this result had no negative effect on indebtedness or solvency of the Company.

On the settlement of loss for the fiscal year 2010 in the amount of 23 315 744 EUR shall be decided by the General Assembly.  
The proposal of the Statutory Body to the General Assembly – the settlement of loss to be performed by the reduction of other capital funds.

After the closing of the fiscal year for which the Annual Report is made, no events of major importance occurred affecting a true representation of the facts which form the subject of the accounting.

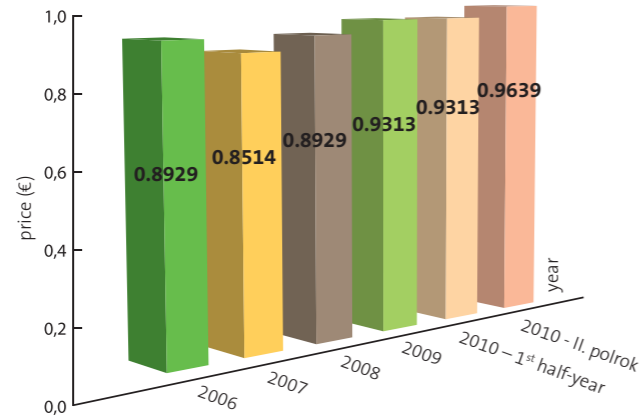
Despite of constant decrease in consumption of our consumers, the revenues from sales of own products and services (53 580.77 EUR) compared to the last year increased by 2.87 % what was particularly caused by the Resolution of the Regulatory Office for Network Industries determining for our Company the higher prices for water and wastewater utilities in comparison to the year 2009. By the Resolution of the Regulatory Office for Network Industries No. 0063/2010/V dated November 18<sup>th</sup>, 2009 the following maximum prices have been determined for our Company:

- the price for production and supply of drinking water: 0.9313 EUR/m<sup>3</sup>,
- the price for diversion and treatment of wastewater by public sewer system: 0.9167 EUR/m<sup>3</sup>.

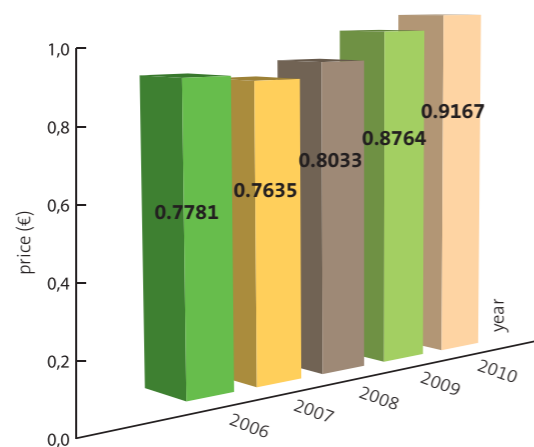
In July 2010 the Regulatory Office for Network Industries has determined for our Company the new maximal prices for water utility:

- the price for production and supply of drinking water: 0.9639 EUR/m<sup>3</sup>.

## Development of price for water utility without VAT in the years 2006 – 2010

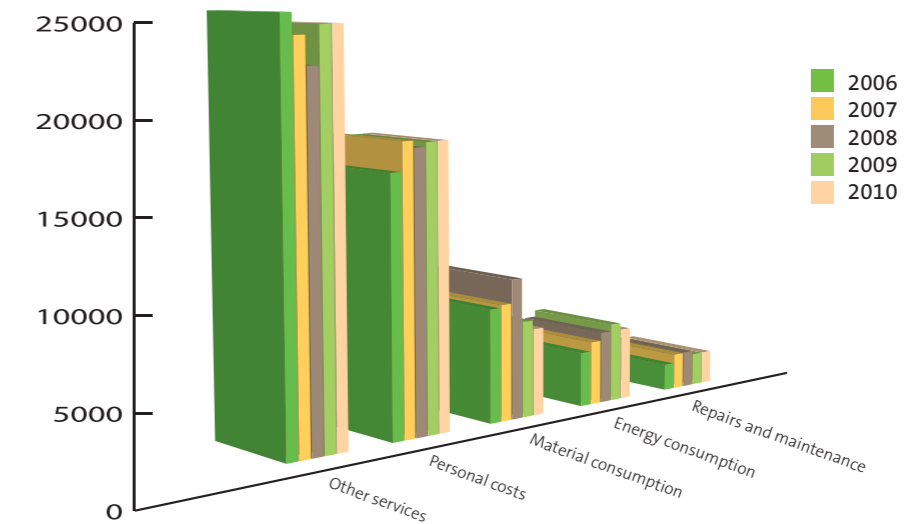


## Development of price for wastewater utility without VAT in the years 2006 - 2010



The total costs in 2010 have been influenced especially by a lump sum depreciation of goodwill which has increased the costs by 24 661350 EUR. The highest cost items remain the other services 20 875 930 EUR, particularly the costs for infrastructure rental, sub-deliveries and asphaltting. The other substantial cost items remain the personal costs 14 818 900 EUR, the costs for material 4 599 200 EUR, the consumption of energies 3 462 210 EUR and the costs for repairs and maintenance 1 733 190 EUR.

### Development of the highest cost items in the years 2006 - 2010



The total assets of the Company amounted to 24 931 300 EUR. The acquired non-current assets made 5 350 410 EUR. The Company is investing further significantly into the modernization of its tangible and intangible assets following the target to enhance the satisfaction of its customers.

For the financing of its needs the Company has used particularly the external sources – bank overdraft and investment credit. The bank overdraft was used with the purpose to ensure the operational needs of the Company in the amount of 5 654 010 EUR. For the purchase of assets associated with the business activities the Company has used the investment credit in the value of 7 402 240 EUR.

Generally the financial situation of the Company can be evaluated as stable. During the year the Company was able to fulfil its commitments against all employees, institutions, partners and other suppliers.

## Cash Flow Statement as of December 31<sup>st</sup>, 2010

	2010	2009
	EUR	EUR
<b>Cash flow from operational activities</b>		
Cash flow from current activities	4 114 991	5 370 711
Interests paid	-238 043	-327 921
Interests received	2 892	87,86
Corporate income tax paid	-413 089	-560 680
Cash flow before extraordinary items	3 466 751	4 482 198
Receipts from extraordinary items	0	0
<b>Net cash flow from operational activities</b>	<b>3 466 751</b>	<b>4 482 198</b>

<b>Cash flow from investment activities</b>		
Purchase of long-term assets	-1 061 134	-1 434 870
Receipts from sale of long-term assets	7 090	0
<b>Net cash flow from investment activities</b>	<b>-1 054 044</b>	<b>-1 434 870</b>

<b>Cash flow from financial activities</b>		
Receipts from loans	0	1 327 756
Loans provided	0	144 288
Installments of long-term liabilities	-818 632	0
Installments from received credits	-4 033 061	-4 033 000
<b>Net cash flow from financial activities</b>	<b>-4 851 693</b>	<b>-2 560 956</b>

(Decrease) increase of cash and cash equivalents	-2 438 986	486 372
Cash and cash equivalents at the beginning of the accounting year (including the merged company as per 1.1.2010)	-3 094 296	-3 608 225
<b>Cash and cash equivalents at the end of the accounting year</b>	<b>-5 533 282</b>	<b>-3 121 853</b>

<b>Cash flow from current activities</b>		
<b>Net profit (before deduction of interests, taxes and extraordinary items)</b>	<b>-22 762 307</b>	<b>1 948 349</b>
Adjustments by non-cash transactions:		
Depreciations of long-term tangible and intangible assets	26 268 483	1 443 545
Rectifying item to receivables	232 350	-144 618
Rectifying item to inventories	-66 768	-37 188
Reserves	987 008	519 070
Profit from sale of long-term assets	-3 916	0
Profit from current activities before change in working capital	4 654 850	3 729 158
Change in working capital:		
(Decrease) increase of receivables from business relation and other receivables (including accruals and deferrals of assets)	1 799 915	1 576 599
(Decrease) (increase) of inventories	1 078 528	-654 157
(Decrease) increase of liabilities (including accruals and deferrals of liabilities)	-3 418 302	719 112
<b>Cash flow from current activities</b>	<b>4 114 991</b>	<b>5 370 711</b>

## PROFIT-AND-LOSS STATEMENT as of December 31<sup>st</sup>, 2010 (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	210	19 736
A.	Expenses for goods sold	02	129	19 736
<b>+</b>	<b>Commercial margin</b>	<b>03</b>	<b>81</b>	<b>0</b>
<b>II.</b>	<b>Production</b>	<b>04</b>	<b>52 593 352</b>	<b>52 811 812</b>
II.1.	Incomes from sales of own products and services	05	53 580 765	52 087 568
2.	Changes in stock of finished goods and work-in-progress	06	-1 012 818	705 032
3.	Own work capitalized	07	25 405	19 212
<b>B.</b>	<b>Consumables and services purchased</b>	<b>08</b>	<b>32 159 552</b>	<b>33 087 739</b>
B.1.	Consumed material, energy and other non-inventory items	09	9 472 504	10 508 210
2.	Services	10	22 687 048	22 579 529
<b>+</b>	<b>Added value</b>	<b>11</b>	<b>20 433 881</b>	<b>19 724 073</b>
C.	Total personal costs	12	14 818 887	14 840 827
C.1.	Labour costs	13	10 336 303	10 470 288
2.	Remuneration of board and co-operative members	14	87 044	73 690
3.	Social insurance	15	3 595 550	3 590 957
4.	Social costs	16	799 990	705 892
D.	Taxes and charges	17	106 806	86 148
E.	Depreciations and rectifying items to long-term intangible and long-term tangible fixed assets	18	26 268 483	1 443 546
III.	Revenues from sales of fixed assets and inventory	19	24 079	8 739
F.	Net book value of fixed assets and inventory sold	20	18 081	7 462
G.	Creation and accounting of rectifying items to receivables	21	410 028	-144 618
IV.	Other operating incomes	22	285 374	839 379
H.	Other operating expenses	23	1 858 119	2 374 496
<b>*</b>	<b>Operating profit or loss</b>	<b>26</b>	<b>-22 737 070</b>	<b>1 964 330</b>
X	Interest incomes	38	2 892	53 800
N.	Interest expenses	39	238 043	327 922
XI.	Exchange rate profits	40	368	846
O.	Exchange rate losses	41	565	2 477
XII.	Other financial revenues	42	754	
P.	Other financial costs	43	25 794	14 350
<b>*</b>	<b>Profit / loss from financing activities</b>	<b>46</b>	<b>-260 388</b>	<b>-290 103</b>
<b>**</b>	<b>Profit / loss from ordinary activities before tax</b>	<b>47</b>	<b>-22 997 458</b>	<b>1 674 227</b>
S.	Income taxes on ordinary activities	48	315 105	382 863
S.1.	- current	49	251 527	299 635
2.	- deferred	50	63 578	83 228
<b>**</b>	<b>Net profit / loss from ordinary activities</b>	<b>51</b>	<b>-23 312 563</b>	<b>1 291 364</b>
T.	Extraordinary costs	53	3 181	
<b>*</b>	<b>Profit / loss from extraordinary activities before tax</b>	<b>54</b>	<b>-3 181</b>	
<b>*</b>	<b>Profit / loss from extraordinary activities before tax</b>	<b>58</b>	<b>-3 181</b>	
<b>***</b>	<b>Profit / loss for the accounting period before tax</b>	<b>59</b>	<b>-23 000 639</b>	<b>1 674 227</b>
<b>***</b>	<b>Net profit / loss for the accounting period</b>	<b>61</b>	<b>-23 315 744</b>	<b>1 291 364</b>



## BALANCE SHEET as of December 31<sup>st</sup>, 2010 (in EUR)

Code	ASSETS	Line	Current Accounting Period		Immediate Previous Ac- counting Period
			1 Gross – Part 1 Correction - Part 2	Net 2	
a	b	c			Net 3
	<b>TOTAL ASSETS</b>	<b>001</b>	30 705 870	24 931 296	30 889 487
<b>A.</b>	<b>Non-current assets</b>	<b>002</b>	9 296 539		5 882 734
<b>A.I.</b>	<b>Total long-term intangible fixed assets</b>	<b>003</b>	821 305	346 806	412 443
3.	Software	006	474 499	346 806	409 083
7.	Long-term intangible fixed assets in acquisition	010			3 360
<b>A.II.</b>	<b>Total long-term tangible fixed assets</b>	<b>012</b>	8 453 376	4 981 750	5 470 291
3.	Separate movable assets and sets of movables	015	3 471 626		5 434 692
7.	Long-term tangible fixed assets in acquisition	019	8 146 628	306 748	35 599
<b>A.III.</b>	<b>Total long-term financial investments</b>	<b>022</b>	21 858	21 858	
A.III.1	Allotment certificates and shares in subsidiary accounting entity	023	16 858	16 858	
A.III.2	Allotment certificates and shares in company with substantial influence	024	5 000	5 000	
<b>B.</b>	<b>Current assets</b>	<b>031</b>	15 710 798	13 882 349	16 504 435
<b>B.I.</b>	<b>Total inventory</b>	<b>032</b>	1 828 449	586 276	1 598 036
B.I.1.	Material	033	641 152	584 069	581 793
2.	Work-in-progress and semi-finished goods of own production	034	638 945		1 012 819
6.	Goods	038	54 876	65	
7.	Advanced payments for inventory	039	2 142	2 142	3 424
<b>B.II.</b>	<b>Total long-term receivables</b>	<b>040</b>	455 935	455 935	227 033
B.II.1.	Trade receivables		297 876	297 876	5 396
6.	Deferred tax receivables	046	158 059	158 059	221 637
<b>B.III.</b>	<b>Total short-term receivables</b>	<b>047</b>	14 492 987	12 719 414	14 577 995
B.III.1.	Trade receivables	048	1 773 573	12 466 230	11 370 469
2.	Receivables from subsidiaries and controlling entity	049	14 239 803		2 386 468
3.	Other receivables from entities in consolidation field	050	1 773 573		390 823
6.	Tax subsidies and receivables	053	48 831	48 831	
7.	Other receivables	054	204 353	204 353	430 235
<b>B.IV.</b>	<b>Total financial accounts</b>	<b>055</b>	120 724	120 724	101 371
B.IV.1.	Cash in hand	056	101 221	101 221	88 092
2.	Bank accounts	057	19 503	19 503	13 279
<b>C.</b>	<b>Total accruals and deferrals</b>	<b>061</b>	5 698 533	5 698 533	8 502 318
C.1.	Prepaid expenses long-term	062	2 788 289	2 788 289	5 576 578
2.	Prepaid expenses short-term	063	2 838 390	2 838 390	2 877 963
4.	Prepaid incomes short-term	065	71 854	71 854	47 777

Code	EQUITY AND LIABILITIES	Line	Current Accounting Period	Immediate Previous Account- ing Period
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>066</b>	24 931 296	30 889 487
<b>A.</b>	<b>Equity</b>	<b>067</b>	3 309 357	4 309 995
<b>A.I.</b>	<b>Total registered capital</b>	<b>068</b>	34 000	34 000
A.I.1.	Registered capital	069	34 000	34 000
<b>A.II.</b>	<b>Total capital funds</b>	<b>073</b>	39 970 179	3 319
A.II.1.	Capital surplus	074	3 320	
2.	Other capital funds	075	41 142 426	
3.	Legal reserve fund from capital deposits	076	3 319	3 319
4.	Valuation differences from revaluation of property and liabilities	077	-1 178 886	
<b>A.III.</b>	<b>Total funds from profits</b>	<b>080</b>	3 481	3 319
A.III.1.	Legal reserve fund	081	3 481	3 319
<b>A.IV.</b>	<b>Profit / loss from prior years</b>	<b>084</b>	-13 382 559	2 977 993
A.IV.1.	Retained earnings from previous years	085		2 977 993
A.IV.2.	Unpaid loss from previous years	086	-13 382 559	
<b>A.V.</b>	<b>Net profit / loss for current accounting period</b>	<b>087</b>	-23 315 744	1 291 364
<b>B.</b>	<b>Liabilities</b>	<b>088</b>	21 560 030	26 461 907
<b>B.I.</b>	<b>Total reserves</b>	<b>089</b>	2 996 242	2 005 958
2.	Legal short-term reserves	091	2 172 583	951 073
4.	Other short-term reserves	093	823 659	1 054 885
<b>B.II.</b>	<b>Total long-term liabilities</b>	<b>094</b>	840 752	1 659 384
B.II.1.	Long-term trade liabilities	095	836 295	1 650 957
8.	Social fund payable	102	4 457	8 427
<b>B.III.</b>	<b>Total short-term liabilities</b>	<b>105</b>	4 666 786	8 138 035
B.III.1.	Trade payables	106	2 406 256	5 550 123
2.	Short-term liabilities unbilled	107	339 246	162 431
6.	Employee liabilities	111	744 322	986 648
7.	Social security payables	112	461 452	613 021
8.	Tax liabilities and subsidies	113	680 441	791 432
9.	Other payables	114	35 069	34 380
<b>B.IV.</b>	<b>Short-term financial accommodations</b>	<b>115</b>		
<b>B.V.</b>	<b>Bank loans</b>	<b>116</b>	13 056 250	14 658 530
B.V.1.	Long-term bank loans	117	3 369 183	7 402 244
2.	Short-term bank loans	118	9 687 067	7 256 286
<b>C.</b>	<b>Total accruals and deferrals</b>	<b>119</b>	61 909	117 585
4.	Deferred incomes short-term	123	61 909	117 585

## Správa nezávislého audítora



KPMG Slovensko spol. s r. o.  
Dvořákovo nábrežie 10  
P. O. Box 7  
820 04 Bratislava 24  
Slovenska

Telephone +421 (0)2 59 98 41 11  
Fax +421 (0)2 59 98 42 22  
Internet www.kpmg.sk

### 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 December 31<sup>st</sup>, 2010, the profit and loss statement for the year ending on December 31<sup>st</sup>, 2010 and other explanatory notes.

#### Responsibility of the Statutory Body of the Company

The statutory body of the Company is responsible for the preparation of the financial statement which provides a true and faithful representation in accordance with the Slovak Accounting Act and for the internal controls considered to be necessary for the preparation of the financial statement not containing any considerable errors, either in consequence of a fraud or a mistake.

#### Responsibility of the Auditor

Our responsibility is to express the opinion on this financial statement based on 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 judgement, including the consideration of risk 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 of the financial statement, in order to be able to elaborate 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 conditional verdict.

#### Reasoning of the Conditional Verdict

As mentioned in the Part F of the explanatory notes to the financial statement, the Company depreciated in a lump sum the value of goodwill to the costs of the year 2010. According to our opinion, the listed procedure does not comply with the Slovak Accounting Act that provides that a goodwill is depreciated during the assumed lifetime responding to a consumption of the future economic utilities from the property. The assumed time of duration of economic utilities makes twenty-six years based on the duration of the hiring and operational contract to the water and wastewater infrastructure, from the evaluation of which a goodwill has arisen for the Company. The amount of depreciations by the application of this lifetime would make 948 thousand EUR as of December 31<sup>st</sup>, 2010, it means it was lower by 23.713 thousand EUR. At the same time, the value of the long-term intangible fixed assets would be increased by this difference and the loss of the current accounting period would be decreased as well.

#### Condiciona l Verdict

In our opinion, except the influence on the financial statement listed in the Article "Reasoning of the Conditional Verdict", the financial statement provides a true and faithful representation of the financial situation of the Company as of December 31<sup>st</sup>, 2010 and its economic result for the year ending on December 31<sup>st</sup>, 2010 in compliance with the Slovak Accounting Act.

March 31<sup>st</sup>, 2011  
Bratislava, Slovak Republic

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



Responsible Auditor:  
Mgr. Zuzana Zuberová  
UDVA Licence No. 1028

## 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 were verified by the audit company KPMG Slovensko, spol. s r.o. appointed for the year 2010 by the only Shareholder of the Company during the execution of the activities of the General Assembly of the Company on August 16<sup>th</sup>, 2010.

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

After the examination of the Annual Financial Statement and in connection with the Auditor's Report the Supervisory Board declares that the Company conducts the accounting system in compliance with the Accounting Act and the other related regulations, besides the depreciation of goodwill on the basis of the decision of the sole Shareholder. By investigation of the data listed in the Financial Statement for the year 2010 no objections were found restraining the approval of the Annual Financial Statement and the Annual Report of the Company.

In the year 2010 the Company made a loss of 23 315 744 EUR caused by a lump sum depreciation of goodwill that was performed on the base of the decision of the sole Shareholder.

The Supervisory Board also discussed the Proposal of the Board of Directors for the approval of the economic result settlement for the year 2010. The Supervisory Board makes no objections against these documents and recommends to the General Assembly **to approve** the Annual Financial Statement, the Annual Report and the Proposal for Settlement of Economic Result – Loss.

In Banská Bystrica, on June 29<sup>th</sup>, 2011



Tomáš Paclík  
Chairman of the Supervisory Board



## **Stredoslovenská vodárenská prevádzková spoločnosť, a. s.**

Partizánska cesta 5, 974 01 Banská Bystrica  
Tel.: 048/ 4327 111, e-mail: info@stvps.sk, www.stvps.sk

### **Call Center – Customer Line 0850 111 234**

e-mail: cc@stvps.sk  
fax: +421 48 4327 888

#### **Customer Centers**

##### **Banská Bystrica**

Partizánska 73, 974 01 BB

##### **Prievidza**

V. Clementisa 52, 971 55 PD

##### **Lučenec**

Komenského 4, 984 53 LC

##### **Rimavská Sobota**

Duklianskych hrdinov 42, 979 01 RS

##### **Veľký Krtíš**

Banicka 39, 990 01 VK

##### **Brezno**

Sekurisova 4, 977 01 BR

##### **Žiar nad Hronom**

SNP 125, 961 50 ZH

##### **Zvolen**

Ľ. Štúra 2208/15, 961 05 ZV



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- prevents the useless felling of trees,
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Using the natural oil-based inks for printing of the Annual Report the air pollution is reduced, the volume of harmful pollutants decreases and the paper recycling is simplified.