



ANNUAL REPORT 2010

50

45

40

35

30

25

20

15

10

5

Investments (thousand €)

2005

26.599

2006

37.594

2007

46.003

2008

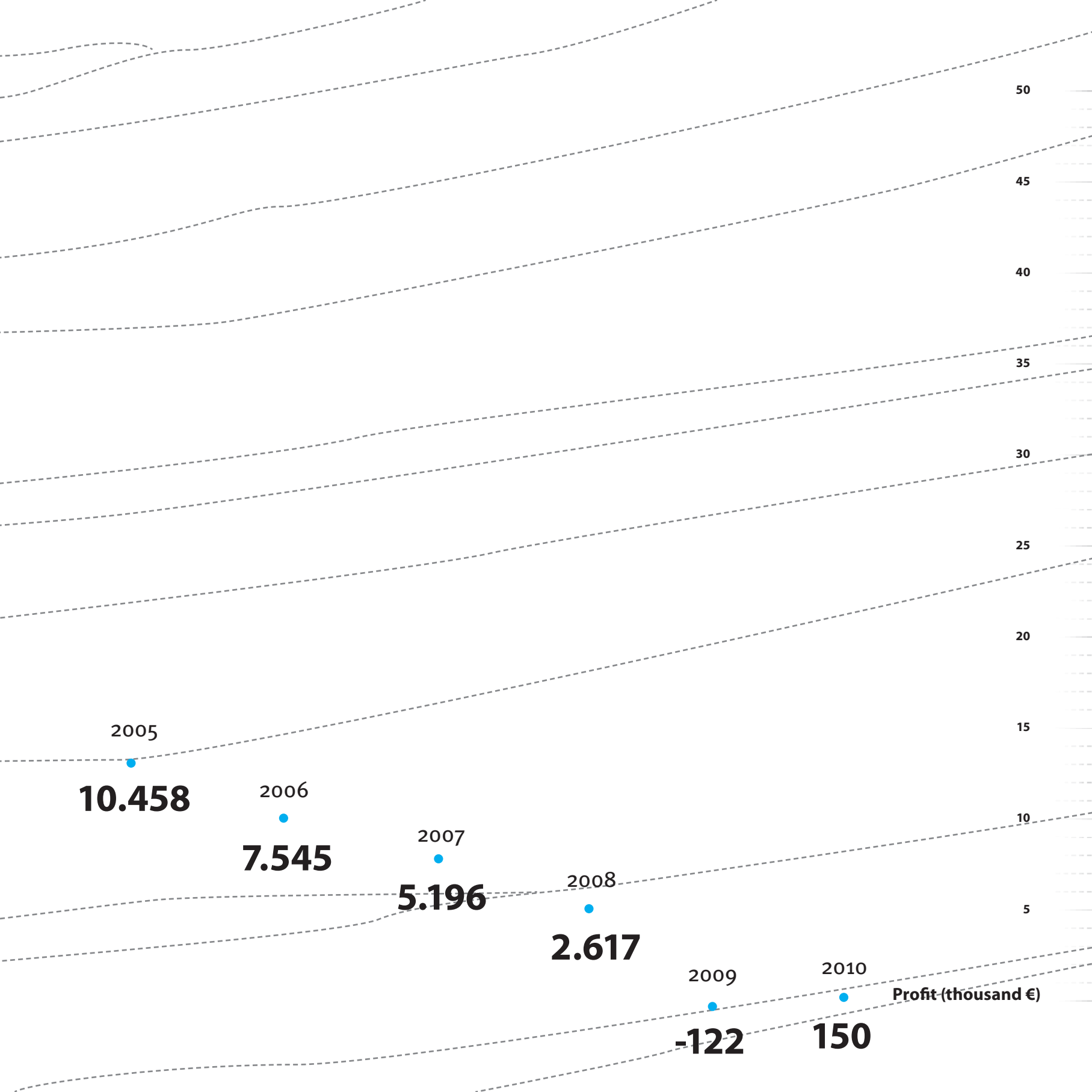
29.442

2009

28.804

2010

23.956





## annual report 2010

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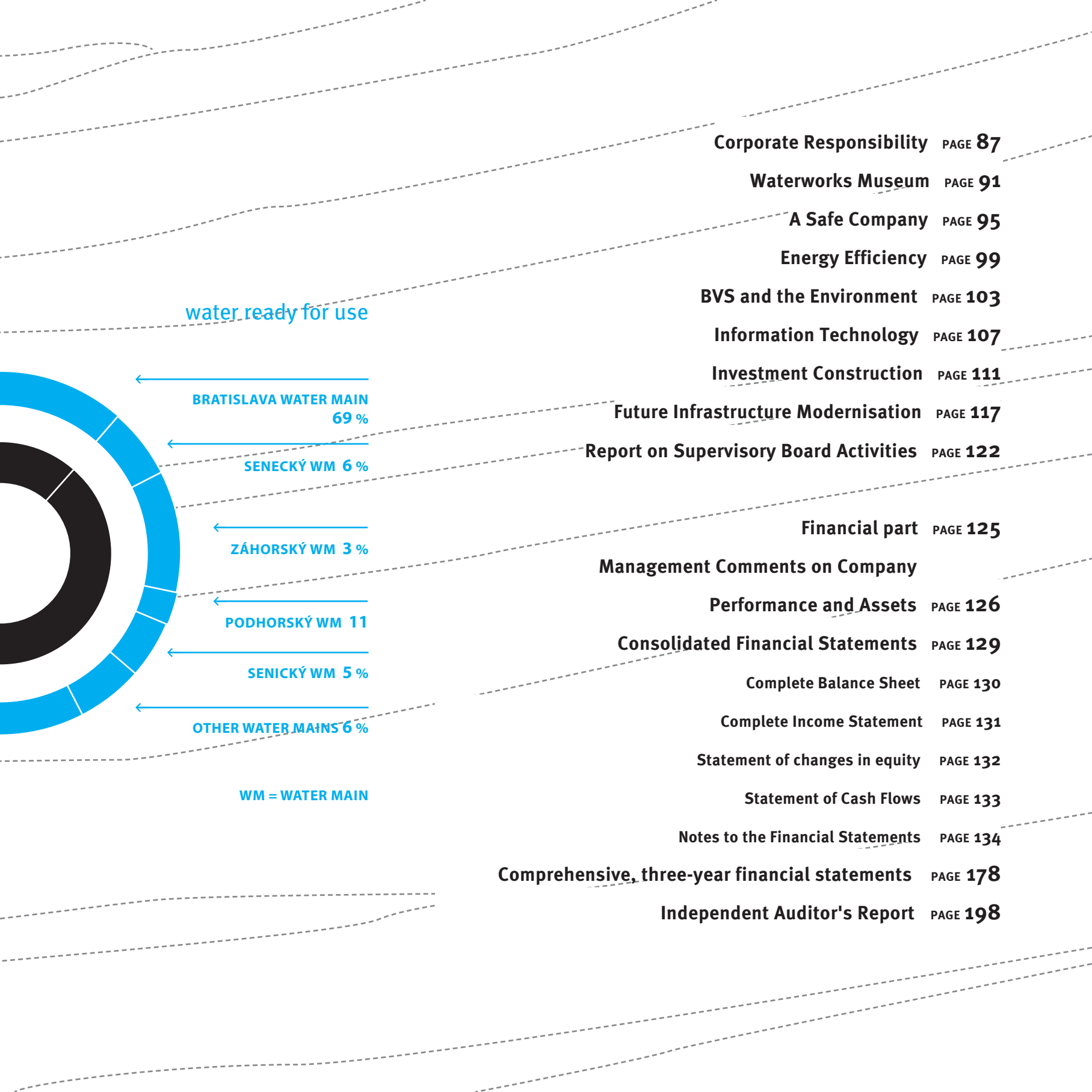
shareholder structure

OTHER MUNICIPALITIES  
AND CITIES 32,28 %

BVS, A. S. 8,43 %

THE CAPITAL OF SR  
BRATISLAVA 59,29 %





water ready for use

BRATISLAVA WATER MAIN  
69 %

SENECKÝ WM 6 %

ZÁHORSKÝ WM 3 %

PODHORSKÝ WM 11 %

SENICKÝ WM 5 %

OTHER WATER MAINS 6 %

WM = WATER MAIN

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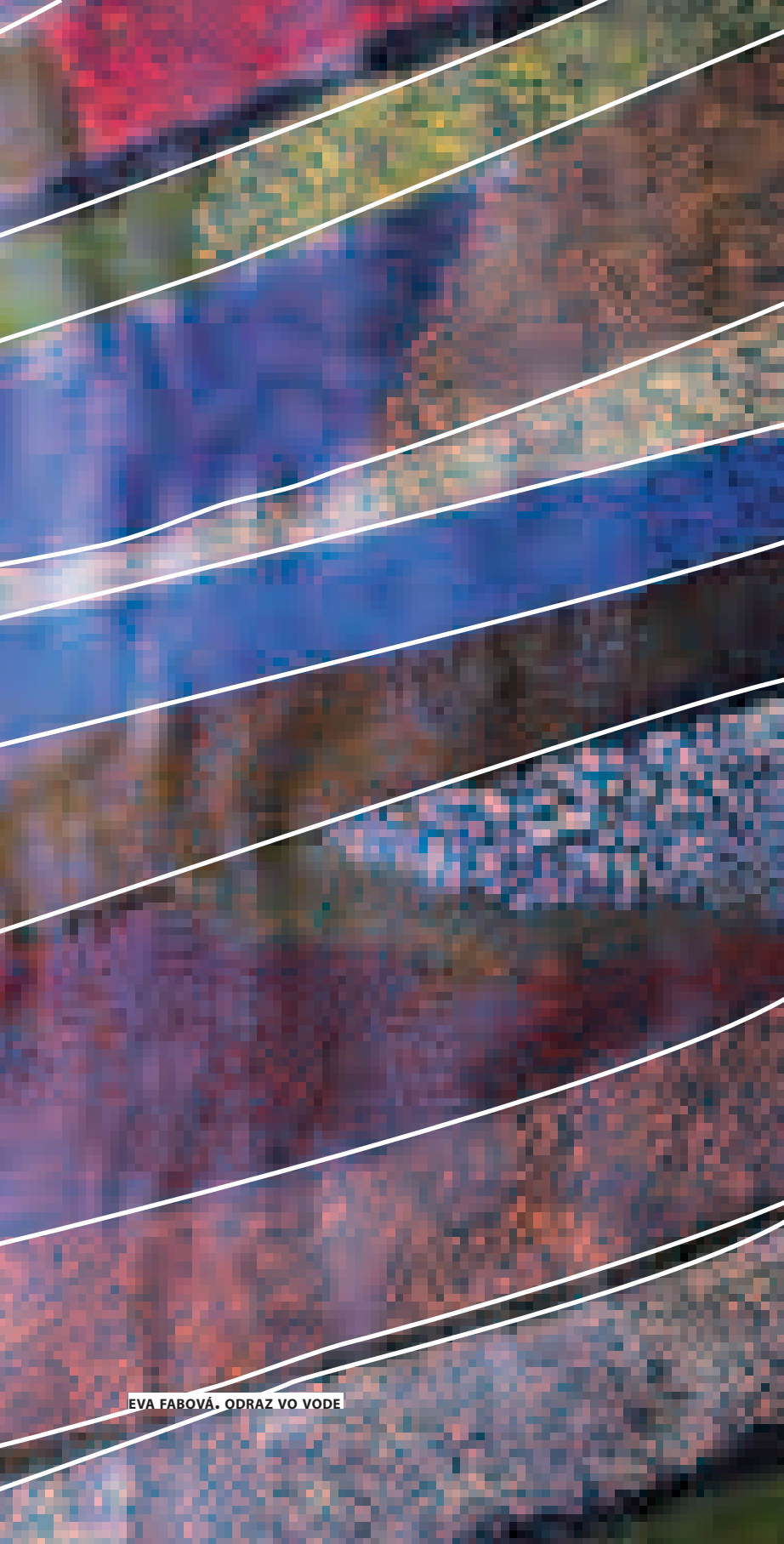
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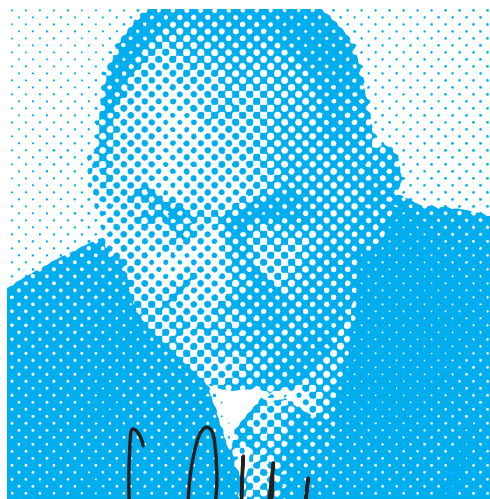


# Introduction

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EVA FABOVÁ, ODRAZ VO VODE

## Introduction from the General Director



From my point of view over the previous year I have tried to ignore everything connected to the national and local elections despite the fact that for our company, with cities and towns as its shareholders, this is practically impossible. When I forget about all of the unsuccessful and successful attempts to use the issue of Bratislavská vodárenská spoločnosť (BVS) in order to gain political points at the expense of a political opponent, I can decisively state that 2010 was a successful year.

The events surrounding BVS will amount to a tempest in a teapot over time. This will repeat itself and negatively impact the company as long as the company's shareholders remain politically unstable.

The success of this and every year must be evaluated within the framework of what company management is able to control. The economic playing field for the water utility business, however, is defined by the state-controlled Regulation Office. As stated in the 2010 Annual Report, discussed and approved by the general meeting of the company, BVS generated a profit and increased its assets while increasing work productivity and added value. However this only met the basic shareholder expectations.

The statement made by the statutory company auditor to the financial statements was provided with conditions. One condition was basically an expression of his opinion as to a state-regulated water utility. Water utilities do not generate sufficient funds to even regenerate their own assets as a result of these misconceived regulations. The auditor expressed his opinion on company earnings to all company bodies. Top management has been of the same opinion for years.

Management is pleased that the transformation of BVS as a company as well as a group of companies is successfully continuing even in the face of these complicated conditions. The subsidiary Bionergy has successfully completed its first year of existence and it begun to fulfil expectations.

The decision of company bodies as to the manner of a capital increase into the subsidiary Infra Services has also proven to be correct despite the fact it generated mainly political and pre-election discussion. This was by no means a professional discussion. A share capital increase in a commercial company is one of the least risky and most commonly used steps to secure needed development capital.

Thanks for the active participation in the transformation of the company and for the results achieved in 2010 belong to all of those who shared in them. The changes in company management and bodies in 2011 announced by the majority shareholder must be perceived as a normal and automatic step that always follows a change in shareholders and in this case a change in the position of the statutory representative of the majority shareholder. It has the full right to do so. Hope remains that the new bodies and executive management will continue to fulfil the mission and vision of BVS and that management is able to master changes that occur without any negative impact on the company.

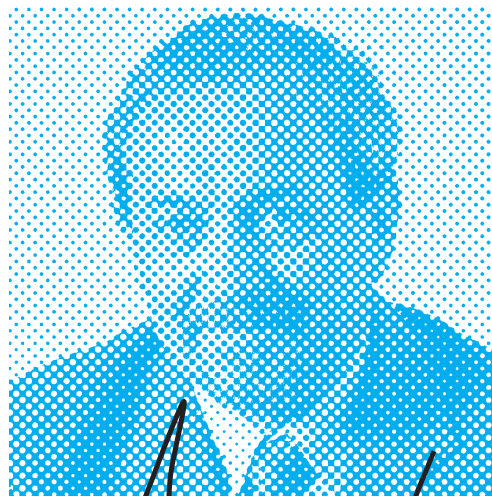
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**Ing. Daniel Gemeran**  
**Chairman of the Board of Directors**  
**and General Director**

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## Introduction from the Chairman of the Supervisory Board



At the end of June, the Board of Directors at BVS submitted the company's 2010 financial statements to the general meeting for discussion and approval. At this time, five members of the Supervisory Board, including the Chairman, will no longer be members of the Supervisory Board as their mandate will expire on 7 June 2011 on the basis of the company articles. Despite this fact, please allow me to briefly assess the results achieved by BVS from the point of view of the Chairman of the Supervisory Board. Company earnings from 2005 to 2010 can be assessed from the following overview (profit and investments) for these years. It is necessary to remember that the company in these years with the exception of 2009 generated a profit and completed investments using internal funds for reconstruction, modernisation and new construction of water and sewer lines, water reservoirs, treatment plants and other structures as follows (see graphs on pages 2-3).

From this point of view it is clear the company **invested a total of €192.398 million of internal funds** during this period. This high level of investment was only possible thanks to the fact the shareholders of the company, upon a proposal from the shareholder, the Capital City of Bratislava, concluded an agreement to not pay dividends or royalties and agreed that all profits including depreciation would be invested. The company increased its internal infrastructure and its assets increased by more than €66.388 million. Since its establishment, the company has decreased, with the planned volume of water production, sewer collection and treatment, the number of employees and achieved higher labour productivity. BVS was given a rating of AA2 rating from Moody's, an international ratings agency, which is the highest rating for a company in Slovakia. For this reason it is more than clear that BVS is a healthy company.

The year 2010 was an election year locally and in my opinion it was unfortunate that BVS was used as an election topic. Within the election campaign and after the elections untrue statements regarding BVS were circulated, definitely damaging its reputation. Hardworking and honest company employees certainly did not deserve this "publicity" for the amount of hard work they put in.

A future with some challenging tasks, especially in terms of wastewater treatment (an obligation from EU accession discussions) awaits and will require large investments. The need for such investments naturally exceeds potential internal funding. Assurance of sufficing funding will only be possible with Eurofunds and 20% matching funds financed by loans. As our joint-stock company is a healthy company with good creditworthiness, we have received an investment loan at 1.15% + 3 EURI-BOR, which represents a condition that no other condition in the Slovak Republic could match.

In concluding my introduction, please allow me in the name of the entire Supervisory Board to thank all company employees for the quality work they completed in 2010. At the same time please allow me to express my conviction that company shareholders will remain cities and towns in the future and that new management will be successful in the future improvements of the company. I wish all employees and new management a great deal of success in the future and much health and happiness in their personal lives.

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**Ing. Karol Kolada**  
**Chairman of the Supervisory Board**

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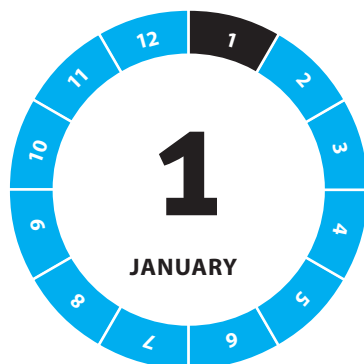


## Highlighted Events during 2010

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LÍVIA ORLOVSKÁ. ZLATÝ DÁŽD

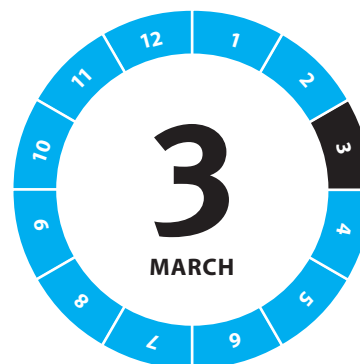
## Najvýznamnejšie udalosti roka 2010 podľa mesiacov



- 7th anniversary of establishment of BVS
- New system for assuring water hygiene using sodium hypochlorite in the place of chlorine gas is placed into operation



- 124th anniversary of the establishment of the city waterworks in Bratislava



- Free to the public analysis of water samples from wells for nitrates and total water hardness in commemoration of World Water Day
- End of the 2nd phase of the Small Carpathian Region Sewer project (connecting sewer lines from Pezinok to the treatment plant in Vrakuňa)



- Bratislava for all event - a program for the public in the Waterworks Museum
- Reopening of the Sihot water source after significant reconstruction work
- End of reconstruction of the Veľké Leváre water improvement facility
- Approval of grant for the "Holíč, reconstruction and intensification of the treatment plant" project via Ministry of Environment decision



- Night of museums and galleries at the Waterworks Museum
- 6th annual "Present and future of water utilities in Slovakia" professional conference, which BVS co-organises



- BVS Day – the biggest cultural and sports event for BVS employees



- General meeting
- Loan contract for selected investment activities totalling €20 million



- Funding drive of the Water Foundation to support flood affected communities in eastern Slovakia nad Upper Nitra region



- Participation in the Slovak finale of the "Water utility skills competition" held in Tatranske Matliare where BVS took 4th prize



- Launch of new BVS website after a redesign
- Launch of repeated supply of goods and services, new General Commercial Terms and Conditions
- Third place in the competition for the best annual report organised by the Institute for Economic and Social Reforms (INEKO)
- Issue of a New Employee Guide and a Contact Employee Manual



- Customer centre in Senica moves into new, modern premises
- End of renovation of building for the Chemical Technology and Lab Activity Department



- Launch of the intranet
- Start of the "General Pardon" program with the goal of lowering the number of unauthorised drinking water users and waste water producers
- End of the "Kunov recreation area sewers" project



## Aims and Goals for 2011

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**Any discussion of company aims during a period (at the start of 2011) where the majority shareholder has given notice of a change in the current executive management of the company would mean success in forecasting and predicting the manner in which the new management of the company will approach what they have inherited from their predecessors.**

**Under the expectation that the new management will have interest in preserving the continuity of developments in the company and will have their own ideas and visions for the company or will continue and update its current form, it is possible to expect and plan the following steps for 2011:**

The company or the BVS group of companies will continue creating conditions for divesting non-core business to the external environment. The general meeting approved the spinoff of the company Balena voda. The spinoff of the current central laboratory to the company Biolab should also be prepared for approval.

The company or the BVS group of companies will continue creating conditions for transitioning exiting companies into the

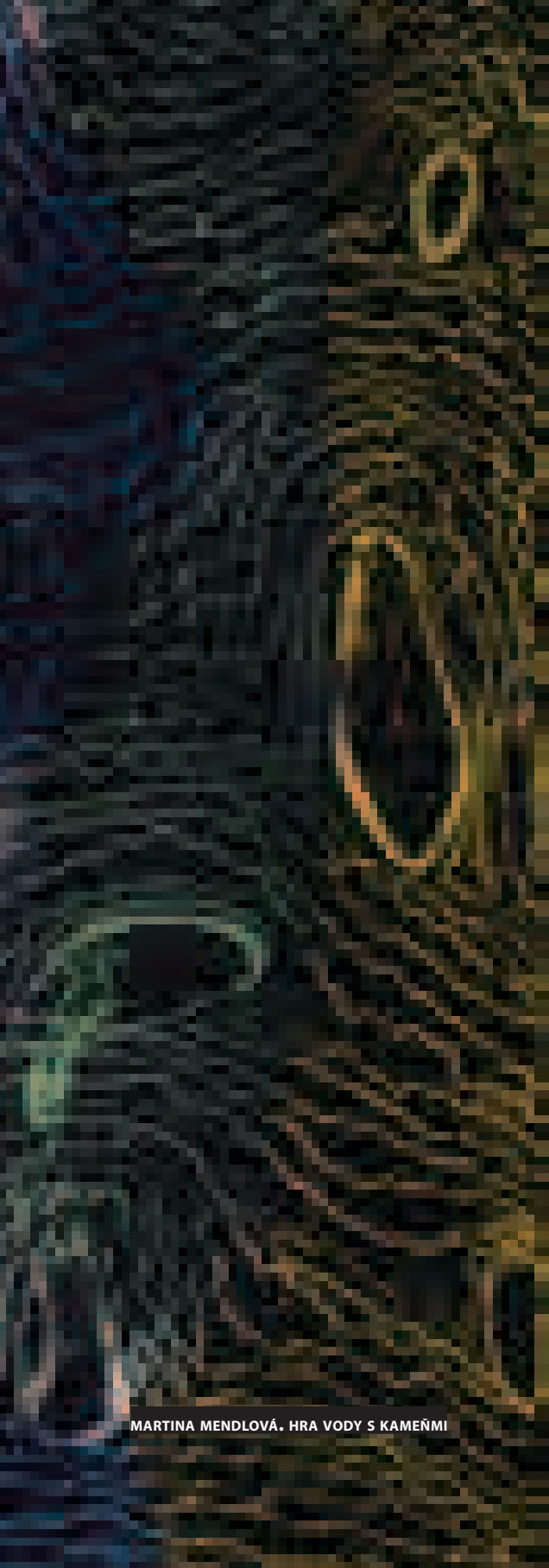
current open market environment (regional construction market, regional energy market, regional waste management market, lab analysis services market, etc.).

The company has completed the identification of areas within BVS that have not been covered by process analytics (production and distribution of drinking water, removal and treatment of wastewater and business opportunities in these key "commodities") and has documented and defined binding control elements for these processes (Core Processes Management Directive).

The company will continue to develop internal information technology capabilities and in some cases modernisation of these systems has taken place.

In 2011 or 2012 the company will start to apply the approved New Remuneration System. This system is based on the measurable performance of employees. This new system anticipates the introduction of an employee benefits system.

The company will continue building up remote monitoring and control capabilities in all production and distribution structures and in central control from the Central Technical Dispatch (CTD) facility.



MARTINA MENDLOVÁ. HRA VODY S KAMEŇMI

## Company Profile

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**Bratislavská vodárenská spoločnosť (BVS) produces and delivers drinking water and operates water and sewer networks in the Bratislava Region, portions of the Trnava Region (Skalica and Senica Districts) and a portion of the Trenčín Region (Myjava District). Its main activities include supplying residents, industry, agriculture and other drinking water consumers and collecting and treating wastewater from public sewers. In addition to this, BVS manages and maintains public hydrological equipment and secures hydrological and technical development as well as investment construction projects.**

# Company Bodies



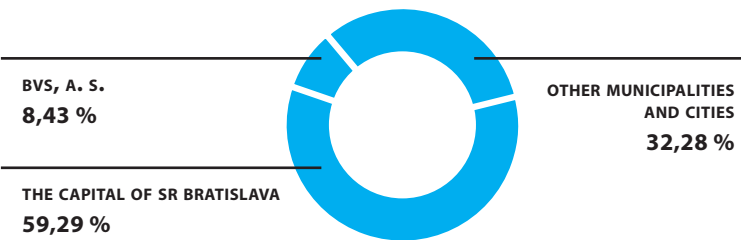
## Identification information

**Commercial name:** Bratislavská vodárenská spoločnosť, a. s.  
**Registered office:** Prešovská 48, 82646 Bratislava  
**Company ID (IČO):** 35850370  
**Date registered:** 7 January 2003  
**Legal form:** Joint stock company

## Business activities

- Operating 1st to 3rd class public water distribution systems
- Operating 1st to 3rd class public sewer systems
- Performing physical, chemical, biological and microbiological analysis of surface, drinking and wastewater in the scope of an open trade license
- Waste disposal of all wastes other than hazardous waste
- Civil engineering activities - civil engineering procurement activities
- Generation and deliveries of electricity from renewable resources
- Construction of simple structures, small structures and changes thereto
- Agent activities in the field of services
- Rental of tangible assets
- Distribution and sales of non-drinking water

## Shareholder structure



## Face value, number, type, form and version of shares

Amount of share capital: €281,365,934.89  
Face value per share: €33.19  
Number of shares: 8,477,431  
Share type: common  
Share version: registered  
Share form: paper

## Subsidiaries

- Infra Services, a. s. (Ownership stake: 51 %) – Established 22 December 2007
- BIONERGY, a. s. (Ownership stake: 100 %) – Established 31 December 2009

# Company Management

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## Other legal facts

The joint stock company was established without a call to subscribe shares via an establishment deed and a decision of the founder as certified on notary deed no. N 866/2002, Nz 860/2002 dated 02.12.2002 pursuant to Sections 56 to 75 and Section 154 et seq. of Act No. 513/1991 Coll. as amended. The joint stock company was established pursuant to Privatisation Decision No. 853 issued by the Ministry for Administration and Privatisation of the National Property of the Slovak Republic dated 2.10.2002 with file no. KM-1306/2002 via the deposit of all assets of the cancelled state-owned company Vodárne a kanalizácie Bratislava, with registered office at Prešovská 48, Bratislava, Company ID: 00179302 and a portion of the assets of the cancelled state-owned company Zapadoslovenské vodárne a kanalizácie with registered office at Trnavská 32, Bratislava - Bratislava - countryside facility, Senica facility, the remote water main operations and production facility in Šamorín and a portion of the company directorate pursuant to privatisation project number 2276. The joint stock company assumed assets, liabilities, rights and obligations including unknown rights and obligations from legal relationships from the cancelled state-owned companies in the scope shown in the cited decision from the Ministry for Administration and Privatisation of the National Property of the Slovak Republic.

December 2007 saw a streamlining of internal financial relationships and the potential expansion into new markets from the organisational separation of one of the BVS divisions leading to the establishment of the subsidiary Infra Services, a. s., in which BVS maintains a 100 % ownership stake. Infra Services continues with business activities focusing on securing service activities for water and sewer networks for its parent company; at the same time it strives to expand its portfolio of activities into closely-related markets and to create new business relationships and opportunities.

December 2009 saw portions of the sludge and gas business at BVS, a. s., spun off into another subsidiary - BIONERGY, a. s. This company was established to secure high quality sludge and biological waste processing. Resulting products are stabilised sludge, biogas and sludge water. Biogas is an important resource for electricity generation and is used in cogeneration units to produce electricity and heating water. BVS holds a 100 % ownership stake in this company.

## Organisational structure

In 2010 BVS continued progress as a modern, customer-focused company mainly by expanding the implementation of process management. Integrated management system implementation continued with the goal of securing complex management of finances, human resources, administrative and operational processes including processes and activities connected to providing services with impact on increasing earnings and profitability as well as improving the quality of provided services.

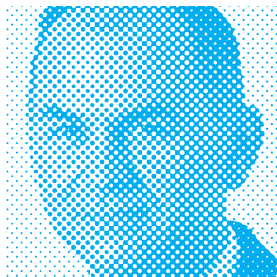
These processes caused a number of changes to become necessary in terms of settings for processes and activities that are related to various management areas including the General Director's Section, the Marketing and Sales Section and the Financial Section. Changes to these settings were then transposed into the organisational structure of the company.



## Company Bodies Board of Directors

### CHAIRMAN OF THE BOARD OF DIRECTORS AND BVS GENERAL DIRECTOR

**ING. DANIEL GEMERAN** \* 12/02/1956



→ Chairman of the Board of Directors and BVS General Director

#### EDUCATION

SVŠT – Civil Engineering Faculty, Department of Hydrological Construction and Water Utilities

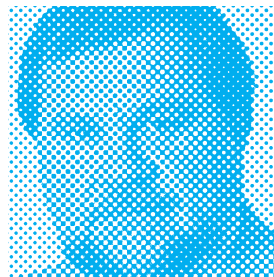
**IN BVS MANAGEMENT** since 2003/11

**IN BVS BOARD OF DIRECTORS** since 2007/09

**CONTACT** gemeran@bvsas.sk

### VICE CHAIRMAN

**RNDr. OTO NEVICKÝ** \* 30/05/1963



→ Vice Chairman of the Board of Directors

→ Executive in company O. S. N. Real, s. r. o.

#### EDUCATION

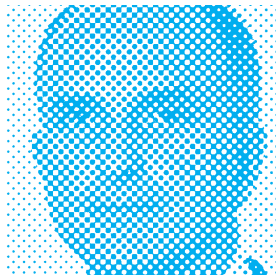
Comenius University – Natural Sciences Faculty

**IN BVS MANAGEMENT** since 2007/09

**CONTACT** nevicky@nexta.sk

## MEMBERS

**ING. JAROSLAV NĚMA \* 02/12/1962**



→ Member of the Board of Directors  
and BVS Technical Director

### EDUCATION

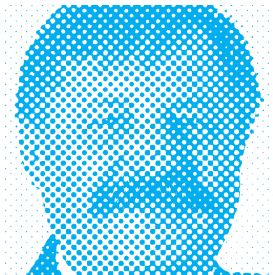
Technical University in Nitra, Department of  
Engineered Improvements

**IN BVS MANAGEMENT** since 2003/11

**IN BVS BOARD OF DIRECTORS** since 2007/09

**CONTACT** nema@bvsas.sk

**ING. JÁN RAFAJDUS \* 16/01/1952**



→ Member of the Board of Directors  
and BVS Production Director

### EDUCATION

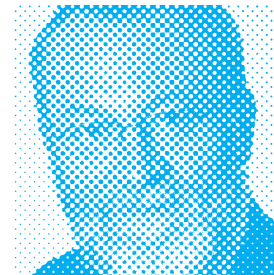
SVŠT – Mechanical Engineering Faculty

**IN BVS MANAGEMENT** since 2003/11

**IN BVS BOARD OF DIRECTORS** since 2007/09

**CONTACT** rafajdus@bvsas.sk

**ING. ALEŠ PROCHÁZKA \* 18/03/1953**



→ Member of the Board of Directors  
→ Head of Water Prod. in Holíč and BVS Myjava

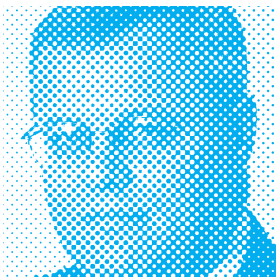
### EDUCATION

SVŠT – Civil Engineering Faculty, School of  
Hygienic Engineering

**IN BVS BOARD OF DIRECTORS** since 2007/09

**CONTACT** ales.prochazka@bvsas.sk

**ING. PETER ČECHO \* 27/10/1960**



→ Member of the Board of Directors  
→ FREQUENTIS s. r. o., Project Manager

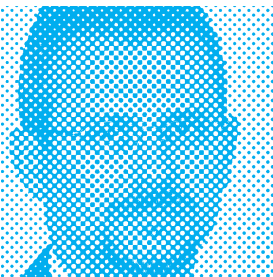
### EDUCATION

SVŠT – Mechanical Engineering Faculty

**IN BVS MANAGEMENT** since 2007/09

**CONTACT** peter.cecho@frequentis.com

**ING. PETER LENČ \* 06/04/1964**



→ Member of the Board of Directors  
→ Licensed Civil Engineer

### EDUCATION

SVŠT – Civil Engineering Faculty

**IN BVS MANAGEMENT** since 2007/09, and a member  
of the Supervisory Board of the company with  
100% participation of the Capital City of the Slovak  
Republic, KSP, s. r. o.

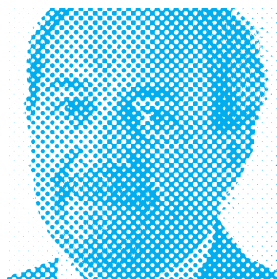
**CONTACT** 0905 525 299

\*SVŠT = SLOVAK TECHNICAL UNIVERSITY BRATISLAVA

# Supervisory Board

## CHAIRMAN

**ING. KAROL KOLADA**



→ Chairman of the Supervisory Board

### EDUCATION

SVŠT – Electro technical Faculty in Bratislava

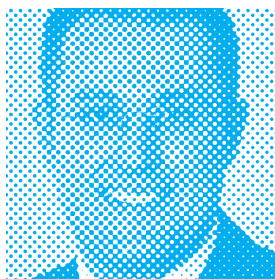
**IN SUPERVISORY BOARD** since 2007/06

**CONTACT** deltes@ba.sknet.sk

karol.kolada@deltes.sk

## VICE CHAIRMAN

**JUDr. TOMÁŠ KORČEK**



- Vice Chairman of the Supervisory Board
- Deputy to the Mayor of the Capital City of the Slovak Republic, Bratislava,
- Executive in EUROADVISE, s. r. o.

### EDUCATION

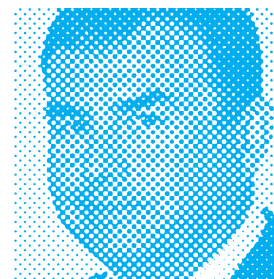
Comenius University – Faculty of Law

**IN SUPERVISORY BOARD** since 2007/06

**CONTACT** namkor@bratislava.sk

## MEMBERS

**PAEDr. MILAN TRSTENSKÝ**



- Member of the Supervisory Board
- Head of Education, Youth, Culture and Sport for the City District of Bratislava-Dúbravka.

### EDUCATION

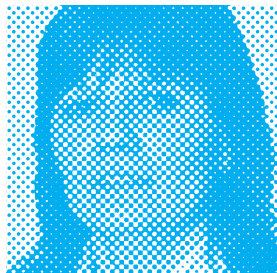
Comenius University in Bratislava,  
Education Faculty

**IN SUPERVISORY BOARD** since 2007/06

**CONTACT** trstensky@dubravka.sk

## MEMBERS

### ING. KATARÍNA OTČENÁŠOVÁ



- Member of the Supervisory Board
- Národná diaľničná spoločnosť, a. s.,  
Property Law Department

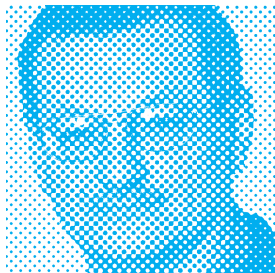
#### EDUCATION

SVŠT – Faculty of Construction, Department of  
Geodesy and Cartography

**IN SUPERVISORY BOARD** since 2007/06

**CONTACT** katarina.otcenasova@ndsas.sk

### ING. GABRIEL KOSNÁČ



- Member of the Supervisory Board
- Head of Department at Local Office in City  
District of Bratislava-Dúbravka

#### EDUCATION

SVŠT – Chemistry and Technology Faculty

**IN SUPERVISORY BOARD** since 2007/06

**CONTACT** kosnac@dubravka.sk

### MGR. OLIVER SOLGA



- Member of the Supervisory Board
- Mayor of the City of Pezinok

#### EDUCATION

Comenius University in Bratislava,  
Faculty of Philosophy

**IN SUPERVISORY BOARD** since 2010/01

**CONTACT** oliver.solga@msupezinok.sk

### ING. DAGMAR BLAHOVÁ



- Member of the Supervisory Board
- Head of the drinking Water Laboratory

#### EDUCATION

SVŠT – Chemistry and Technology Faculty

**IN SUPERVISORY BOARD** since 2008/04

**CONTACT** dagmar.blahova@bvsas.sk

### PETER HURBAN



- Member of the Supervisory Board
- Head of Treatment plant in Modra

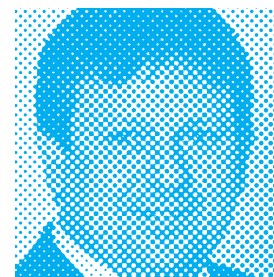
#### EDUCATION

Mechanical Engineering Secondary School in  
Trnava, Department of Machinery and Equipment  
Assembly

**IN SUPERVISORY BOARD** since 2008/04

**CONTACT** peter.hurban@bvsas.sk

### PAVOL ŠŤASTNÝ



- Member of the Supervisory Board
- Head of Water Distribution Operations

#### EDUCATION

Mechanical Engineering Secondary School

**IN SUPERVISORY BOARD** since 2008/04

**CONTACT** pavol.stastny@bvsas.sk

\*SVŠT = SLOVAK TECHNICAL UNIVERSITY BRATISLAVA

# Company Management

## GENERAL DIRECTOR

**ING. DANIEL GEMERAN \* 12/02/1956**



### EDUCATION

Slovak Technical University Bratislava (SVŠT) – Civil Engineering Faculty, Department of Hydrological Construction and Water Utilities

### WORK POSITIONS

- Main designer and main project engineer, head of hydro-technical construction centre –  
– Hydroconsult Bratislava, š. p.
- Designer on design project for Gabčíkovo-Nagymaros dam project
- Various positions within private companies specialising in hydro-technical and hydrological projects and studies
- Expert for the Union of Cities for Infrastructure.

Since 1996 he has focused on the issue of transforming state-owned companies dealing with water and sewers

### IN BVS MANAGEMENT

since 2003/11

## FINANCIAL DIRECTOR

**ING. KATARÍNA HORVÁTHOVÁ \* 14/10/1973**



### EDUCATION

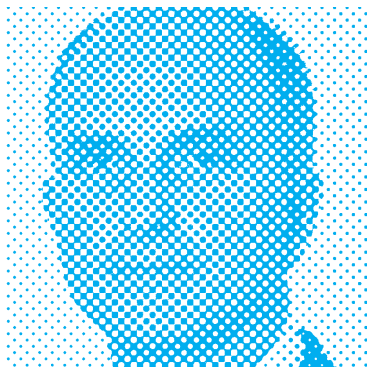
University of Finance Bratislava, City University of Bratislava

### IN BVS MANAGEMENT

since 2010/02

## TECHNICAL DIRECTOR

**ING. JAROSLAV NÉMA \* 02/12/1962**



### EDUCATION

Technical University in Nitra, Department of Engineered Improvements

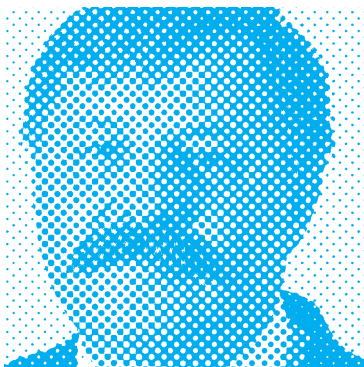
### WORK POSITIONS

- Worked for the company Hydromeliorácie – Topoľčany facility
- Head of Investment Construction and Property Settlement Department at COOP Topoľčany
- Worked in the Association of Cities and Towns of Slovakia

**IN BVS MANAGEMENT**  
since 2003/11

## PRODUCTION MANAGER

**ING. JÁN RAFAJDUS \* 16/01/1952**



### EDUCATION

Slovak Technical University Bratislava (SVŠT), Mechanical Engineering Faculty

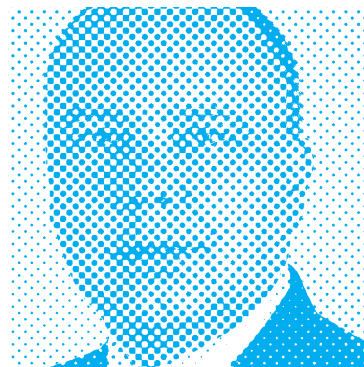
### WORK POSITIONS

- Hydrology assistant at the Hydrological Research Institute
- Builder at the Welding Research Institute
- Independent professional at the Hydrology Department at the Slovak Hydro-Meteorological Institute
- Head of Internal Administration Department at the Magistrate's Office of the Capital City of the Slovak Republic, Bratislava

**IN BVS MANAGEMENT**  
since 2003/11

## BUSINESS DIRECTOR

**ING. JURAJ HAGARA \* 20/04/1958**



### EDUCATION

Slovak Technical University Bratislava, Electro-technical Faculty

### WORK POSITIONS

- Director of AutoCont SR, s. r. o., with registered office in Žilina
- Director of the HW Division at PosAm Bratislava, s. r. o.
- Key Account Manager for Industry and Utilities at Compaq Computer Slovakia, s. r. o.
- Sales Business Unit Director for Financial Services at CSC Computer Science, s. r. o.
- Hewlett-Packard Slovakia, s. r. o. – Public Account Manager

**IN BVS MANAGEMENT**  
since 2009/04

# Mission Statement and Vision



## Mission statement

**Bratislavská vodárenská spoločnosť, a. s., is a business entity and a commercial company. The main goal of its business activities is to generate profits and sustainably increase the value of company assets.**

**Our mission is to do business on relevant, territorially defined markets with quality products - drinking water, related services and the collection and ecological treatment of wastewater. We take all efforts to ensure that our customers perceive drinking water as a quality, competitive and tasty non-alcoholic beverage.**

**Our priorities, as a modern, customer-focused company, include quality and reliable products that we offer customers in order to satisfy their needs.**

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## Vision

We act responsibly with regards to our strategic position in terms of supplying the vital needs of society. Drinking water is and will be the foundation and an essential prerequisite for life. For this reason we are taking efforts to change the perception of drinking water to that of a tasty, accessible, always fresh and quality beverage that is irreplaceable and critical for the health of humans and in particular as a competitive non-alcoholic beverage on relevant markets.

We will assure the continuous development of the company by reconstructing and intensifying water and sewer networks and by introducing efficient water treatment technologies, the efficient use of energy resources as well as by reconstructing old and constructing new treatment plants and other water utility structures.

Customer satisfaction and a professional approach will always be important parts of our activities and processes.

### **We also want to:**

- Listen to and meet the needs and requirements of large companies and individuals,
- Proactively foresee such needs and create lasting and satisfying relationships with customers,
- Create the conditions for increasing employee qualification and performance, motivate them and build relationships based on company loyalty and fellowship,
- Increase the value of company assets and increase added value in all areas of our activities.

We are aware of the significance of our water sources for the healthy development of our society and for this reason we try to act as a socially and environmentally responsible company in order to increase satisfaction and the quality of life for our customers while making a contribution to sustainable development.

# Main Activities

It is indisputable that the range of services offered by BVS contributes to the quality of life of its customers. Life with access to clean drinking water is now commonplace and no person would exchange it for anything. BVS offers comfort, health, cleanliness and luxury through its most basic activities.

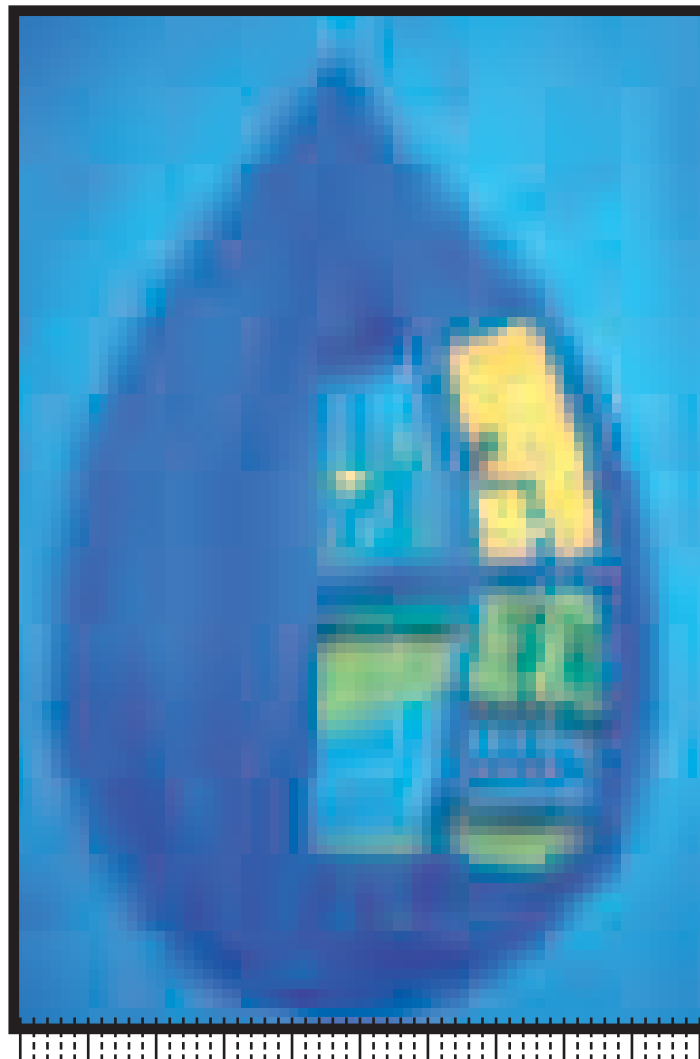
Similar to the natural water cycle, BVS completes the collection of used and release of cleaned water back to nature. These four main activities (production and distribution of drinking water and the collection and treatment of wastewater) are secured by BVS via its divisions:

- **WATER PRODUCTION DIVISION**
- **WATER DISTRIBUTION DIVISION**
- **WASTEWATER COLLECTION DIVISION**
- **WASTEWATER TREATMENT DIVISION**
- **CHEMICAL, TECHNICAL AND LAB ACTIVITY DIVISION**

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## **We also provide the following supporting services in addition to our main services:**

- Elaborating hydrological statements,
- Establishing water connections,
- Installing and removing cold and hot water flow meters,
- Repairing and verifying cold and hot water flow meters,
- Issuing certificates as to cold and hot water flow meter verification,
- Lab analysis of drinking water and wastewater,
- Professional technical supervision during hydrological construction work,
- Demarcation of water networks and sewer networks,
- Localisation of water network outages
- Flushing water piping,
- Cleaning sewers and sewer connections.







## Drinking Water Production and Distribution

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**In 2010, 71,117,000 m<sup>3</sup> of drinking water was produced representing 1,453,000 m<sup>3</sup> less than anticipated in the plan and at the same time 1,360,000 m<sup>3</sup> less than the amount in 2009. The situation in terms of deliveries was positive as customers were supplied with water in the desired quantity and quality.**

Water invoiced in 2010 reached a total of 45,276,000 m<sup>3</sup>, which is 24,000 m<sup>3</sup> lower than anticipated in the plan. This represents a drop of 1,133,000 m<sup>3</sup> compared to 2009. A majority of water totalling 27,106,000 m<sup>3</sup> was invoiced to households (59.9 %). Other customers were invoiced a total of 18,170,000 m<sup>3</sup>. Water sources located in the individual areas listed below were used to produce this water:

WM = WATER MAIN

Bratislava WM

Senecký WM

Podhorský WM



6

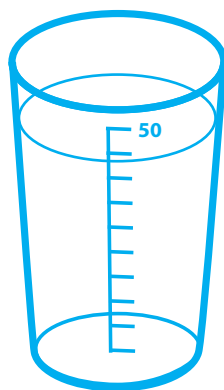


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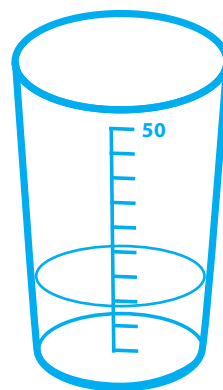


7

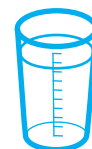
→ NUMBER OF WATER SOURCES



43,137



14,820



4,125

→ WATER COLLECTED FROM WATER SOURCES (THOUSAND m<sup>3</sup>)

49,238

4,108

7,880

→ WATER FOR USE (THOUSAND m<sup>3</sup>)



433,520



49,572



55,417

→ NUMBER OF RESIDENTS  
CONNECTED TO PUBLIC  
WATER MAIN

Záhorský WM



8

Senický WM



11

Other WM



27



1,254

2,008



3,161

3,482



4,557

4,400



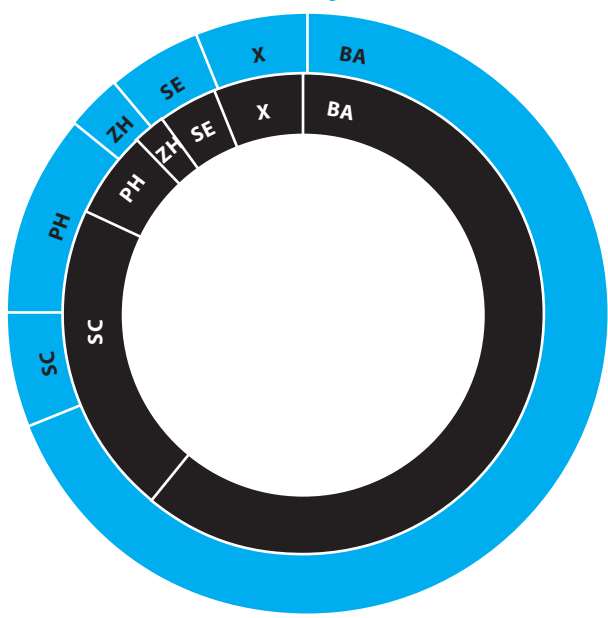
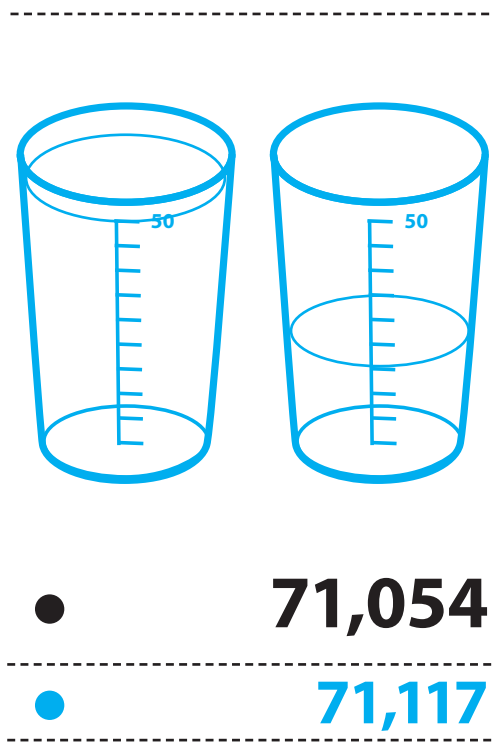
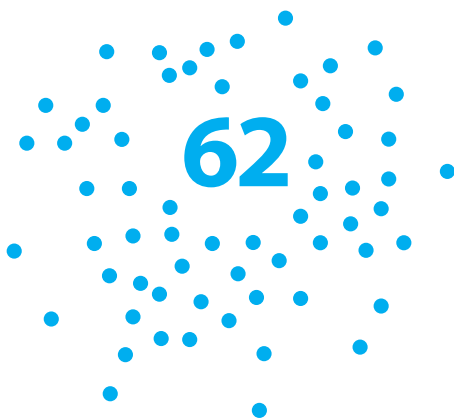
33,624



62,496



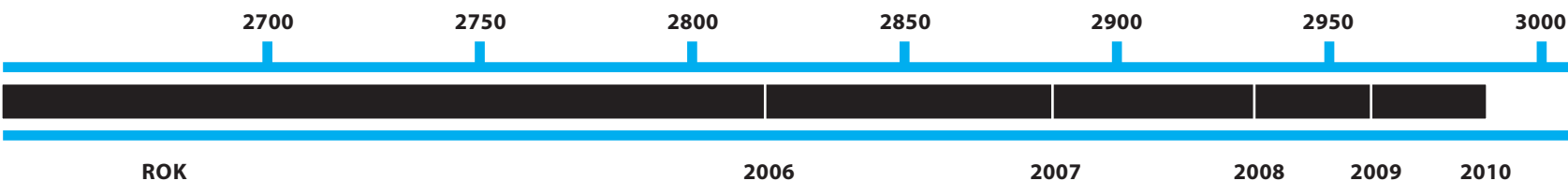
69,927



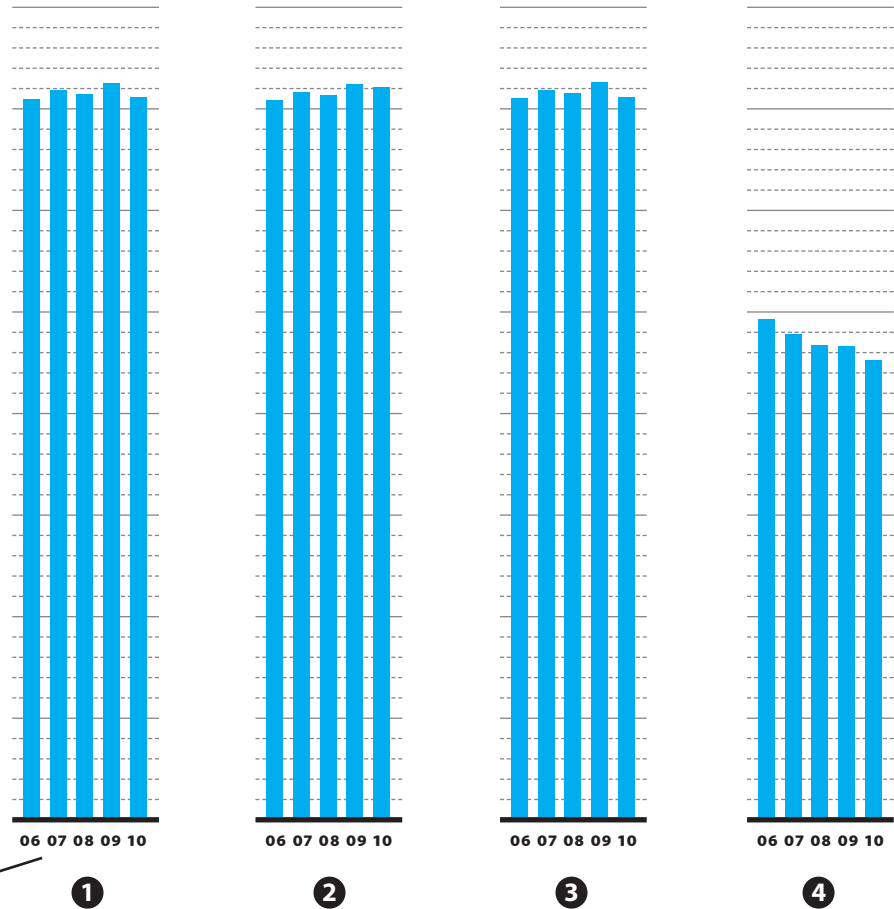
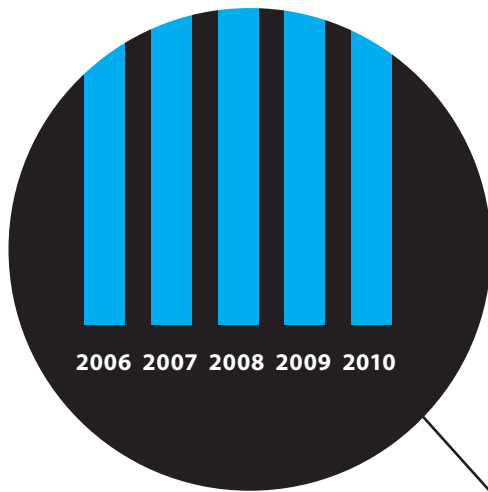
		● WATER COLL. FROM WATER SOURCES	● WATER READY FOR USE
BA	BRATISLAVA WATER MAIN	61 %	69 %
SC	SENECKÝ WATER MAIN	21 %	6 %
PH	PODHORSKÝ WATER MAIN	6 %	11 %
ZH	ZÁHORSKÝ WATER MAIN	2 %	3 %
SE	SENICKÝ WATER MAIN	4 %	5 %
X	OTHER WATER MAINS	6 %	6 %

Basic information on water mains	2006	2007	2008	2009	2010
→ TOTAL NUMBER OF PUBLIC WATER MAINS	30	30	19	19	19
→ NO. OF MUNICIPALITIES WITH PUBLIC WATER MAINS	112	112	116	114	114
→ LENGTH OF WATER MAIN NETWORK (KM)	2,816	2,886	2,930	2,958	2,985
→ NUMBER OF CONNECTIONS	94,285	95,263	101,567	102,848	104,738
→ NO. OF RESIDENTS SERVED WITH DRINKING WATER	677,580	683,385	691,049	696,603	704,556
→ TOTAL NUMBER OF WATER SOURCES	176	176	175	175	62
→ NUMBER OF WATER IMPROVEMENT STATIONS	8	7	8	9	9
→ NUMBER OF WATER RESERVOIRS	115	114	111	112	112
→ RESERVOIR VOLUME (m³)	317,905	317,405	319,924	320,024	320,024
→ NUMBER OF PUMP STATIONS	239	239	241	242	237
→ PUMP STATION CAPACITY (ℓ/s)	18,764	18,764	18,189	18,288	18,400

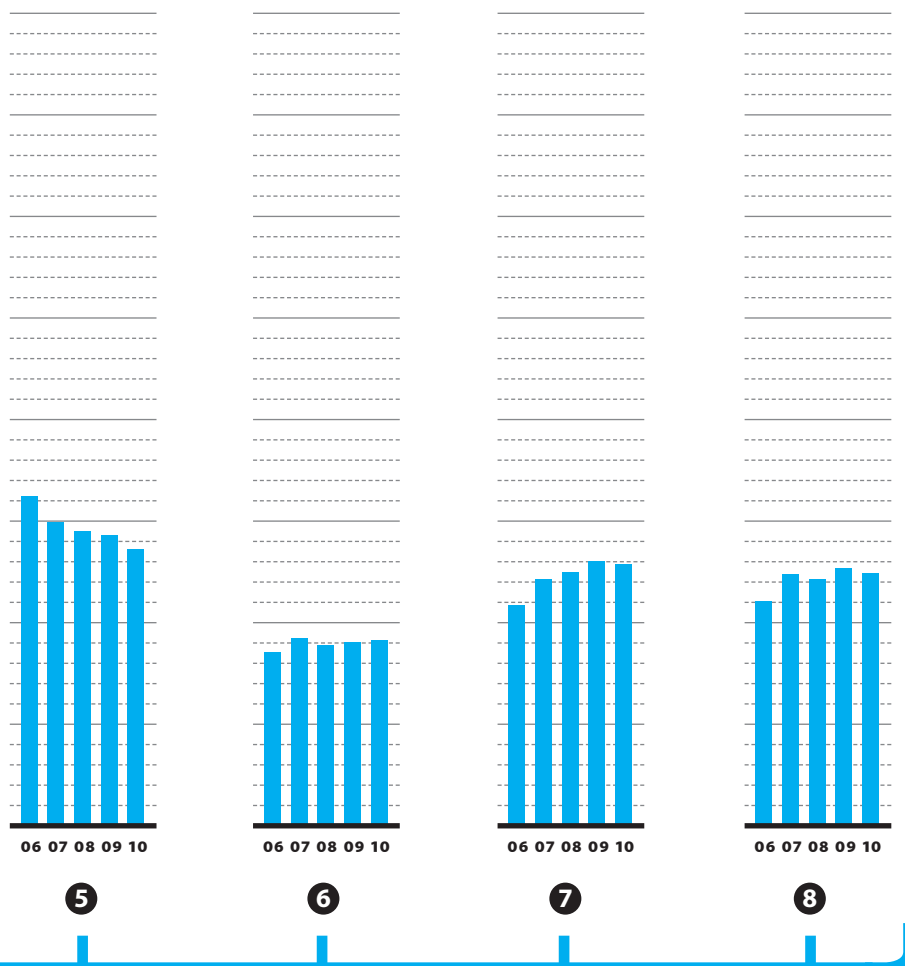
### Length of water main network (km)



(THOUSAND m<sup>3</sup>)



Drinking water production		2006	2007	2008
①	WATER COLLECTED FROM OWN WATER	70,950	71,846	71,577
②	WATER PRODUCED IN OWN WATER FACILITIES	70,865	71,757	71,496
③	WATER READY FOR USE	71,001	71,886	71,638
④	TOTAL WATER INVOICED	49,311	47,773	46,760
⑤	– HOUSEHOLDS	32,262	29,503	28,855
⑥	– OTHER CUSTOMERS	17,049	18,270	17,905
⑦	UN-INVOICED WATER	21,690	24,113	24,878
⑧	WATER LOST IN PIPING NETWORK	21,991	24,620	24,199



2009

2010

72,417

71,054

72,348

71,000

72,477

71,117

46,409

45,276

28,406

27,106

18,003

18,170

26,068

25,841

25,300

24,772

## Drinking water distribution

BVS administers and operates a total of 19 public water mains in 114 municipalities, 62 water sources with total capacity of 6,277 l/s, 112 water reservoirs with a total volume of 320,000 m<sup>3</sup>, 237 water pump stations and 9 groundwater filtration plants with a total capacity of 2,155 l/s. Public water mains with a total distribution network length of 2,985 km provide water to nearly 105,000 water connections and serve more than 704,000 residents with drinking water. In 2010 customers were provided with a total of 44,704,000 m<sup>3</sup> of drinking water.

A total of 95.6% of residents in the cities and towns in which BVS operates public water mains were served by these public water mains as of 31 December 2010. A total of 99.9% of residents in Bratislava, 87.8% of residents in the area surrounding Bratislava and 91.5% of residents in Senica from the total number of residents in these municipalities in which BVS operates public water mains were served by these very public water mains.



# Wastewater Collection and Treatment

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**BVS operates a total of 24 public sewer networks in 38 municipalities across its territory. The operated sewer infrastructure includes 1,380 km of sewer network piping, 166 sewer system pump stations and other buildings. Generated wastewater comes from traditional areas served by BVS and from five Austrian towns, specifically Kittsee, Berg, Pama, Edelsthal and Wolfsthal; this wastewater is treated in 23 treatment plants.**

Wastewater Treatment Division operated a total of 23 treatment plants in 2010 which includes 16 plants owned by the company, 6 owned by cities and towns and 1 co-owned plant.

The main goal when treating wastewater in 2010 was to maintain and improve when possible the quality of released wastewater in terms of all indicators defined in water law related decisions and to maximise the level of recycling for waste generated during wastewater treatment.

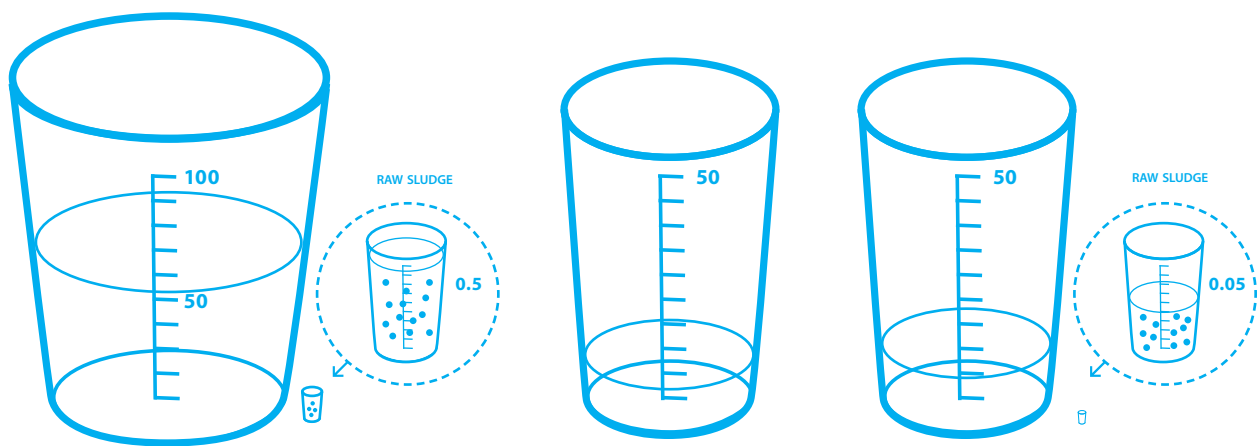
Increased technological discipline thanks to technological and technical steps taken within the wastewater treatment process and sludge processing as well as their assessment on the basis of chemical and technical monitoring processes during individual treatment plant technological steps has allowed the optimisation of the wastewater treatment process and minimised the number of abnormal situations.

Improvements in the wastewater treatment process in 2010 allowed lower payments to SVP, š. p., for released pollution and allowed the Wastewater Treatment Division to avoid any fines from state hydrological administration authorities for exceeding pollution limit values in treated and released wastewater.



Sewer network

	1	11	12
→ NUMBER OF PUBLIC SEWERS			
→ NUMBER OF MUNICIPALITIES WITH PUBLIC SEW-	1	18	19
→ LENGTH OF SEWER NETWORK (KM)	872	285	223
→ PUMP STATIONS	48	98	20
→ NUMBER OF SEWER CONNECTIONS	22,369	15,440	9,313
→ NUMBER OF TREATMENT PLANTS	3	8	12



Wastewater treatment

→ AMOUNT OF CLEANED WASTEWATER (m³/YEAR)	61,606,960	6,704,025	9,097,127
→ RAW SLUDGE (m³/YEAR)	467,061	–	24,791
→ STABILISED SLUDGE (t/YEAR)	–	5,843.73	1 171.5

Bratislava

Bratislava-countryside

Senica

24

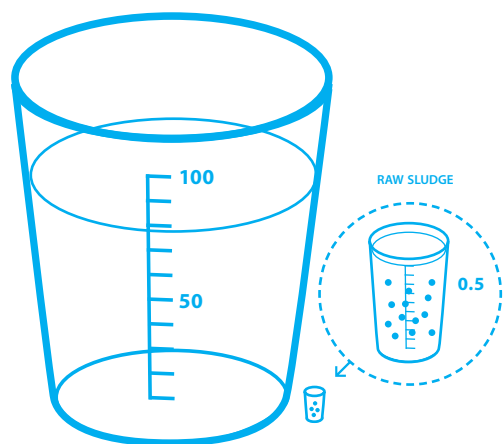
38

1380

166

47,122

23



77,408,112

491,852

7,015.23

Total

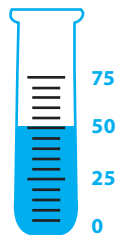
Test operations of the reconstructed and modernised treatment plant in **Malacky** took place in 2010 (reconstruction of structures built in the first phase of treatment plant construction and the construction of a new biological level for the treatment plant). The results of test operations showed a significant improvement in the quality of water released from this treatment plant in terms of total nitrogen, the value of which before reconstruction and modernisation did not meet the requirements set forth in Government of the Slovak Republic Regulation 296/2005 Coll. Test operations of the Malacky treatment plant verified the design values for the structure and after its completion the BVS Wastewater Treatment Division requested at the end of 2010 that state hydrological administration provide a permanent operating license and a permit to release wastewater from this treatment plant.

Test operations of the **Hamuliakovo** treatment plant also took place in 2010. Equipment for thickening excess sludge and a separator for removing water from stabilised sludge was also placed into test operations at this treatment plant. Technical issues (in setting up the sand traps, high absorption of dissolved oxygen in the aerobic zone, the function of the fluid shut offs in the digester and the pyral dosing system for removing total phosphorus) continue to be resolved. Despite these issues, wastewater quality of treated wastewater reaches the values required by the temporary operating permit. Test operations at the treatment plant will continue until 31. 5. 2011

An intensification of the digester at the **Myjava** treatment plant was completed via the construction of a compressor station and gas lines for the pneumatic mixing of the tank by produced biogas. At the same time a cogeneration unit to produce electricity and heating water from the produced biogas was installed.

Since 2010, the subsidiary **Bionergy, a. s.**, has owned and operated sludge and gas management, which includes the treatment plants in Vrakuňa, Petržalka, Devínská Nová Ves and Senica. Exceptional efforts have been taken at these treatment plants to deliver the raw thickened sludge with the desired level of dry matter.

Until 31. 12. 2010 the wastewater release permits were valid for the treatment plants in Vrakuňa, Petržalka, Senica and Holíč. Reconstruction work did not take place at these treatment plants as required by National Council of the Slovak Republic Act No. 364/2004 Coll. on Water as amended (Amendment 384/2009 Coll.) in Section 36(3) as appropriate funds were not accumulated (neither internal nor from EU or state budget funds). Price regulations pursuant to the Regulation Act and Decrees from the Utility Network Regulation Office (URSO) set the price for water and effluent and since 2005 have been defined in such a manner that does not allow BVS to accumulate internal funds from regulated activities to cover the costs of treatment plant reconstruction.



## Biogas in 2010

→ BIOGAS PRODUCED (m <sup>3</sup> /YEAR)	<b>50,572</b>	<b>32,593</b>
→ BIOGAS COMBUSTION %		
BOILER COMBUSTION	<b>82.8</b>	<b>94.3</b>
COGENERATION	<b>13.6</b>	<b>–</b>
EXCESS GAS BURNER	<b>–</b>	<b>5.7</b>
	Myjava plant	Hamuliakovo plant

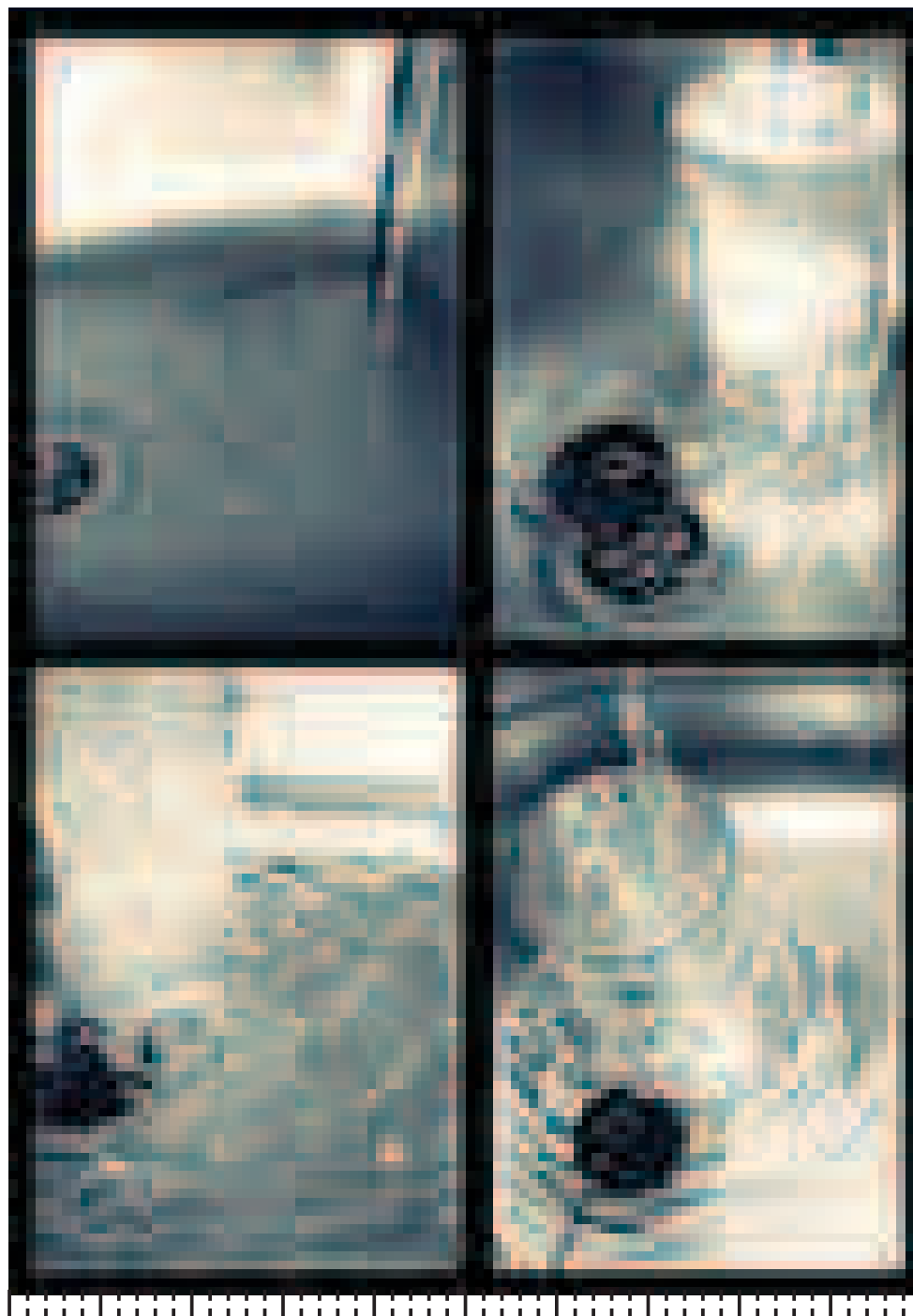
## Achieved treatment efficiency in 2010 (%)

→ BSK <sub>5</sub>	<b>92.3</b>	<b>97.3</b>	<b>98.3</b>
→ CHSK <sub>Cr</sub>	<b>97.3</b>	<b>95.3</b>	<b>96.7</b>
→ NL	<b>90.5</b>	<b>95.8</b>	<b>94.7</b>
→ N-NH <sub>4</sub> <sup>+</sup>	<b>88.7</b>	<b>94.1</b>	<b>76.5</b>
→ N <sub>total</sub>	<b>60.3</b>	<b>66.9</b>	<b>63.5</b>
→ P <sub>total</sub>	<b>50.8</b>	<b>73.5</b>	<b>79.7</b>
	Bratislava	Bratislava-countryside	Senica

BVS requested that state hydrological administration bodies change the valid term for all four of these treatment plants in terms of the expiration of the permit for increased pollution concentration indicators to 31. 12. 2015. Applications for the treatment plants in Vrakůň, Petržalka and Holíč were rejected in 2010.

Due to the unfinished reconstruction and strict limits placed on treated wastewater released from treatment plants, the quality of the wastewater from these treatment plants will not meet the level of quality required by water legal regulations issued for these treatment plants allowed after 31. 12. 2010 for a certain number of indicators in the period after 31.12.2010. A decision on the Senica treatment plant will be issued in 2011.

In 2010 Wastewater Treatment Division staff processed chemical and technical data using the LABOD program, which is in poor technical condition. Despite this fact, it is the only program system that provides information necessary for decision making processes in terms of setting up cleaning technology at the individual treatment plants. The Wastewater Treatment Division still does not have a functional technical lab system for individual treatment plants despite more than 5 years of development.





## Lab Activities

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The accredited test lab executes operational inspections of the quality of drinking water in all public water facilities operated by BVS from the water source to the final consumer. A similar operational process is used to inspect collected and treated wastewater from all public sewers, starting from sewer connections on to treated effluent that is released into the recipient. The test lab also completed analysis ordered by external customers.

Overview of test lab activities	2006	2007
→ TOTAL NUMBER OF SAMPLES	11,181	11,282
INTERNAL	10,783	10,915
ORDERED	500	367
→ TOTAL NUMBER OF PROCEDURES	155,000	159,325
INTERNAL	148,400	153,998
ORDERED	6,525	5,327

**Total number of samples** represents the total number of analysed drinking water and wastewater samples. The number of samples for drinking water is based on the annual Drinking Water Quality Inspection Programs elaborated pursuant to Ministry of Environment of the Slovak Republic Decree No. 354/2006 Coll. as approved annually by the local Regional Public Health Offices as well as needed by the company in order to monitor water sources and the operation of public water mains. The number of samples for wastewater is based on the annual Public Sewer Operating and Inspection Monitoring Programs elaborated pursuant to Ministry of Environment of the Slovak Republic Decree No. 315/2004 Coll. as well as on the current needs for treatment plant operations and the needs of the sewer network. The number of samples completed on the basis of an order was influenced by the interests of external clients in the given year.

**The total number of procedures** represents the total number of analysis procedures completed for individual drinking and wastewater quality indicators, e.g. the total number of lab tests that were completed. Analysis of all quality indicators for drinking waste and wastewater are completed in BVS labs pursuant to valid legislation with the exception of radiochemical analysis which is secured via a sub-contracted test lab at Hydrological Research Institute in Bratislava.

The performance of both labs expressed in the number of samples or analysis procedures was lower in 2010 compared to the previous years due to the movement of both worksites into the newly constructed and modern lab premises on Bojnická 6 in Bratislava. Drinking water and wastewater quality inspections were completed by suppliers in accredited test labs of external suppliers when these labs were moving until such accredited activities were renewed by the Slovak National Accreditation Service.

	2008	2009	2010
	11,041	11,620	10,845
	10,724	11,275	9,545
	317	345	1,300
	157,909	160,971	148,776
	152,740	155,824	140,881
	5,169	5,147	7,895

NUMBER OF SAMPLES (2010)	Drinking water	Wastewater	Total
→ INTERNAL	3,701	5,844	9,545
→ ORDERED	149	1,151	1,300
→ TOTAL	3,850	6,995	10,845
NUMBER OF PROCEDURES (2010)			
→ INTERNAL	102,421	38,460	140,881
→ ORDERED	2,906	4,989	7,895
→ TOTAL	105,327	43,449	148,776



DOROTA MERCEKOVÁ. MORE BEZ ROPNÝCGH ŠKVŔN

## Subsidiaries

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# Infra Services, a. s.

## BOARD OF DIRECTORS



## Basic company information

**Commercial name:** Infra Services, a. s.  
**Registered office:** Hraničná 10, 82105 Bratislava  
**Company ID (IČO):** 43898190  
**Date established:** 22 December 2007  
**Registered in:** Commercial Register, Bratislava I District Court,  
**Section:** Sa, File No. 4365/B  
**Legal form:** Joint stock company

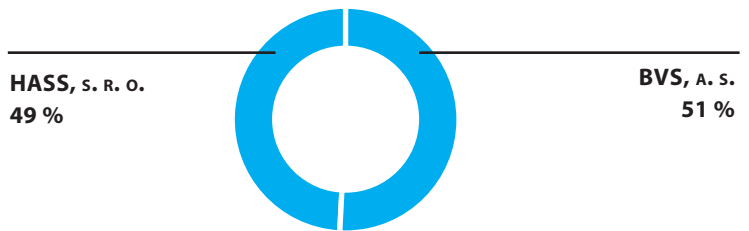
## Business Activities

- Domestic road transport
- Water and heating system installation work
- Concrete work
- Roadway cleaning and maintenance
- Completion of construction work and changes thereto
- Engineering activities - acquisition services in construction in the scope of an open trade license
- Excavation work
- Agent activities in the areas of trade, services and production in the scope of an open trade license
- Rental of equipment, instruments, machinery, means of transport and computing equipment
- Waste disposal: all wastes other than hazardous waste
- Metal working
- Mechanical cleaning of sewer networks in the scope of an open trade license
- Repair of reserved electrical technical equipment
- Repair and installation of water flow meters
- Verification of specific meters
- Calibration of water flow meters for cold and hot water

SUPERVISORY BOARD

ING. KAROL KOLADA – CHAIRMAN	ING. PETER JURIGA	JURAJ KEČKÉŠ
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Shareholder structure



Face value, number, type, form and version of shares

Share capital: €13,642,734  
Paid up: €8,972,339  
Face value per share: €33,194  
Number of shares: 411  
Share type: common  
Share version: registered  
Share form: paper

	SHARE CAPITAL STAKE (€)	SHARE CAPITAL STAKE (%)	VOTING RIGHTS (%)
BVS, a. s.	6,970,740	51	51
HASS, s. r. o.	6,671,994	49	49
Spolu	13,642,734	100	100

## Basic economic information

SELECTED INDICATORS (IN €)	31. 12. 2010	31. 12. 2009
<b>Sales of products and sales</b>	<b>17,276,727</b>	<b>14,790,515</b>
Capitalisation	0	12,357
Production consumption	9,777,619	7,702,634
Consumed materials, energy and other storable supplies	2,753,682	2,639,362
Services	7,023,937	5,063,272
<b>Added value</b>	<b>7,499,108</b>	<b>7,100,238</b>
Personnel costs	6,313,807	6,087,506
Taxes and fees	164,902	166,297
Depreciation of non-current tangible and intangible assets	840,920	770,463
Revenue from sales of non-current assets and materials	6,665	22,485
Residual price of sold non-current assets and materials	18,768	98,931
Other income from business activities	62,699	67,052
Other costs for business activities	21,166	51,983
<b>Earnings from business activities</b>	<b>208,909</b>	<b>14,595</b>
Interest income	625	10,544
Financing income	0	23
Financing costs	132,301	123,725
<b>Earnings from financing operations</b>	<b>-131,676</b>	<b>-113,158</b>
Income tax from ordinary activities	68,075	-150,086
<b>Earnings before taxes</b>	<b>77,233</b>	<b>-98,563</b>

### Commentary to earnings

The joint stock company in the assessed period earned an after-tax profit €9,158.

#### The most significant cost items in the evaluated period were:

##### → Consumed materials and energy totalling €2,753,682.

The majority of such materials were used for the installation of water main connections totalling €934,026. Fuel will continue to remain a high cost item for us. Its total of €602,478 is the 2nd largest consumption item for us.

##### → Services totalling €6,523,940 includes mainly the services for renting vehicles €1,734,732, services from Dokar (asphalt work for excavated roads) €882,061, reading of water meters €618,689 and landscaping maintenance totalling €392,940.

→ **Personnel costs** totalling €6,313,807 can be broken down into salary costs totalling €4,580,003, bonus for members of the company's bodies totalling €34,920, social security costs totalling €1,401,879 and social costs totalling €297,005.

→ **Taxes and fees** totalling €164,902 included road taxes for motor vehicles totalling €79,161, property taxes totalling €6,829, city fees for excavation work totalling €63,092, waste, landfill fees, administrative fees, etc. totalling €15,820.

→ Depreciation reached a total of €840,920.

→ **The residual value of sold non-current assets and materials** totalled €18,768.

→ **Other costs** for financing activities totalled €132,301.

→ **Due and deferred income taxes** totalled €68,075.

→ **Other non-current reserves for severance pay** totalled €176,230. Social costs in 2010 included a loss of €4,720.

## Status of assets and the Company's financial situation

ASSETS (IN €)	31. 12. 2010	31. 12. 2009
<b>Value of assets</b>	<b>12,490,382</b>	<b>11,993,234</b>
<b>Fixed assets:</b>	<b>6,411,244</b>	<b>6,780,336</b>
Non-current intangible assets	-321,449	-652,738
Non-current tangible assets	6,732,693	7,433,074
<b>Current assets:</b>	<b>5,912,537</b>	<b>5,015,798</b>
Stocks	847,364	818,747
Non-current receivables	148,320	143,454
Current receivables	3,401,916	2,060,137
Financial assets	1,514,937	1,993,460
Deferrals and accruals	166,601	197,100
<b>Total assets</b>	<b>12,490,382</b>	<b>11,993,234</b>
<b>LIABILITIES (IN €)</b>	<b>31. 12. 2010</b>	<b>31. 12. 2009</b>
<b>Sources of financial assets</b>	<b>12,490,382</b>	<b>11,993,234</b>
<b>Ownership equity:</b>	<b>9,845,804</b>	<b>7,606,912</b>
Total share capital	8,972,339	6,970,740
Capital funds	1,398,137	1,170,002
Funds generated from profits		
Retained earnings	-533,830	- 585,353
Earnings from the accounting period	9,158	51,523
<b>Liabilities:</b>	<b>2,644,578</b>	<b>4,386,322</b>
Reserves	342,764	417,540
Non-current liabilities	21	2,296,138
Current receivables	2,301,793	1,672,644
Bank Loans		
Deferrals and accruals		
<b>Total liabilities</b>	<b>12,490,382</b>	<b>11,993,234</b>

### The most significant income items for the evaluated period:

- Revenue from the sale of internal products and services and revenue from goods sold totalled €17,276,727, which mainly includes the service activities provided to the parent company.
- Revenue from sales of non-current assets and materials totalled €6,365 and mainly related to the sale of dubious assets.
- Other income from business activities totalling €62,699 was mainly formed by damage compensation provided by insurers.
- Interest income totalling €625 was interest from term deposits.

### Status of assets and the Company's financial situation

The value of the company's assets as of 31.12.2010 totals €12,903,382. The share of non-current assets in the value of assets is 51.33% and the share of current assets is 47.34% while depreciation represents 1.33%.

# Bionergy, a. s.

## BOARD OF DIRECTORS



## Basic company information

**Commercial name:** BIONERGY, a. s.

**Registered office:** Prešovská 48, 82646 Bratislava

**Company ID (IČO):** 45322317

**Date registered:** 31.12.2009

**Date established:** 30.11.2009

**Registered in:** Commercial Register, Bratislava I District Court,

**Section:** Sa, File No. 4932/B

**Legal form:** Joint stock company

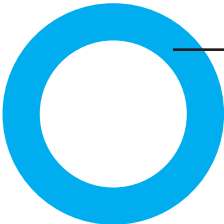
## Business Activities

- Waste disposal: all wastes other than hazardous waste
- Corporate, organisational and economic advisory activities
- Purchase of goods for sale to final consumers (retail)
- Or for sale to other trade license holders (wholesale)
- Agent activities in the field of trade
- Agent activities in the field of production
- Agent activities in the field of services
- Generation and delivery of electricity using generation equipment with totalled installed capacity of up to 1 MW
- Generation and delivery of electricity
- Rental of tangible assets
- Services connected with computer processed data
- Informational testing, measurement, analysis and checks
- Generation and distribution of hot water for heating purposes

SUPERVISORY BOARD

ING. GABRIEL KOSNÁČ – CHAIRMAN	RNDR. OTO NEVICKÝ	GEJZA IVANIČ	ING. ALOJZ BERNÁT
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Shareholder structure



BVS, a. s.  
100 %

Face value, number, type, form and version of shares

Share capital: €43,000,000  
Paid up: €43,000,000  
Face value per share: €1,000,000  
Number of shares: 43  
Share type: common  
Share form: registered

	SHARE CAPITAL STAKE (€)	SHARE CAPITAL STAKE (%)	VOTING RIGHTS (%)
BVS, a. s.	43,000,000	100	100

## Basic economic information

SELECTED INDICATORS (IN €)	31. 12. 2010	31. 12. 2009
<b>Production</b>	<b>4,506,357</b>	<b>3,041</b>
Sales of products and services	4,506,357	3,041
<b>Production consumption</b>	<b>3,345,682</b>	<b>20,145</b>
Consumed materials and utilities	819,820	74
Services	2,525,862	20,071
<b>Added value</b>	<b>1,160,675</b>	<b>-17,104</b>
Personnel costs	757,906	1,379
Salary costs	519,583	1,012
Social insurance costs	166,755	344
Social costs	50,808	23
Taxes and fees	14,440	854
Depreciation and adjustment to assets	766,723	65,943
<b>Earnings from business activities</b>	<b>494,153</b>	<b>-85,280</b>
<b>Earnings from financing activities</b>	<b>-60,566</b>	<b>-3</b>
<b>Earnings from ordinary activities before taxes</b>	<b>433,587</b>	<b>-85,282</b>
Income tax from ordinary activities	158,375	-3,149
<b>Earnings from ordinary activities after taxes</b>	<b>275,212</b>	<b>-82,134</b>
<b>Earnings for the accounting period before taxes</b>	<b>433,587</b>	<b>-85,282</b>
<b>Earnings for the accounting period after taxes</b>	<b>275,212</b>	<b>-82,134</b>

BVS in the past attempted to efficiently use intermediate products of technical processes at treatment plants as raw materials for generating electricity. Its activities in this area started at the Petržalka treatment plant with its first cogeneration unit with an installed capacity of 350 kW. Progressively the company began installing other units at other treatment plants. This activity does not match the goal of BVS to focus on core activities of its mission including the production and distribution of drinking water and the collection and treatment of wastewater; for this reason it was unable to give this activity sufficient attention. In addition the development of this activity began to require more and more resources. This condition along with the fact that the treatment facilities do not use the full capacity and potential of their technical equipment led to the consideration and later full separation of these activities, which are not main activities.

**BIONERGY, a. s.**, collects mixed sludge in its four facilities in Vrakuňa, Petržalka, Devínská Nová Ves and Senica from BVS (490 m<sup>3</sup>) produced in the treatment plants during wastewater treatment. Biogas is produced from the biological waste, the sludge, using additional technical processes and this gas is then used to generate electricity and heating water for heating. BVS in this manner disposes of this waste, which every company is required to handle pursuant to valid legislation. BIONERGY's main activities are the disposal of waste other than hazardous waste and the production of electricity and thermal supplies from renewable resources. BIONERGY, a. s., has four facilities active in terms of energy generation that use technology to produce biogas that is then used to produce electricity and heating water in cogeneration units with rated power of 2.45 MWe/3.105 MWt. Cogeneration units combust the ecological biogas to generate electricity.

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Currently the company possesses generation equipment with rated power of around 2.45 MWe. The electricity that is generated is primarily intended for BVS. This targeted management of electricity generation allows BVS to achieve synergies and such electricity is used during periods with high tariff rates (such as during peak demand), which are up to 80% more expensive than low tariff electricity in order to help lower BVS's electricity costs.

In terms of electricity BIONERGY, a. s., intends to expand its activities to include the complete supply of electricity first to the parent company BVS and then on to other customers. This would allow BVS to become less dependent on electricity from other companies and would significantly decrease electricity costs within the group. The company's establishment was also a reaction to changes in legislation related to waste disposal and the need for the Capital City of the Slovak Republic, Bratislava, to dispose of biodegradable waste in communal waste. BIONERGY, a. s., currently has installed a large technological section for ecologically disposing of biodegradable waste and biodegradable communal waste that retains significant extra capacity sufficient for the processing of this type of waste for the entire territory of the Bratislava Region. In the near future it will be necessary to expand existing equipment used to secure the homogenization and cleanliness of this type of waste. The company wants to partake in securing recycling of biodegradable waste in solid communal waste as well as waste that is produced by industrial producers.

In cooperation with other companies in the BVS group it would be possible to completely secure a solution for these problems starting with communication with the public on the given issue, securing separate collection of this waste and transport and then its complete disposal and the generation of electricity and heating water supplies. Securing the separate transportation of this waste to BIONERGY, a. s., facilities would use sewer routes as the transportation routes for this waste to the wastewater treatment facilities as this would decrease the load of forbidden materials that limit its flow and their technical characteristics, which would lower BVS costs for maintenance and cleaning as a secondary benefit. BIONERGY, a. s., wants to resolve the issue of biological waste in a complex manner, which also means securing the disposal of dried sludge produced through mesophilic sludge fermentation and subsequent water removal. Currently BVS produces 40,000 tons per year of such waste. Investment into this area allows this waste to be used for electricity generation or to transform it into a raw material suitable for use in electricity generation. This solution shows BVS's and its subsidiary BIONERGY's positive relationship with the environment and the way in which it is possible to act both environmentally and economically.



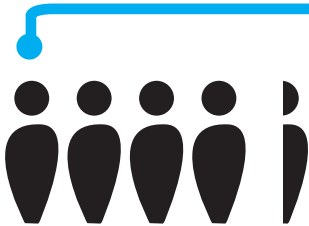


## Sector Characteristics in Brief

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The number of residents connected to public water mains (PWM) and public sewers (PS) in area in which BVS operates:

2006	677,580	550,149
2007	683,385	552,870
2008	691,049	559,488
2009	696,603	565,430
2010	704,556	571,858
	PWM	PS



Bratislava

→ RESIDENTS IN MUNICIPALITIES IN WHICH WE OPERATE PWM

→ RESIDENTS CONNECTED TO PWM

433,824

433,520 99.93 %

→ RESIDENTS IN MUNICIPALITIES IN WHICH WE OPERATE PS

→ NUMBER OF RESIDENTS CONNECTED TO PS

433,824

427,394 98.52 %

The Slovak water utility industry and hydrological sector since 2008 has been charged with the task of actually fulfilling Slovakia's obligations in terms of the construction of water utility infrastructure which the Slovak Republic has bound itself to within the accession process into the European Union and the fulfilment of tasks related to the implementation of the framework water directive, which defines the framework of Community activities connected to water policy. The main goals of the water utility industry within this policy include securing drinking water via public water networks and wastewater collection and treatment in public sewer networks so as to meet the on-going obligations of the Slovak Republic towards the EU and to secure water for other economic purposes while preventing and lessening the consequences of floods and drought and protecting the environment. More than 250 entities are active in this sector and focus on the production of drinking water, the distribution and supply of drinking water, wastewater collection and treatment.

Seventeen large water utilities are natural monopolies and are active in defined regions within Slovakia; they are associated within the Water Utility Association as well. Significant international water utility industry players Veolia Water and Suez Environment also have representation in the Slovak Republic. Bratislavská vodárenská spoločnosť, a. s., is among the most financially stable companies in the sector. Despite declines in a number of indicators, the company has achieved excellent financial results over the long term. These results can also be attributed to the fact that BVS, a. s., has an excellent customer base structure and that it is active in the region with the largest share of public water mains and sewers.



Bratislava-countryside

171,219

150,414 87.85 %

103,417

74,800 72.33 %



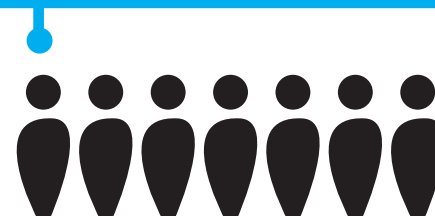
Senica

131,853

120,622 91.48 %

92,788

69,664 75.08 %



Total

736,896

704,556 95.61 %

630,029

571,858 90.77 %

BVS, thanks to its healthy earnings, was once again in 2010 among the most successful non-financial companies in Slovakia (source: TREND TOP 200 rankings from the Trend weekly financial magazine).

This also is a reflection of its stable financial position. At the same time it also is among the most successful water utilities in Slovakia on the basis of the TREND TOP 200 rankings.

BVS in 2010 on the basis of these results in the category **based on total sales or income from normal activities** took 123rd place. The company had total sales of €79,310,000 which improved by 6% over the previous year.

Trend also classified the most successful non-financial companies for other categories in which BVS achieved excellent results in addition to total sales:

→ **Companies with the highest net cash flow**

BVS took 29th place in the category for net cash flow (after-tax earnings + depreciation) totalling €26,995,000 which improved by 7% over the previous year.

→ **Companies with the highest added value**

Based on the amount of added value in 2010, BVS took 42nd place among other companies with a total of €38,548,000 (growth of 5.6% over the previous year).

→ **Companies making the largest investments in the Slovak Republic**

BVS is among the companies making the largest investments in Slovakia. It made investments totalling €24,932,000, good for 20th place despite an 18% year-on drop in investments.



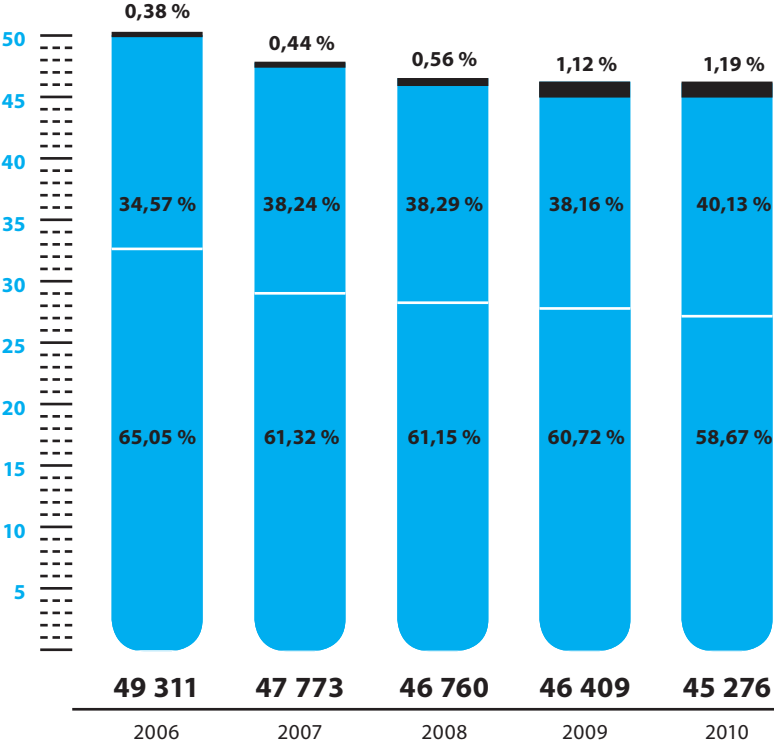
TOMÁŠ MIČŮCH. ŽIVOT V OCEÁNE

## Our Customers

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# Customer share

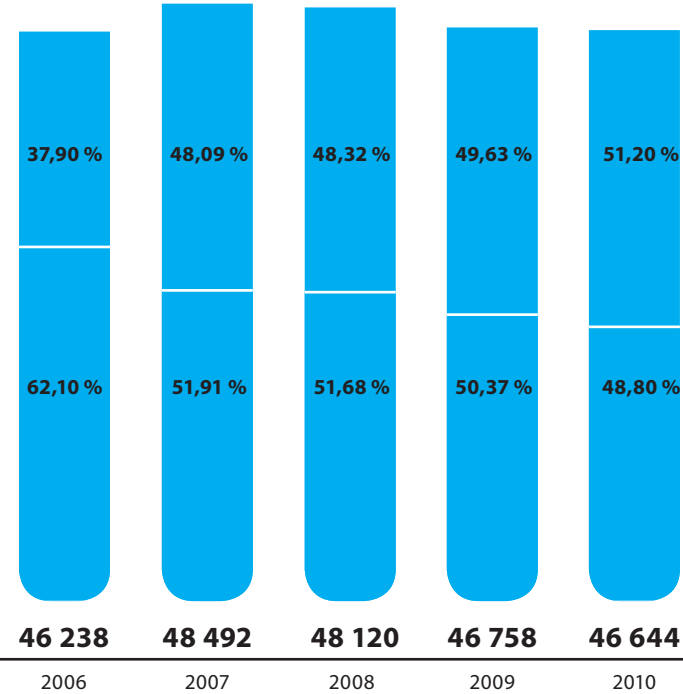
## DRINKING WATER SUPPLIES



↑ DEVELOPMENT IN SHARE OF INDIVIDUAL CUSTOMER SEGMENTS FOR INVOICED DRINKING WATER IN THOUSAND m³

Bratislavská vodárenská spoločnosť provides drinking water for three basic segments - households, other public water main operators or owners and other customers. Other public water main operators or owners include entities that then deliver drinking water to customers using a public water main that they own or operate.

## COLLECTED WASTEWATER



↑ DEVELOPMENT OF THE SHARE OF INDIVIDUAL CUSTOMER SEGMENTS FOR INVOICED WASTEWATER WATER IN THOUSAND m³

Bratislavská vodárenská spoločnosť collects wastewater within its regulated activities in two segments – households and other wastewater producers in the following ratio (*see graph*).

Significant growth in the performance in the segment of other producers over the past four years was achieved by contracting cities and villages to divert water from surface flows in public sewers they own or administer.

OTHER PUBLIC WATER NETWORK OPERATORS AND OWNERS

OTHER

HOUSEHOLDS

THOUSAND m<sup>3</sup>

#### TOP BVS CUSTOMERS IN 2010

- 1 Dalkia, a. s.
- 2 Bratislavská teplárenská, a. s.
- 3 SLOVNAFT, a. s.
- 4 Bytové družstvo Petržalka
- 5 Stavebné bytové družstvo občanov  
so sídlom v Pezinku
- 6 Univerzitná nemocnica Bratislava
- 7 Železnice Slovenskej republiky
- 8 RAJO, a. s.
- 9 Prvá ružinovská spoločnosť, a. s.
- 10 Okresné stavebné bytové družstvo Senica



VIKTÓRIA OZVALDOVÁ. VODOPÁD



## Price

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for Producing, Distributing and Delivering  
Drinking Water and for Collecting  
and Treating Wastewater

# Overview of prices

MAXIMUM PRICE FOR	PERIOD	€ INCL. VAT
Production and delivery of drinking water for all customers	1. 1. – 25. 2. 2010	<b>0.9837 eur/m<sup>3</sup></b>
	26. 2. – 31. 12. 2010	<b>1.0667 eur/m<sup>3</sup></b>
Distribution of drinking water to other operators or owners of public water mains	1. 1. – 31. 12. 2010	<b>0.7466 eur/m<sup>3</sup></b>
Collection and treatment of wastewater for all producers	1. 1. – 31. 12. 2010	<b>0.9871 eur/m<sup>3</sup></b>

The price for producing, distributing and delivering drinking water and for collecting and treating wastewater is set pursuant to a decree from the Utility Network Regulation Office (URSO) issued in the prior year that establishes in detail the procedure for regulating water prices for the operation of public water or public sewer networks.

URSO decided and approved the following maximum prices for 2010 for the regulated entity, BVS (*see chart*).

So-called crisis support was used in the creation of prices for regulated activities of water companies. In the past crisis support in the water industry meant a separate approach in the price creation for two types of customers - households and other customers.

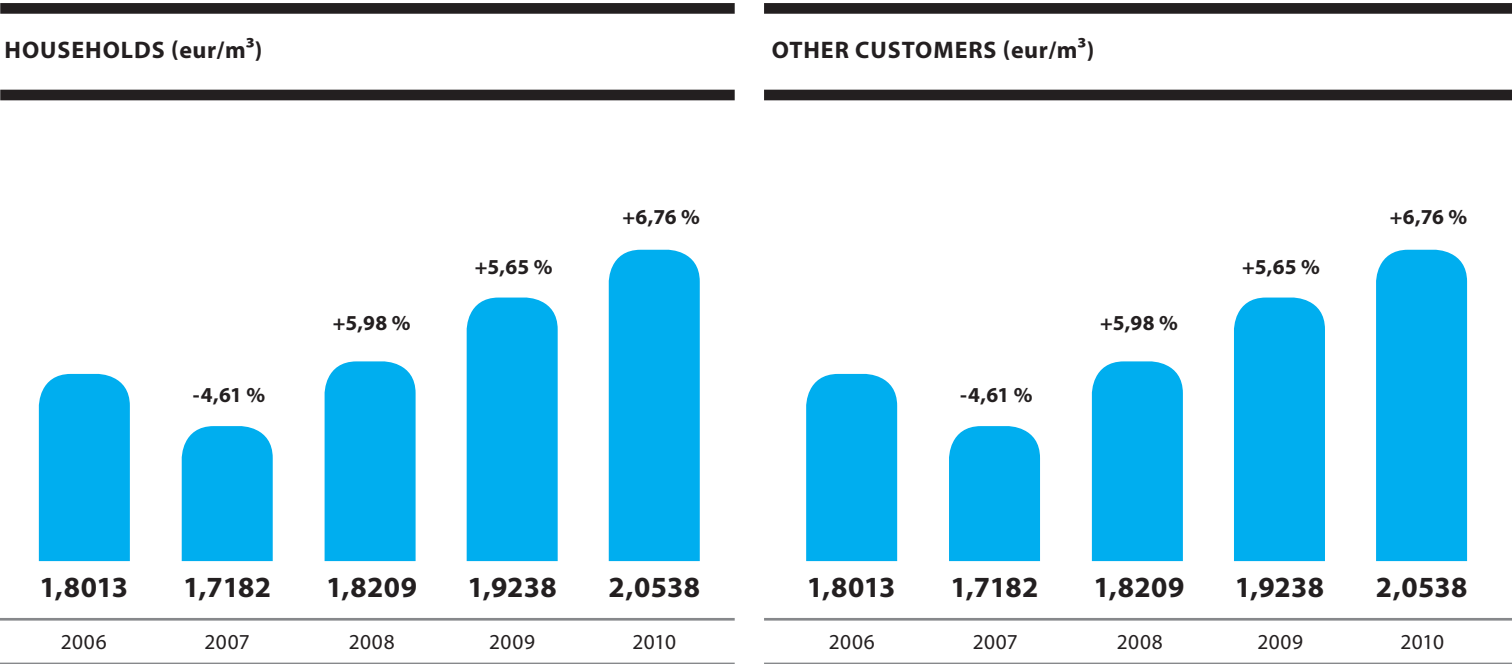
The elimination of crisis support was accompanied by rising prices for households as household payments for the production and distribution of drinking water and for the collection and treatment of wastewater in the past years did not cover all real costs for these activities. The establishment of a uniform price in 2007 for all drinking water customers as well as for all producers of waste water within one regulated entity was completed with the end of the process of removing such crisis support in Slovakia.

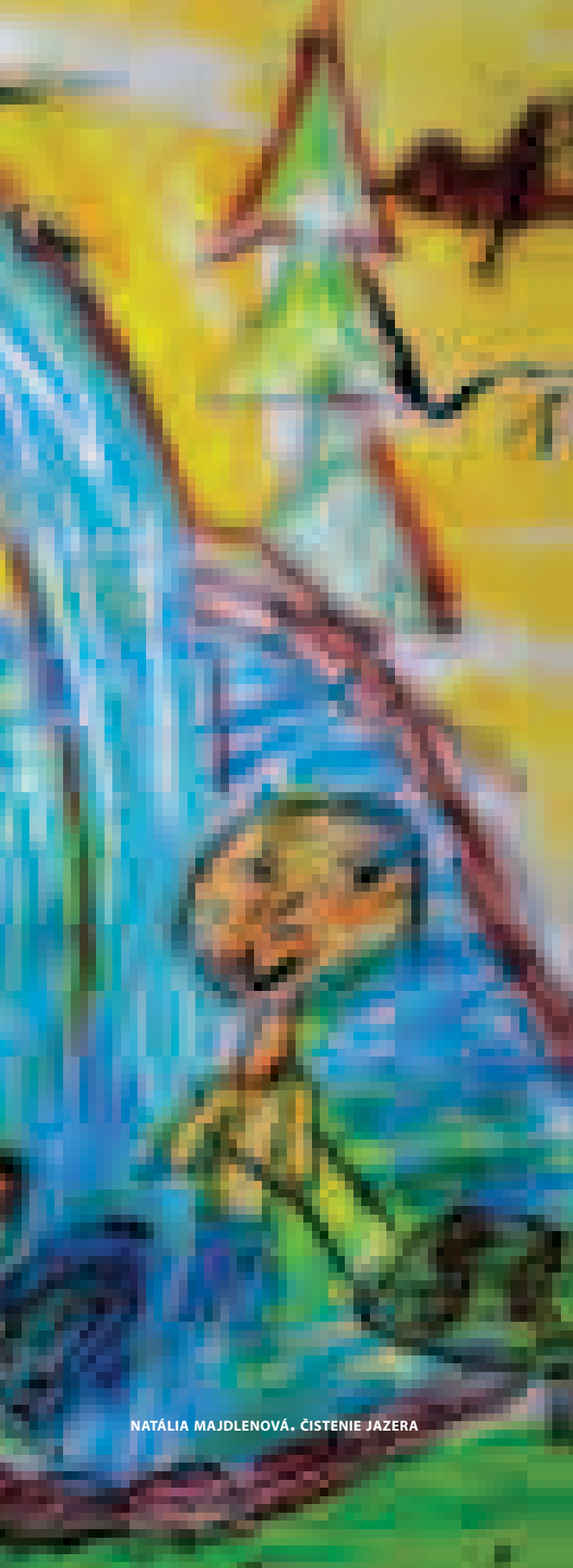


# Price development

PRICES INCL. VAT	2006	2007	2008	2009	2009	2009	2010	2010	2010
				1. 1. – 29.6.	30.6. – 31. 12.		1. 1. – 25.2.	26.2. – 31. 12.	
Price for producing and delivering drinking water Households / other customers	27.37 Sk	26.06 Sk	27.85 Sk	0.9243 €	0.9837 €	–	0.9837 €	1.0667 €	–
Distribution of drinking water to other operators or owners of public water mains	21.42 Sk	20.23 Sk	21.30 Sk	0.7071 €	0.7466 €	–	–	–	0.7466 €
Price for collecting and treating wastewater Households / other customers	26.89 Sk	25.70 Sk	27.01 Sk	–	–	0.9401 €	–	–	0.9871 €

## Overview of prices for producing and delivering drinking water and for collecting and treating wastewater including VAT





NATÁLIA MAJDLENOVÁ. ČISTENIE JAZERA

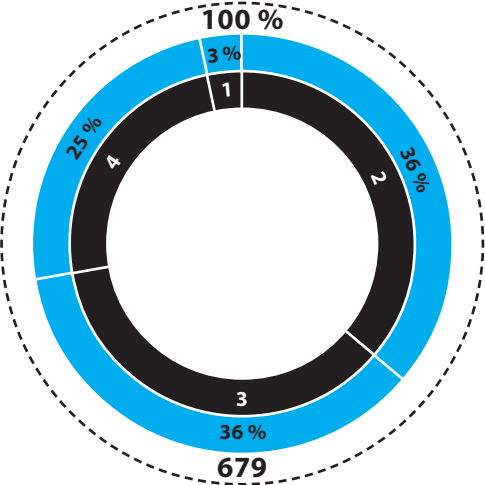
## Human Resources

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The year 2010 brought changes in the form of process and structural changes in the marketing and sales department and in the financial department of the company. These changes were made by company management in the marketing and sales department with the goal of intensifying the fulfilment of the company vision with regards to the sales plan and improving the quality of services provided to customers in addition to the implementation and expansion of rationalisation measures focused on increasing the efficiency of management. Changes in the financial department were focused on optimising process management and completing measures focused on savings.

# Structure of human resources

EDUCATIONAL STRUCTURE OF BVS AS OF 31. 12. 2010



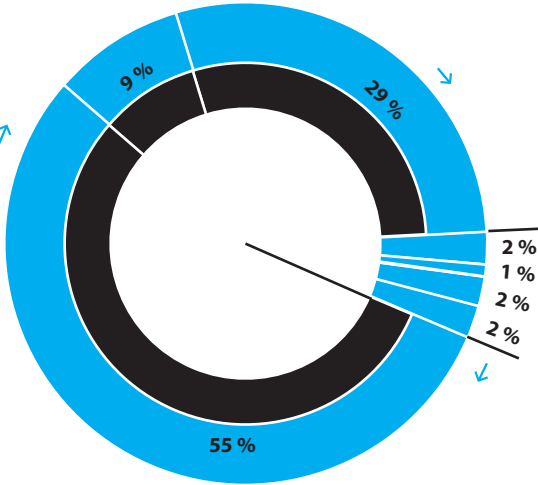
1	PRIMARY SCHOOL	21	3 %
2	SPECIALISED SECONDARY SCHOOL	245	36 %
3	FULL SECONDARY SCHOOL	246	36 %
4	UNIVERSITY-LEVEL	167	25 %

These changes were introduced during the course of the year into established functional positions which started the year at 726 positions as at 1.1.2010 and ending the year with 695 functional positions as at 31.12.2010.

As at 31 December 2010, BVS had a total of 679 employees (data of physical persons) with an average of 678 employees for the year. From the total of 679 employees, 190 were women and 28 of these women were in management positions.

During the course of 2010, new employment contracts were concluded with a total of 65 employees and an equal number of employees terminated their employment. The level of employee fluctuation within the company reached 9.58% in 2010.

PROFESSIONAL STRUCTURE OF BVS AS OF 31. 12. 2010

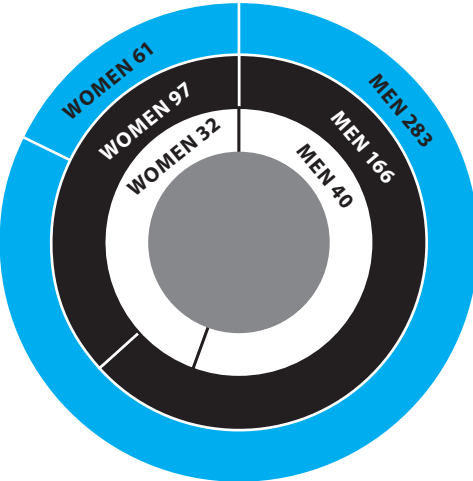


TECHNICAL AND OPERATIONS STAFF	55 %
WATER NETWORK TECHNICIANS	9 %
WATER UTILITY EQUIPMENT MECHANICS	29 %
WATER NETWORK MEASUREMENT AND DIAGNOSTIC SPECIALISTS	2 %
ELECTRICIANS	1 %
METALSMITHS	2 %
OTHER MANUAL LABOUR POSITIONS	2 %

The company's responsibility towards employees affects all human resources management processes from hiring new employees to the remuneration system and continuing education system and then on to opportunities for professional growth within the company, etc. A given is the assurance of safe and suitable working conditions for all employees.

BVS appreciates the work of all employees and for this reason it has focused attention on adapting, evaluating, rewarding, motivating and stabilising employees. For this purpose the company has created a stimulating work environment, developed creativity and continues to support the personal growth of its employees. This is the reason why the preparatory process, employee education and the assurance of employee personal development are among the most important tasks within human resources management.

AGE STRUCTURE OF THE COMPANY AS OF 31. 12. 2010



○ < 30    ● 31-50    ● > 50

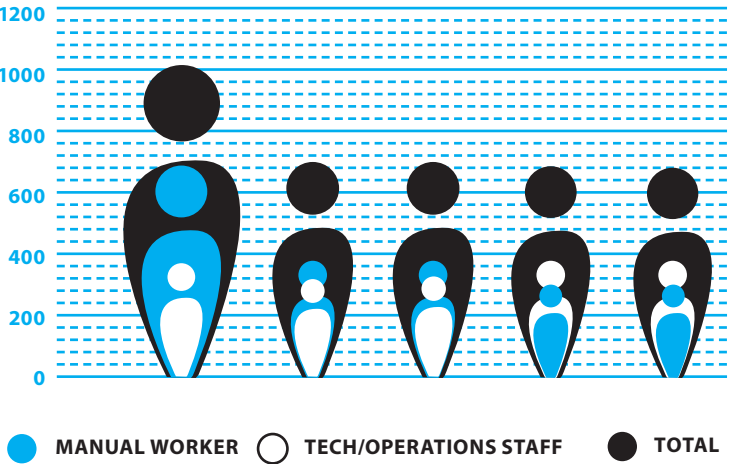
AGE	MEN	WOMEN	TOTAL
ABOVE 50	283	61	344
31 – 50	166	97	263
UNDER 30	40	32	72
TOTAL	489	190	679

In 2010 the company provided internal professional training for a certain group of employees focused on increasing their knowledge of the Construction Act, the Public Water Mains and Sewers Act and the Water Act.

The company also devoted attention towards the award and update of employee professional competencies necessary to secure work activities in terms of Occupational Health and Safety (OHS) and Personal Protective Equipment (PPE) and other competencies for operating public water and sewer networks.

An independent part of the employee education process is set aside for increasing the English language abilities of employees via English language courses for individuals and groups of students directly on the workplace. Employees receive certification accredited by the Ministry

DEVELOPMENT IN THE NUMBER OF EMPLOYEES 2006 – 2010



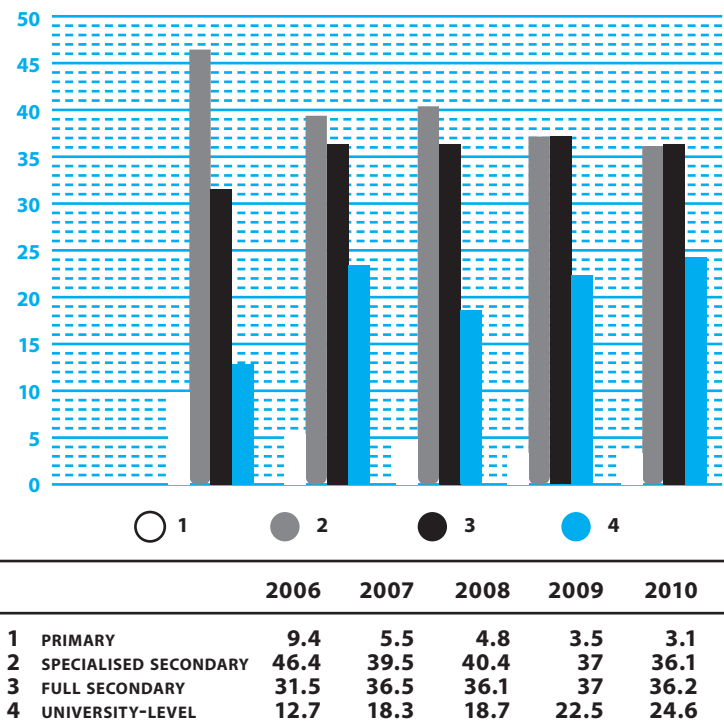
	2006	2007	2008	2009	2010
WORKER	636	370	368	304	297
TECH. STAFF	368	336	343	378	382
TOTAL	1004	706	711	682	679

of Education of the Slovak Republic after meeting internal conditions defined by the company that is fully valid across the country and that complies with the Common European Reference Framework.

The employee education system in 2010 saw a continuation of the trend from past years with specific attention being given towards increasing the qualification of employees in various professional areas related to specific work positions and work activities.

# Structure of human resources

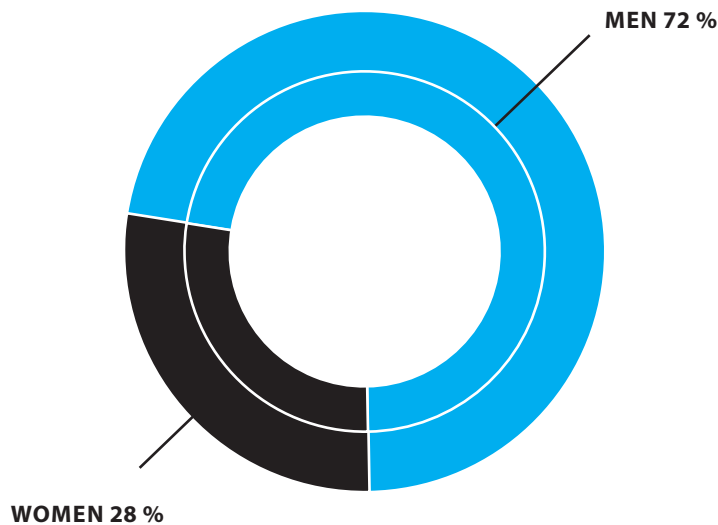
DEVELOPMENT IN EDU. STRUCTURE OF THE COMPANY (IN %)



An important share of completed educational activities was obligatory professional retraining activities arising from OHS and PPE regulations as well as other legal regulations and included professional workshops, professional conferences at home and abroad, courses, trainings and seminars focused on increasing professionalism and professional skills, representing a total cost of €31,956.

Total educational costs including increased qualifications and language courses in 2010 totalled €51,346.

GENDER STRUCTURE OF EMPLOYEES AS AT 31. 12. 2010

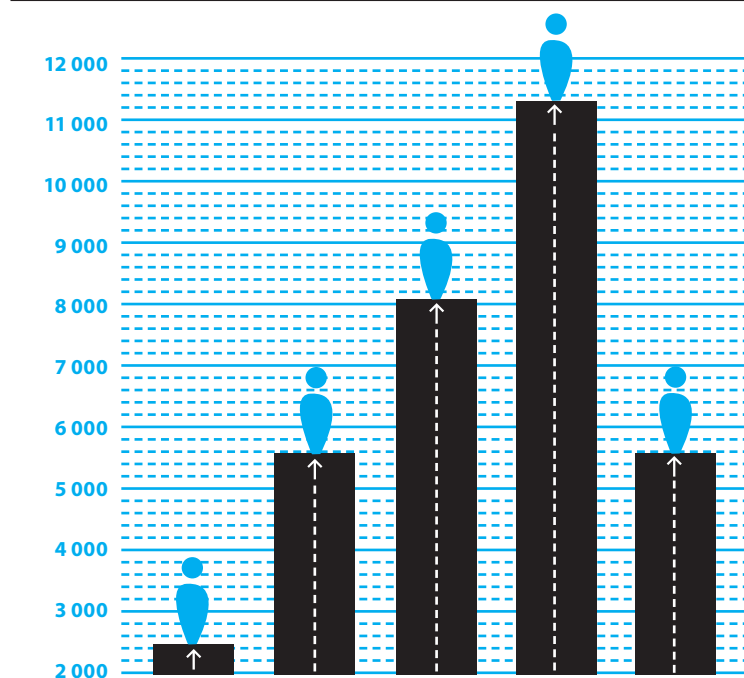


In 2011, BVS created the best conditions possible for employee adaptation with the goal of increasing the efficiency and productivity of new employees within company processes and activities.

Pursuant to the individual settings for the adaptation process schedule, individual new hires had a set of consultations with professional elements in the company which resulted in the creation of prerequisites for their expedited and successful involvement to the work process.

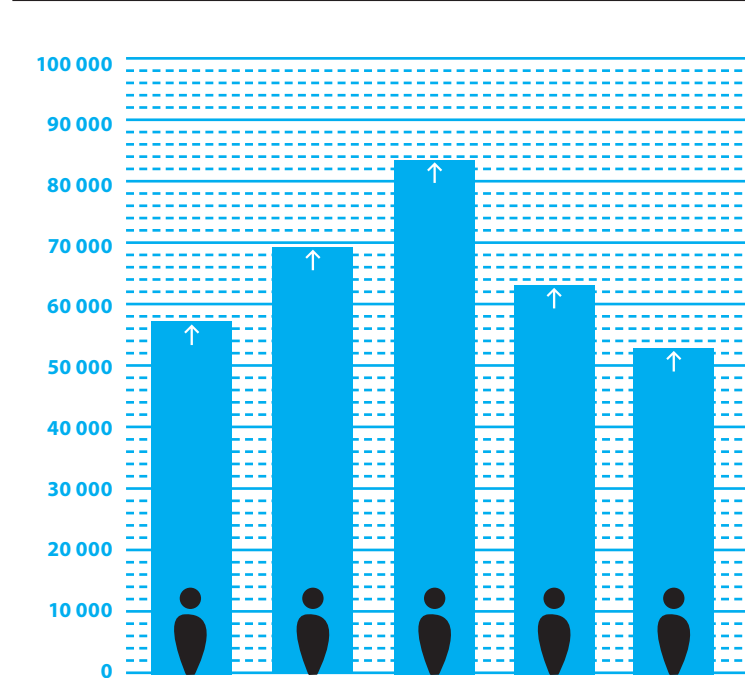
In terms of employee care, BVS continues to pay particular attention to increasing the quality of health and social care for employees and the company supported athletic activities as well as cultural and civic events.

## DEVELOPMENT OF COSTS FOR INCREASING QUALIFICATION IN €



	2006	2007	2008	2009	2010
€	2,483	5,576	8,162	11,317	5,577

## DEVELOPMENT OF COSTS FOR EMPLOYEE EDUCATION IN €



	2006	2007	2008	2009	2010
€	57,236	69,375	83,228	62,830	51,346

### During 2010 the company provided employees with the following:

- Meals and social fund contributions for meals at external food service establishments,
- Contributions for individually secured recreational stays for employee children during the entire year,
- Medical care including preventative immunizations against the flu, tick-borne encephalitis and hepatitis A and B,
- Athletic and cultural activities for employees (World Water Day, Open House at the BVS, a. s., Museum, the Vlado Vavro Memorial Football Tournament, Bowling Tournament and the Christmas Gathering for the company's current and past employees and retirees),
- Employer contributions to supplemental retirement insurance for employees,

- Contributions for improving employee education and qualification,
- Social assistance,
- Financial rewards for voluntary blood donations.



## Company in the Media

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ADRIANA CIMMERMANOVÁ. ŠKODLIVÉ SMETI

## Press Release. BVS Infra Services

Bratislavská vodárenská spoločnosť (BVS) notified its customers that staff of its subsidiary Infra Services would be completing a network wide reading of water meters from the start of 2010. In connection with this, the company notified the public as to measures to take to check the identity of the people completing such readings. "Before taking readings the staff worker or authorised individual is obliged to provide an identification card without prompting that contains his or her name and personal identification number. The other side of the card shows a telephone number where you can check the identity and the scope of this person's authorisation," said spokesman Zenon Mikle. In his words the staff member was also obliged upon request to present his or her card of identity. BVS also stated that people authorised to read water meters would not perform any other activities including the collection of past due payments or account of overpayments for water or sewer or any other services provided by BVS.

PUBLISHED 11/jan/2010; TASR

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## Repairs to the pump station in the Winter Harbour halted

Bratislavská vodárenská spoločnosť (BVS) has not started this project due to the financial and economic crisis. So far only a study has been completed and not an investment project. Ownership of the land also has to be resolved. Reconstruction of the former wastewater pumping station in the Winter Harbour in the industrial area near the Apollo Bridge in Bratislava has been delayed. The reason is the economic, financial and investment crisis which has also affected Bratislavská vodárenská spoločnosť (BVS). General Director Daniel Gerner provided the statement for the SITA agency. "Some projects move slower and some have been frozen," he said. Only a study has been completed for the project which describes the work the company is to complete in the plan. The investment project remains unfinished. In addition to finances, the general director stated that the company also has to resolve the ownership issues related to real estate in the area. This is mainly connected to the lands on which the historical pump house and small block of flats are located. The lands do not belong to the company. This is why the company wants to agree with the owner or it may be forced to purchase these lands. An access road to the site is the next item to be resolved afterwards. Currently the only possible access to the site is via the main entrance to the harbour near the Harbour Bridge. Anyone who wants to get to the site has to travel through nearly the entire harbour. According to Mr Gerner, the company will not be able to move towards a land use planning decision

until ownership to this land is resolved. A "small land use plan" should also be completed. Its goal would be to change the function of the structure which is currently a non-working pump station. Progressive changes and investments should lead to a change from this industrial structure into a cultural and community space. The old pump station with its preserved technology from the previous century remains in the ground floor of the building. Various bits of information on the history of sewers in Bratislava should also be added. The first pump station was built due to the need to pump water back into the Danube River when a dyke was built to protect against high water. The reconstruction should last two to three years according to the original estimates; the company plans to seek funding from the European Union. After reconstruction, the site should become one of the exhibitions for the Waterworks Museum. The museum's main branch will remain on Devínska Road and will have independent exhibitions on Sihot' Island and in the Winter Harbour. At the start of the 20th century a 4.1 km-long collector pipe was built in Bratislava. The wastewater pump station was constructed in 1905 and was equipped with modern for the period electric motor driven pumps. The sewer collector and pump station were constructed by the company Pittela and Brausewetter from Vienna and the machinery was delivered by Ganz and Schlick from Budapest. Costs for the sewer construction and the pump station reached three million gold kroner. The pump station was in operation for nearly 90 years. In 1992 the pump station was taken offline and was added to the list of technical heritage sites.

PUBLISHED 15/jan/2010; SITA

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## Activists appreciate Bratislava water utility's stance

For BVS the proposed oil pipeline will be unacceptable if it passes over the water sources of Bratislavská vodárenská spoločnosť (BVS), i.e. the protected territory of Žitný Island. Activists are pleased with the stance taken by Bratislavská vodárenská spoločnosť, which has rejected the proposed oil pipeline over Žitný Island. "We as the representatives of the lay public are happy with the statements of Bratislavská vodárenská spoločnosť made to the Austrian daily paper Die Presse where it states its clear opposition to the construction of the pipeline connection between Bratislava and Schwechat via Žitný Island. We share a similar opinion on this issue with Bratislavská vodárenská spoločnosť (BVS). We believe that BVS is being honest in its statements and will help to prevent the construction of the Bratislava - Schwechat pipeline will not be run through Žitný Island," writes the chairman of the civic association "No to the Pipeline through Žitný Island" Miroslav Dragun. The activists also called on Transpetrol to make public all the documents for the oil pipeline connector project. For BVS the proposed oil pipeline will be unacceptable.





LENKA PEŤKOVÁ. DAR ŽIVOTA

ceptable if it passes over water sources, i.e. over the protected territory of Žitný Island. Today in an open letter published by Die Presse in Austria, the general director and chairman of the board for BVS Daniel Gerner stated that the proposed pipeline could threaten drinking water sources in Slovakia. The civic activists started a petition starting on Friday, 5 February. After collecting a hundred thousand signatures they want to submit it to parliament, the government, president and representatives of the European Commission in Slovakia. The proposal to allow the construction of the pipeline through Žitný Island was submitted at the end of last year by SMER-SD Member of Parliament Peter Pelegrini. This legal standard would allow the construction of the Bratislava - Schwechat pipeline as supported by the Ministry of Economy. Mr Pelegrini eventually withdrew the proposal.

PUBLISHED **25/feb/2010; AFP, SITA**

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### **Bratislava water utility wants to generate electricity and heat from combusted oil and sludge**

Starting 1 January 2010 all communities must separate paper, plastic, metal and glass waste. Bratislava locals are already familiar with household recycling. Those who recycle save on waste collection and disposal fees. Soon, however, Bratislava residents will face another challenge - the separation of biodegradable waste. Originally biodegradable waste should have been separated by communities starting this year. After the preparation of a new Waste Act, the government delayed the launch of this program while using a reference to the preparation of a strategic reduction in the quantity of biodegradable waste from waste dumped in landfills. Pursuant to the European Directive on Landfills, Slovakia must ensure that the quantity of biodegradable waste in landfills is reduced to 75% by 2010, to 50% by 2013 and to 35% by 2020 of the total amount



MARTIN PALKOV. SLOBODA

produced in 1995. How the residents of Bratislava will deal with such waste remains unknown. As mentioned in the Statute of the Capital City of the Slovak Republic, Bratislava, the city is obliged to introduce separated collection of paper, plastics, metals, glass and biodegradable waste according to a specific regulation. This specific regulation is still missing. Biodegradable waste includes waste kitchen oil that currently ends up in wastewater sewers. For this reason, Bratislavská vodárenská spoločnosť, a. s., (BVS) is interested in its separation as the fats and oils contaminate the sewer system and cause problems in treatment plants. This led to an idea for recycling biodegradable waste. At the end of the year it founded a subsidiary BIONERGY, a. s., which is charged among other tasks with business activities in handling wastes other than hazardous waste as well as the generation of electricity from renewable resources using generation equipment up to 1 MW. BIONERGY also wants to generate green electricity from the biodegradable waste. As stated by the general director of BVS, a. s., Daniel Gerneran, the subsidiary BIONERGY was created with the intention of disposing of the sludge generated by treatment plants and the additional processing of biodegradable waste. Waste sludge as a biodegradable waste can be reused and further processing allows the

generation of electricity and heating water used at a number of treatment plants. The Vrakuňa facility could become the central facility for processing this type of waste. One of the current producers of this type of waste is restaurants and food service facilities that are currently obliged to separate this type of waste. A number of companies process this type of waste and use it in composting operations. This disposal method has its limits but that does not apply to the BIONERGY project. This company offers complete disposal of biodegradable waste - biogas is generated from the waste and is used for electricity and heating water production. What remains of the waste is dry-processed in the sludge dryer and has 80% of the heat content of coal. In 2007, more than 172,000 tons of biodegradable waste was disposed of in the Bratislava Region. Only around 797 tons were used for electricity generation while around 44 thousands tons were used for composting and the rest was incinerated or dumped in landfills. Biodegradable waste is also generated by households. It is only a matter of time before this waste will also be separated by Bratislava's households. The separation of household waste is the task of OLO, a. s., and therefore it is natural that they will also be involved in the separation and removal of biodegradable waste. BIONERGY is prepared to

process and dispose of selected types of biodegradable waste as it is able to use it to produce green heat and light.

PUBLISHED 09/2010; 11/mar/2010; Bratislavské noviny

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## **Sihoť water source is reconstructed and will be open on Saturday**

Bratislavská vodárenská spoločnosť (BVS) has finished the reconstruction and work to the area of the Sihoť water source. Company spokesman Zenon Mikle informed the SITA agency of the completed project today. The goal of the nearly €830,000 project was to preserve the hydrological technical heritage site and the historical architecture. This renovation included the 220m long tunnel that leads under the arm of the Danube and under Devínska Road. It hasn't been accessible for around 10 years due to its horrendous condition. The site will be open to the public for the first time during the weekend long Bratislava for All Event. Visitors will be able to see the historical pump station including the machine room and walk all the way through the tunnel to Devínska Road where a safety railing and stairs have been built for them. The closest well will also be opened. The construction includes a reception area, guard booth and parking site for two buses. After the weekend event the site will only be open on appointment. According to Mikle the site could be used for school excursions. This was the site of the first water source that was used in 1886 for the first time. The first electric pump station along with the tunnel was placed into operation in 1912. The water was supplied to the first zone of the Bratislava water main. Today the Bratislava branch has six such zones. The area includes 13 wide diameter wells with an average diameter of four to five meters and 33 drilled wells from 820 to 1020 millimetres in diameters. The area of the Sihoť water source is a protected heritage site and a part of the Waterworks Museum on Devínska Road as one of its expositions.

PUBLISHED 21/apr/2010; SME

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## **BVS receives funding for the Holíč treatment plant reconstruction and intensification project**

Bratislavská vodárenská spoločnosť (BVS) signed a contract on 22 June 2010 with the Ministry of Environment for a grant related to the "Holíč - treatment plant reconstruction and intensification" project. The funds were contributed on the basis of an approved grant application submit-

ted by BVS for co-financing from European Funds - the ERDF for the Operational Program Environment and specifically the Priority Axis for the Integrated Protection and Rational Use of Water. The total investment costs for the project represent a total of more than €10,433,000. The total eligible costs for project completion are €10,200,544.42. The aid provider, the Ministry of Environment of the Slovak Republic, provided 95% of the total eligible costs, €9,690,526.70. BVS, a. s., paid a total of €742,571.47 from internal funds, including ineligible costs. The goal of the project is to use support from European Community funds to meet the obligations of the Slovak Republic towards the European Union for wastewater collection and treatment limits.

PUBLISHED 23/jun/2010; TASR, [www.bvsas.sk](http://www.bvsas.sk)

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## **DEWALOP – Cross-border cooperation project**

Bratislavská vodárenská spoločnosť has joined the DEWALOP project in the Cross-Border Cooperation Program for Slovakia and Austria from 2007 to 2013. Project partners include BVS, the Magistrate's Office in Vienna, Technical University in Vienna and Slovak Technical University in Bratislava. The main theme of the project is to lower water losses. The aim of the project is to combine cooperation between BVS and the Vienna water utility in a common project with the goal of increasing the security and efficiency of supplying drinking water. The Viennese side is developing new technology to repair water lines without the need for excavation using robotic equipment and the Slovak side is introducing an early warning system that also identifies technical problems in the system using sensors and evaluation parameters for water main networks (pressure and flow). The goal in the future is to significantly reduce the number of excavations and reduce unforeseen outages that are caused by failures.

PUBLISHED 17/aug/2010; TASR, [www.bvsas.sk](http://www.bvsas.sk)

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## Customer Care and Marketing Communication

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NINA KARIKOVÁ.



ZUZANA ČÁONIOVÁ. JE TO VŠETKO O VODE – PROTIKLADY

## Customer care

**The year 2010 was rich in significant changes in terms of increasing the efficiency of customer services and comfort. Both BVS customer centres renovated their premises - with partial changes in Bratislava and a move to completely new and modern premises in Senica. Regular monitoring of customer requests served as the basis for the decision to change customer hours in both centres (lunch breaks were cancelled and customer hours were significantly extended).**

One important new feature was the progressive introduction of repeated delivery of goods and services (ODTaS) within which BVS will move to a pro-forma invoice on the basis of average drinking water consumption or wastewater production and issue billing invoices at least once per year. The launch of ODTaS is also related to the release of new General Business Terms and Conditions.

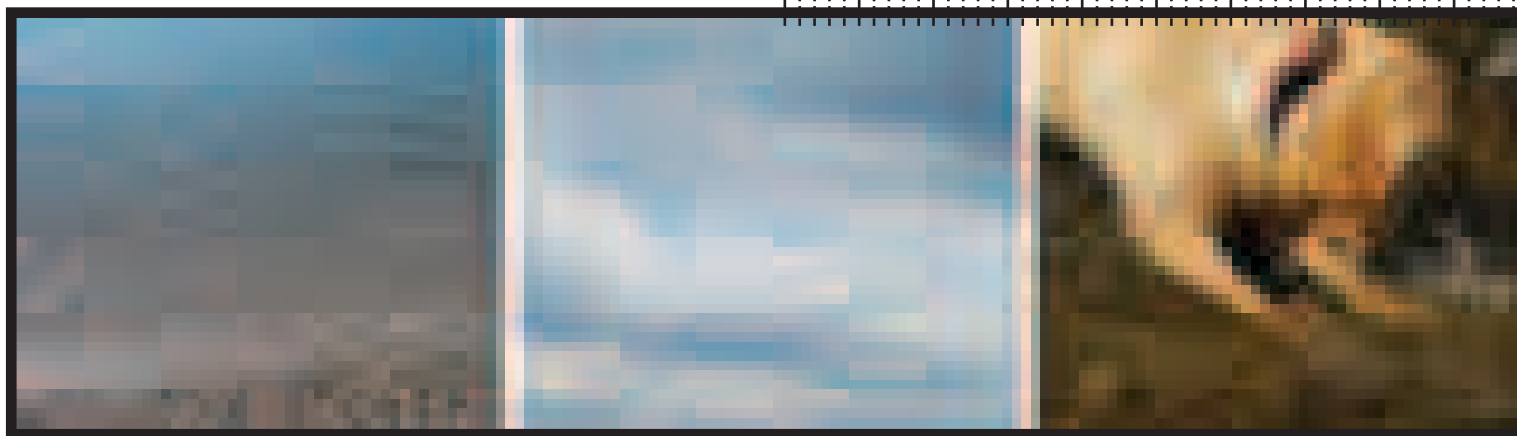
BVS is intensively working on strengthening good relationships with key customers. The company held the "Evening Full of Water" social event for important business partners as well as excursions to the Petržalka treatment plant and the Sihot' water source and prepared the BVS card project, which provides benefits to key customers. Detailed customer segmentation was completed in order to better adapt to the needs of various target groups and a number of marketing research activities were completed, the most important of which included customer satisfaction with services provided by BVS and quality research, which investigated the customers' perception of drinking water from the tap.

On the occasion of the 125th anniversary of the first waterworks in Bratislava, BVS prepared a special event for unauthorised drinking water customers and wastewater producers - a general pardon. For nearly four months, unauthorised customers and producers had the option to legalise their connections for drinking water and wastewater without any sanctions. BVS received a higher number of contractual customers for drinking water and wastewater producers and lowered drinking water losses. A more repressive portion of the project will follow this event in 2011 and will be focused on intensively exposing illegal users and producers of wastewater with the application of sanctions.

## External communication

**The main marketing goal of communication with customers remained improving the perception of drinking water as a quality beverage. One of the forms in which customers were provided with more information on drinking water was packaging flyers containing important and current information on the main company products and about the company.**

BVS has traditionally provided drinking water for important city events including Bratislava Inline, the ČSOB Marathon, the Devin-Bratislava Run and Bratislava for All Event. It is important to note the free water analysis completed for household wells among the important events for the public as well as the open house at the Waterworks Museum and at the water



source at Sihot' and finally the Night of Museums and Galleries, which included a rich program at the Waterworks Museum.

The annual report is the document that BVS uses to map its financial statements and other activities. Much the same as in previous years and in 2009, BVS has submitted its annual report for the best annual report competition organised by the Institute for Economic and Social Reform (INEKO). It has defended its success from previous years and for the second time it had the third best annual report in terms of contents and visual appearance from among 45 competitors that signed up for this prestigious competition. A comprehensive report for the joint stock company from 2004 to 2009 was completed for the first time in 2010. This report maps the changes in the company, its current and past representatives and reviews the overall development of the company in all important areas.

BVS has taken an active approach to the planned construction of the Bratislava-Schwechat Pipeline and has been active in keeping the public informed about the consequences that could be caused by an oil leak and the irreversible consequences that would follow as the oil would contaminate water sources for a large portion of Slovakia.

The new website for BVS with a new design and a higher level of customer focus was up and running in October.

SEE MORE [www.bvsas.sk](http://www.bvsas.sk) CERTIFICATE [page 199](#)

## Internal communication

**BVS highly values its employees and tries to improve their motivation and loyalty through internal communication tools. In order to increase employee loyalty BVS has prepared a number of informal employee events, the most important of which includes the Company Sports Day, visits to theatre productions to celebrate the anniversary of the establishment of the company and the Christmas evening. Professional employees participated in the corporate round of the Water Utility Staff Skills Competition, who represented the company well in this Slovak-wide round of the traditional competition.**

The company provides employees with information using standard informational tools (e-mail, regular meetings and bulletin boards) as well as the corporate magazine BVSvet issued 4-times a year and that includes interesting topics from the water industry in addition to news and current events in the company. Work also started in 2010 on the preparation of the corporate intranet, which is planned for launch in January 2011.

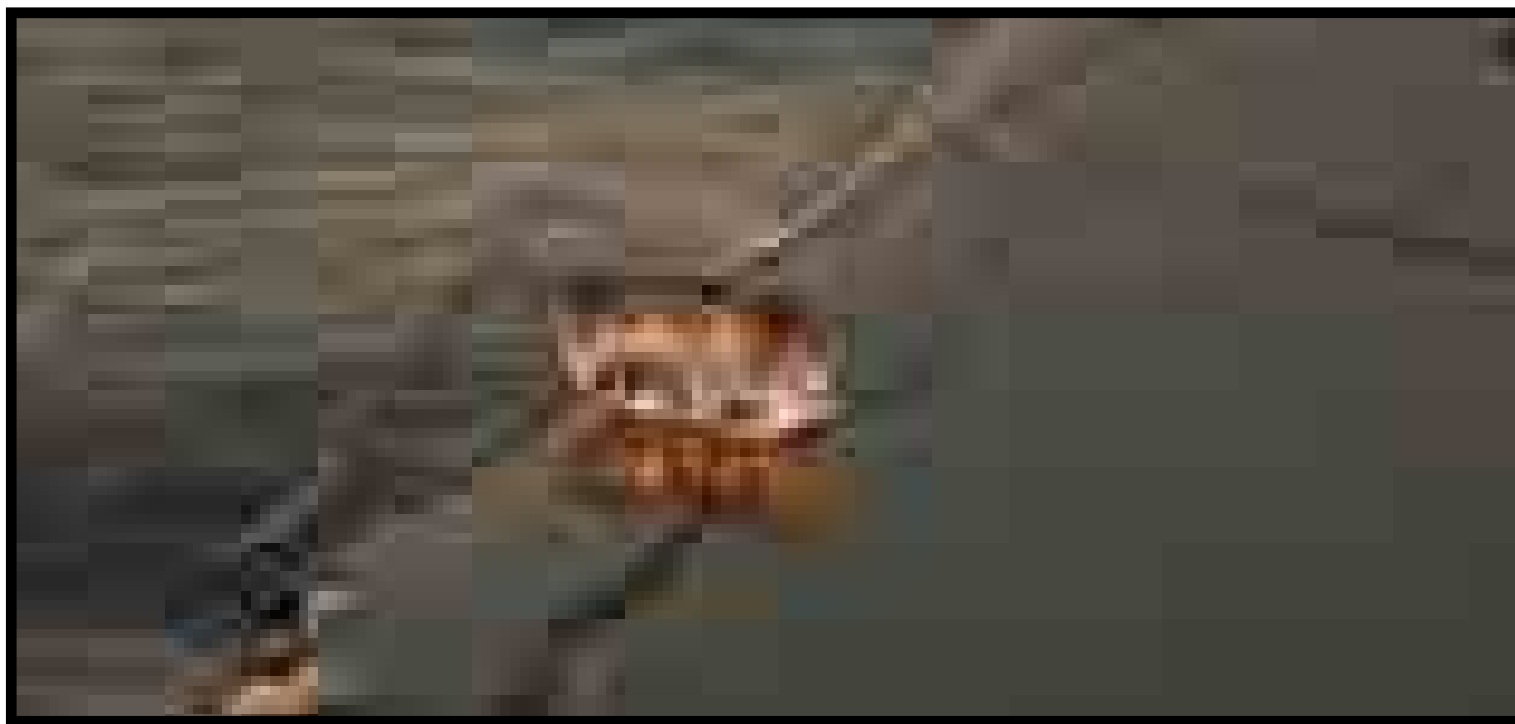
The marketing department also printed brochure manuals to help new employees adapt faster and to help contact employees to get up to speed faster. The brochures contain the mission statement and vision of the company and offer practical advice and a guide on how to get involved in work processes and how to quickly master work tasks. Both brochures are intended for all employees and contain information on BVS that is readily accessible.

The labour union organisation within BVS organised a number of events to strengthen collective bonds for employees. These included a fishing derby, bowling tournament and trips to Roháče and Poland. At the end of the year employees met at the annual pre-Christmas event.



## Corporate Responsibility

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PAVOL STANO. CHVÍLA.

## Voda foundation

**In 2010 BVS completed a number of socially beneficial projects, primarily via the Water Foundation. This foundation organised events to support education, those affected by floods and employees who made free blood donations. Specific work has resulted in the renovation of a building used by families of handicapped clients of the Better World Association for the Marginalised.**

A funding drive to support affected communities in eastern Slovakia, specifically the Prešov and Košice Regions, took place over two months. A financial gift of €2,334.89 was sent to affected communities in the Prešov and Košice Regions. A total of 29 employees joined in the funding drive from the DDV group as well as 25 employees from Bionergy and 4 partner organisations - Radeton SK, s. r. o., Interaudit, s. r. o., Trendcap, s. r. o., and the Law Office of L. Kružlík.

The foundation also participated in a public funding drive led by the Slovak Postal Service and called on its employees to help the residents of Upper Nitra with material donations. A total of 27 employees joined in the event and donated a total of 460 kg of material donations. The foundation donated a

total of €2,760 to free time activity organisations, supported a Bratislava health institution and delighted retirees in Borsky sv. Jur before Christmas.

With respect to insufficient funding, it was unable to support its long-term partners - the Better World Association for the Marginalised, the Muscular Dystrophy Organisation, Plamienok Hospice, the Andreas Autistic Centre and the Bratislava Regional Rescue Association, which it had in its planned activities in 2010. These insufficient funds were replaced with a volunteering day for BVS and subsidiary employees.

Other activities related to social responsibility included financial awards for students for the best revitalisation proposal for the BVS building in Karlova Ves and rewards for free blood donations by BVS and subsidiary employees.

The Water Foundation made donations to the City Forests of Bratislava (€1,500) for the Running Trail on Kamzík, the St. Francis Treatment Centre which cares for elderly, chronically ill patients (€1,000) to purchase health materials and the Pensioners Home in Borský sv. Jur (€260) to purchase a total of 26 Christmas gifts for clients.

BVS didn't forget about former employees and in the autumn it organised a third meeting with them in which they could reminisce, learn about news in the water utility business and provide valuable advice to current BVS employees.



BVS financially supported non-profit organization INEKO (Institute for Economic and Social Reforms) with a contribution of €1,500 for publishing a brochure Assessment of Economic and Social Measures in 2009.

The Slovak National Museum received a financial contribution of €500 for organizing the sixth year of the international event Night of Museums and Galleries in which the Waterworks Museum regularly takes part.

Within the sports activities for young, BVS donated 4,000€ to Raft Club Yuventa to partially cover the costs of the season.

Ekotopfilm is one of the largest and most important events in Slovakia with emphasis on sustainable development and water issues. A large part of the event is dedicated to schools and teachers. Our company took the opportunity to introduce its program Blue School to the public in this event.

Each year, a part of the BVS funds is allocated to support the activities of municipalities. In 2010, financial and non-financial gifts in total value of 16,943,36€ were donated to municipalities of Bratislava, Senica, Trnava, Modra and Vrakuňa.

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## Educating children and youth about water

### BLUE SCHOOL (MODRÁ ŠKOLA)

BVS places emphasis on education of children and youth regarding water. It considers continual and systematic education of young people, which are its future consumers and customers, to be critical. Since 2009, BVS has completed **a continuous education program focused on water with the name Blue School - Water for the Future**. Statistics as to the number of young people and their teachers participating in the program activities continue to increase annually. In 2010 more than 80% of the primary schools in districts served by BVS were involved in the program.

One of the most attractive education programs is excursions to BVS buildings. More than 70 professional excursions for more than 3,000 students and teachers took place during 2010. In selected buildings (treatment plants in Petržalka and in Myjava and the water sources on Sihot and Slovanský Island) a total of 27 information boards were erected. These information boards form an educational trail and their texts help to guide excursions.

Creative, photography and knowledge-based competitions as well as the Water Festival were announced in 2010 within the Blue School program. 78 primary schools and more than 2,500 students took part in the creative and literary competition. A total of 15,000 primary school students joined in the knowledge-based competition. The creative competition focused on the International Water Day. A total of 390 creative pieces of art work were submitted for the competition. The Water Festival was attended by 39 primary

schools all represented by 5 member teams in 2010.

A number of professional seminars were also held for primary school teachers during 2010. Methodology guides, water work folders and popular science publications on the water industry were also prepared for teachers and students.

In 2010, the Blue School program was also presented at the international Ekotopfilm festival during a professional conference for teachers. The presentation included the premiere of the documentary film on the Blue School program.

Blue Water program mascots were created in order to bring the children closer to the overall program - male and female water figures that children will meet with in all Blue School promotional materials. An interactive game on the program website at [www.modraskola.sk](http://www.modraskola.sk) was created for pre-schoolers.

SEE MORE [www.modraskola.sk](http://www.modraskola.sk)

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### STOCKHOLM JUNIOR WATER PRIZE

BVS for the fifth year has partnered and been the professional sponsor of the Slovak version of the international Stockholm Junior Water Prize (SJWP) competition. This is an international competition focused on water issues and secondary school students can participate from across the globe to present their research projects focused on water issues. This competition has an international finale, which follows national rounds in the national countries. SJWP is well known to schools and students across Slovakia. Thanks to this the number of students who sign up continues to increase. A total of 560 secondary schools from across Slovakia were active in the competition in 2010. More than 5000 secondary school students participated in the – BVS Prize for the Best Hydrological Student Project in the countrywide competition for the SJWP prize. 120 secondary school teachers participated in the BVS Prize for the Most Engaged Teacher competition and 70 secondary schools participated in the BVS Prize for the Most Active School competition.

The goal of BVS as a partner in the competition is to motivate students to select project themes connected to hydrology and the water industry. Informational and motivational meetings for students were organised for this purpose in 2010 across Slovakia. Students had the opportunity to consult their projects with professionals from BVS. The results appeared and a total of 183 students from 269 selected themes that were close to hydrology and the water industry.

SEE MORE [www.sjwp.sk](http://www.sjwp.sk)

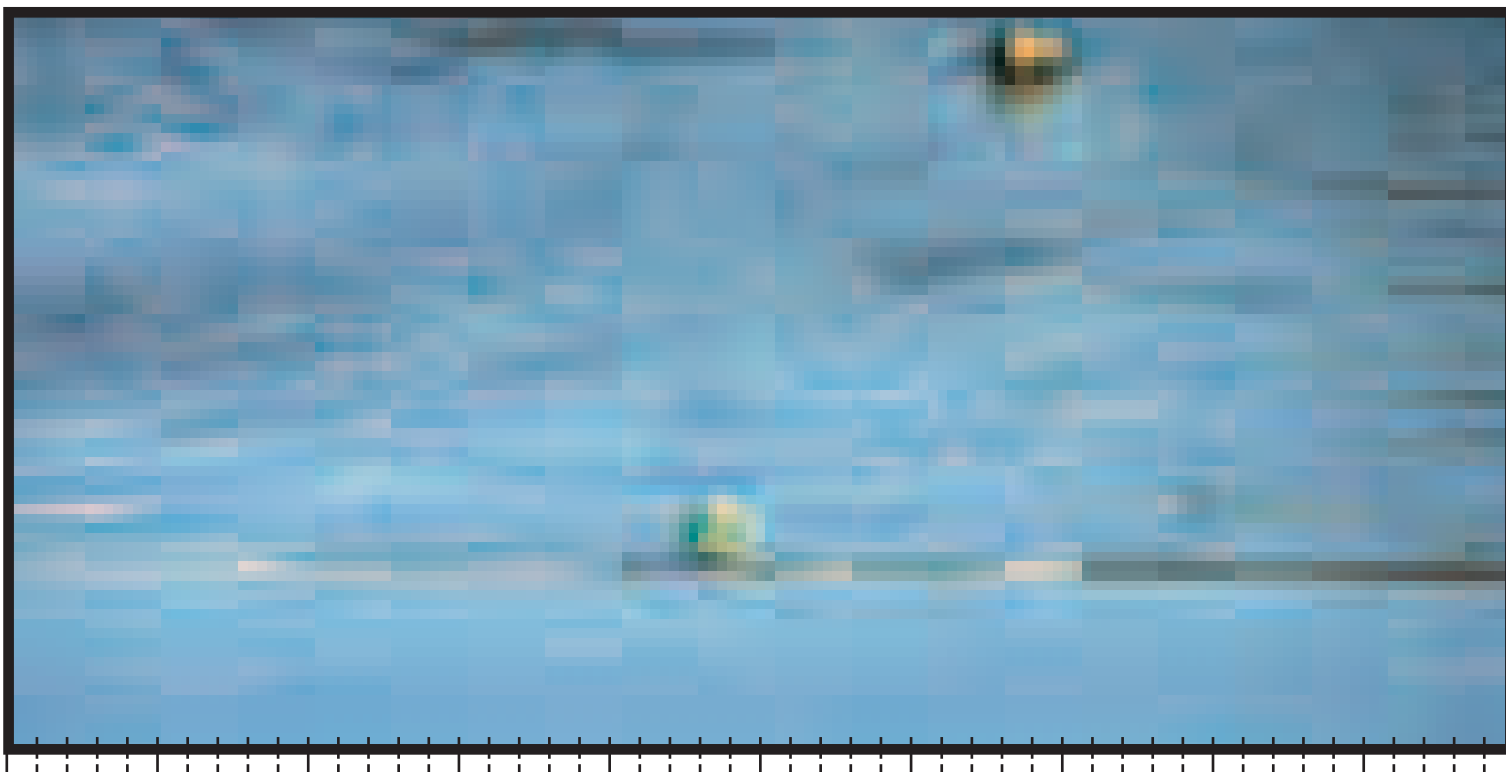
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## Waterworks Museum

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GABIKA KUZMOVÁ. VODA – NAJVVČŠIE BOHATSTVO



**The Waterworks Museum was established in 2006 to commemorate the 120<sup>th</sup> anniversary of the first Bratislava waterworks. Its founder is BVS. The Waterworks Museum is a specialised technical museum focused on the water industry across Slovakia. The museum is located in the historical building of the original pump station in Karlova Ves, which is one of the first facilities of the Bratislava waterworks (end of the 19th Century). The Waterworks Museum had two exhibitions in 2010: the main exhibition space in the original machine room in Karlova Ves and the national cultural heritage site on Sihot' Island.**

In 2010 the Waterworks Museum acquired a total of 3,299 culturally valuable items into its collection including important archive documents, projects and historical work tools and instruments. The total number of items in the collection of the Waterworks Museum rose to 3,496 items. All the items in the collection were obtained through internal research in cooperation with BVS employees. At the end of 2010 a new repository area was constructed to house all of the items in the museum's collection.

An important moment in the operation of the museum was the launch of its new website **[www.vodarenskemuzeum.sk](http://www.vodarenskemuzeum.sk)** in May 2010. The website had a total of 1,767 unique visitors from 19 different countries while the number of page views increased to 10,650 in 2010. In terms of marketing, a design manual was created for the Waterworks Museum that includes all aspect of internal and external communication.

A total of 68 internal, corporate and external events with a total of 5,497 visitors were held at the Waterworks Museum in 2010. Internal events included the Open House Day, the Night of Museums and Galleries and the Advertising Agency Event. The museum hosted 18

# Waterworks Museum collection

DEPARTMENT	ADDITION NUMBER	PIECES
Archeológia	2	2
História	1 914	3 110
Spoločenské vedy spolu	1 916	3 112
Dejiny techniky	377	384
Prírodné vedy spolu	0	0
Zbierky spolu	2293	3 496

cultural, social and educational activities with a total of 2,363 visitors. In terms of social responsibility, the Waterworks Museum became an important partner for hosting various environmental events in its premises including close cooperation with the No to the Pipeline Association, the Bratislava Regional Protection Association and provided its premises for the presentation of all important ecological organisations in Slovakia.

Múzeum usporiadalo 18 kultúrno-výchovných a vzdelávacích aktivít s počtom návštevníkov 2 363. Z hľadiska spoločenskej zodpovednosti sa Vodárenské múzeum stalo dôležitým partnerom pri usporiadaní rôznych environmentálnych podujatí vo vlastných priestoroch – nadviazalo úzku spoluprácu so združením Nie ropovodu cez Žitný ostrov, Bratislavským regionálnym a ochranárskym združením a poskytlo priestor na prezentáciu pre všetky významné ekologické organizácie na Slovensku.



ADAM NAÑO. LOŤKA NA MORI

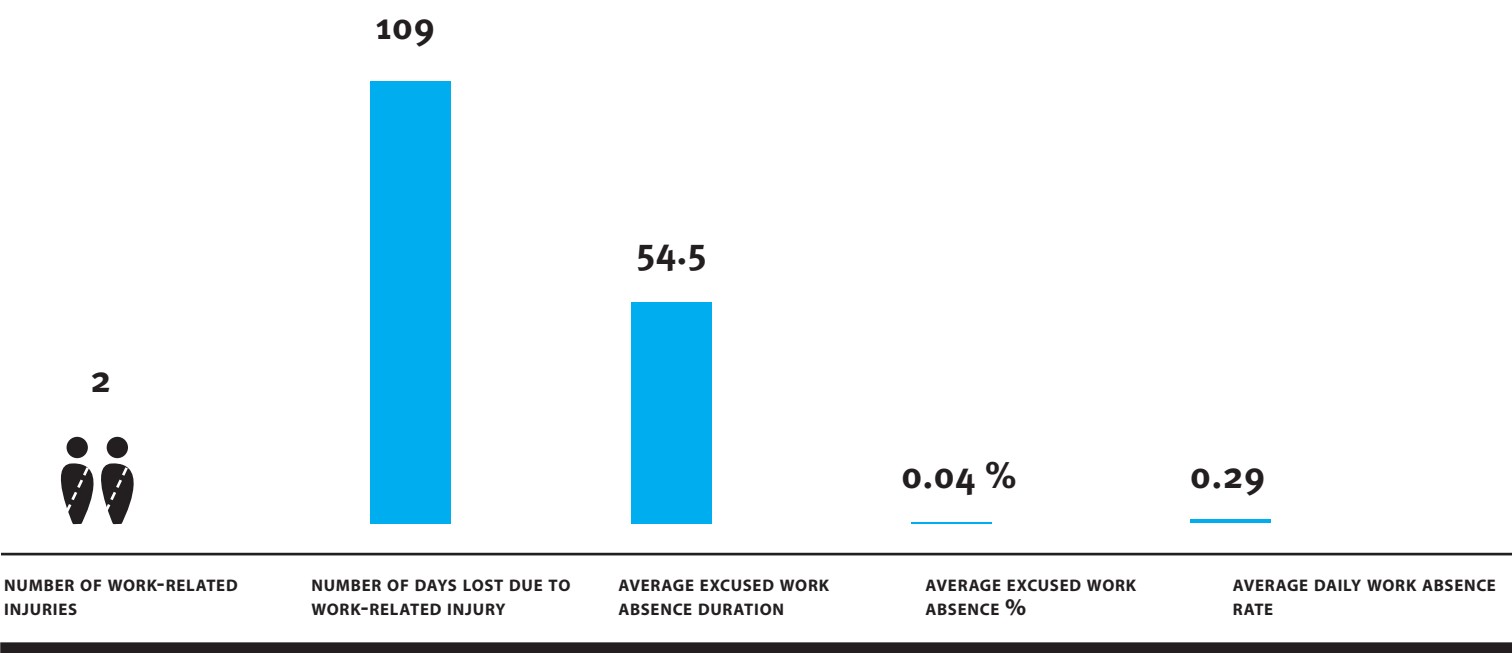
## A Safe Company

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Occupational health and safety assurance for employees is an indivisible part of the fulfilment of work tasks. In 2010 BVS was able to lower the number of work-related injuries and for the second time in its history it recorded a work-related injury rate of zero.

# Occupational health and safety assurance

YEAR 2009



## Measures taken by BVS to decrease work-related injuries

→ When a new employee is hired, introductory instruction related to occupational health and safety and fire protection is carried out in order to instruct new employees on these issues before entering the worksite with the goal of avoiding work-related injuries and emergencies related to occupational health and safety and fire protection on BVS worksites. During the monitored calendar year of **2010**, these introductory instructions for occupational health and safety and fire protection were attended by **65 new employees**. Introductory instruction was completed individually for every employee and ended with a test. Specific occupational health and safety (OHS) training pursuant to Section 7 of National Council of the Slovak Republic Act No. 124/2006 Coll. on Occupational Health and Safety as amended and training

on fire prevention pursuant to Section 20 and 21 of Ministry of Interior of the Slovak Republic Decree No. 121/2002 Coll. on Fire Prevention as amended was performed for each new employee.

→ At the OHS and Fire Prevention 1050 Department level, systematic as well as random inspections of adherence to the principles of OHS and fire prevention within the individual divisions and appropriate worksites and other organisational units of BVS took place. Inspections were focused on adherence to the principles of occupational safety pursuant to technical and technological procedures, the safety of technical and technological equipment and the use of personal protective equipment in the work process. The elimination of discovered insufficiencies from internal or external inspections by the Labour Inspectorate, hygiene authorities, state fire supervision authorities, etc. was also systematically inspected. Records from inspections completed by the OHS and Fire Protection 1050

**YEAR 2010**

<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NUMBER OF WORK-RELATED INJURIES</b>	<b>NUMBER OF DAYS LOST DUE TO WORK-RELATED INJURY</b>	<b>AVERAGE EXCUSED WORK ABSENCE DURATION</b>	<b>AVERAGE EXCUSED WORK ABSENCE %</b>	<b>AVERAGE DAILY WORK ABSENCE RATE</b>

Division were completed and stored in written form by the OHS and Fire Protection 1050 Department.

Insufficiencies discovered by OHS and Fire Protection Department inspections where then consulted with the appropriate employees and measures to secure their elimination were then taken. The overall status of OHS and personal protective equipment at BVS was covered in the summary report from the complete inspection check of OHS and personal protective equipment completed on BVS worksites performed by a specific work group in the period from 4.10. to 18.11.10.

→ During **2010**, spot checks into the use of alcohol and the use of inebriating and psychotropic substances on the worksite were completed pursuant to Section 9(1), Letter b) of National Council of the Slovak Republic Act No. 146/2006 Coll. on Occupational Health and Safety as amended and internal directive no. 035-02-2006. During the monitored calendar year

of 2010 a total of 396 spot tests for alcohol use were completed at BVS by the OHS and Fire Protection 1050 Department and by other management employees. A total of three of the 396 completed tests were positive. Employment was terminated with all such employees due to this severe breach of work discipline in such cases. A total of six tests for inebriating and psychotropic substances were carried out by the OHS and Fire Protection 1050 Department, none of which were positive.

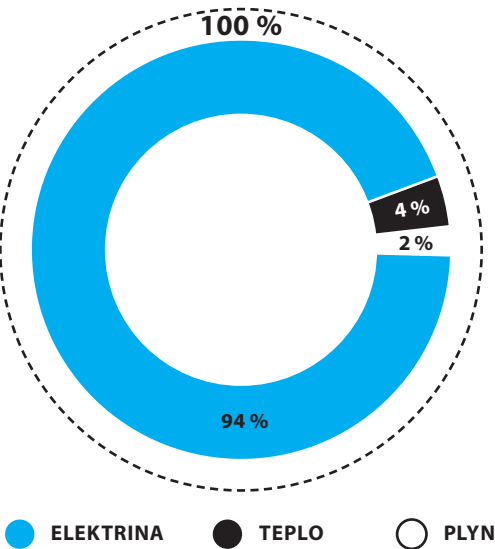


## Energy Efficiency

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## ENERGY COSTS FOR 2010 (€)



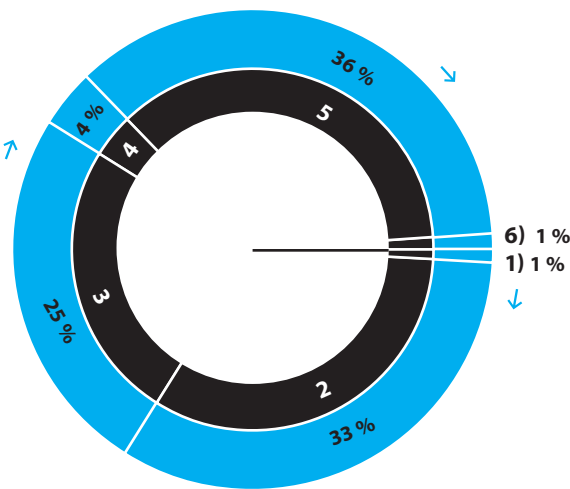
	€
ELECTRICITY	7,186,139
HOT WATER	325,840
GAS	141,994
<b>TOTAL</b>	<b>7,653,973</b>

**BVS uses three basic forms of energy in its activities: electricity, natural gas and hot water. A majority of costs (94%) are electricity, which is necessary in order to take water from water sources and then pump this water to elevated locations. Electricity is also necessary for sewers and treating wastewater. BVS uses natural gas and hot water to heat buildings and non-drinking water.**

Electricity is supplied by the Západoslovenská energetika, a. s., network and from the subsidiary BIONERGY, a. s., which generates electricity from renewable resources obtained from intermediate products in the wastewater treatment process. In 2010 a total of 7,664 MWh of electricity generated by the BIONERGY was consumed, representing 10.7% of total consumption.

In spite of the continuously expanding BVS network and the increasing trend for energy prices, BVS significantly decreased its electricity costs.

## DISTRIBUTION OF ENERGY COSTS BY INDIVIDUAL BVS DIVISIONS

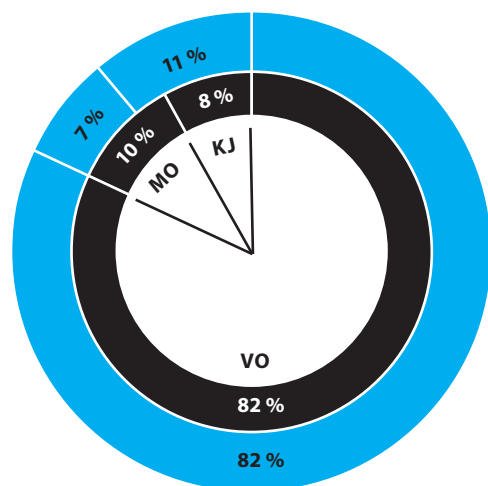


	€	%
1 COMPANY DIRECTORATE	111,952	1 %
2 WATER PRODUCTION DIVISION	2,538,970	33 %
3 WATER DISTRIBUTION DIVISION	1,885,061	25 %
4 WASTEWATER COLLECTION DIVISION	272,708	4 %
5 WASTEWATER TREATMENT DIVISION	2,785,844	36 %
6 DIVISION OF CHEMICAL, TECHNICAL AND LAB ACTIVITIES	59,438	1 %
<b>SPOLU</b>	<b>7,653,973</b>	<b>100 %</b>

### This was achieved thanks to three significant aspects:

- More efficient use of technical equipment resulting in a decrease in electricity consumption,
- A shift in the use of electricity during night time hours during low tariff rates meaning lower prices,
- An increase in the use of cheaper electricity from renewable resources supplied by the subsidiary BIONERGY.

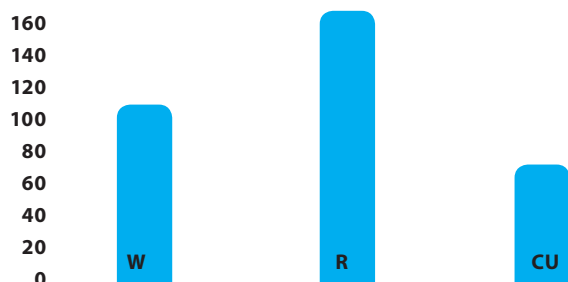
## ROZDELENIE ČERPANIA ELEKTRICKEJ ENERGIE



● MWh ● EUR

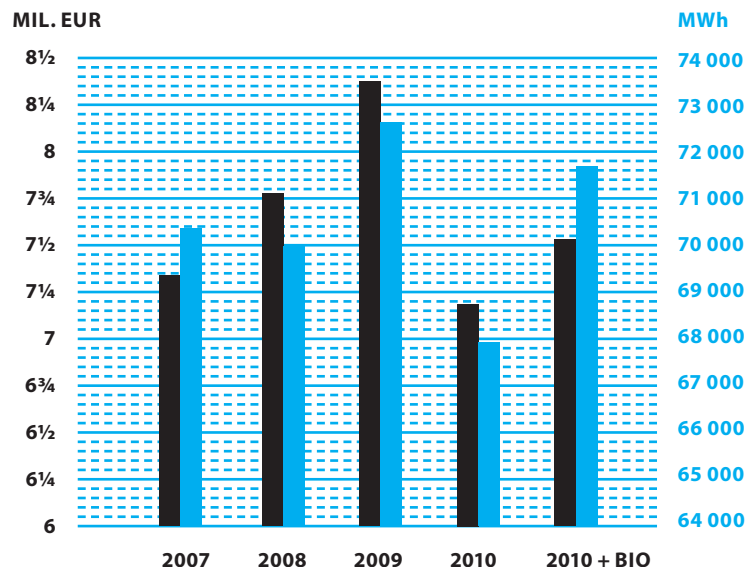
		MWh	EUR
W	WHOLESALE – ZSE	82 %	82 %
R	RETAIL – ZSE	10 %	7 %
CU	BIONERGY – COGENERATION UNITS	8 %	11 %

## AVERAGE UNIT PRICE (€/MWh)



W	WHOLESALE – ZSE	106.20
R	RETAIL – ZSE	160.86
CU	BIONERGY – COGENERATION UNITS	71.03

## ELECTRICITY CONSUMPTION 2007 – 2010



	EUR	MWh	EUR/MWh
2007	7,330,738	70,358	104.2
2008	7,807,962	69,986	111.6
2009	8,366,209	72,603	115.2
2010	7,186,139	67,940	105.8
2010 (+ BIONERGY)	7,574,257	71,672	105.7

The decrease in electricity costs in 2010 compared to 2009 reached €791,952 (9.5%). These costs include the electricity consumption of the subsidiary BIONERGY.

BVS uses electricity in a responsible manner, both in terms of costs and in terms of environmental impact. BVS follows energy policy materials elaborated by the company in which it undertakes to lower the environmental impact of its activities by educating its employees, optimising production processes and applying the best available technology.



## BVS and the Environment

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**Environmental protection is necessary to secure the quality of life for both current and future generations. BVS is defined by a sensitive approach to the environment, which respects laws and environmental standards. We continuously place emphasis on achieving a balance between water demands and care for water as one of the most fundamental building blocks of the environment. We try to handle water in the most effective way possible in all phases of its use and we recognise our duty to return it to the environment in the cleanest form possible.**

**The application of these principles into practice means:**

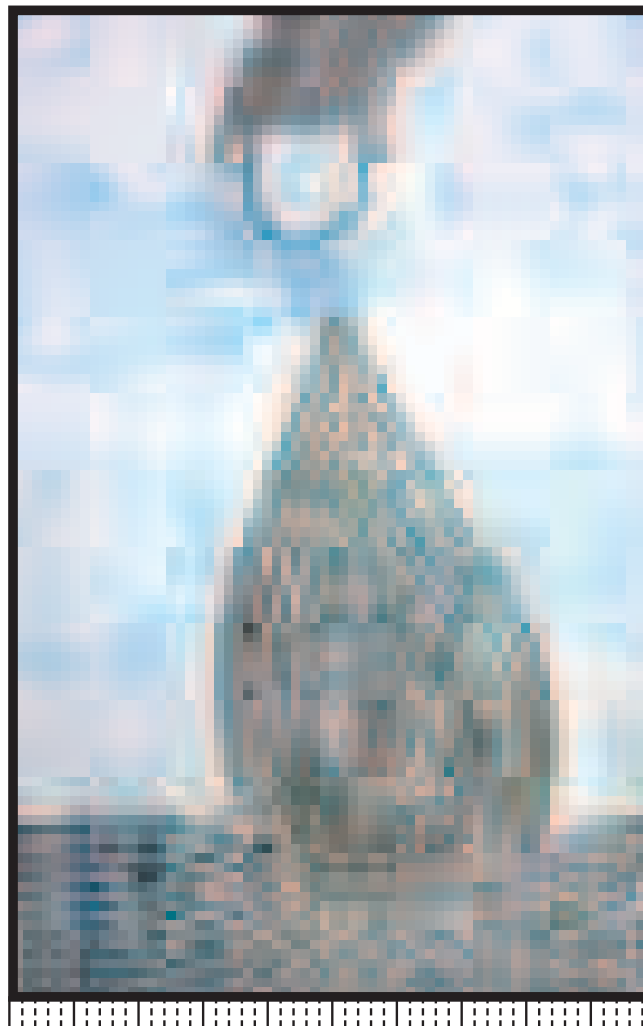
- Securing compliant water sources, protecting resources, monitoring and evaluating their environmental stability including their protected zones,
- Securing compliant wastewater collection and treatment at required levels of quality for release into recipients,
- Securing appropriate handling of waste generated in the wastewater treatment and drinking water treatment processes.

Environmental protection is a permanent component of our company's activities. BVS is prepared to fulfil the program of environmental goals in order to achieve good water quality as is based on the European Framework Directive on Water.

The most important activities in this area currently include the reconstruction and expansion of treatment plants, which significantly improve the wastewater treatment process. Decreasing nitrogen and phosphorous content in water released from treatment plants in terms of the values defined by legislation is another reflection of an increase in water quality in recipients. One of the undisputed improvements to the environment was the concentration of treatment capacity for the Small Carpathian and Senec Regions into the central Vrakuňa treatment plant.

The preparation process for introducing an environmental management system at BVS continued in 2010. By improving our environmental behaviour we seek to express our obligation to protect the environment. We expect to lower the impact of our activities on the environment, to improve the efficiency of our operational activities, to identify opportunities to achieve additional savings and to lower expense related to environmental protection responsibilities from this efficient environmental management system.

The company also supports non-profit organisations that focus on natural protection, water sources, wetlands and birds. This aid is reflected in advisory services as well as in direct financial contributions. The execution of the strategic development plan for public water mains and public sewers has the goal of improving the care for water sources and related water utility infrastructure while also increasing the level of sanitation, comfortable living and the standard of living for our customers.





## Information Technology

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## The integrated management system

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CENTRAL TECHNICAL DISPATCHING

AUTOMATED MEASUREMENT AND ASRTP

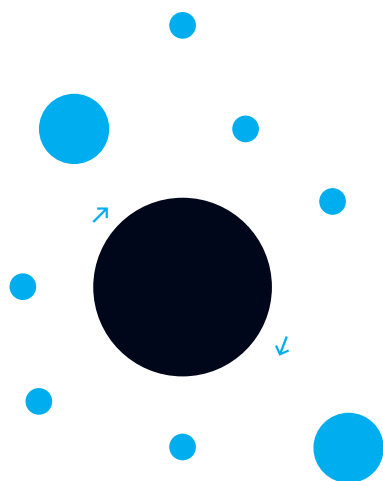
FINANCIAL, CUSTOMER, SERVICE AND MANGEMENT IS

**The integrated management system concept was first launched in the BVS environment in February 2006 and critical analysis into order party needs took place and was followed by integrated management system launch in September 2006. The integrated management concept represents the basic framework for management that covers technology and processes in the company with priority use of information and communication resources.**

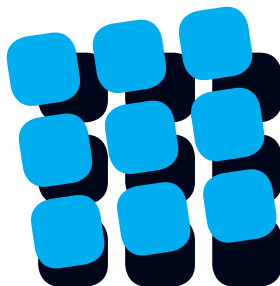
**The integrated management system includes the following systems:**

- Central Technical Dispatching - CTD
- Automated measurement and control and automated technological process control systems (ASRTP)
- Security and access control system
- Financial system, customer system, service system and the management information system
- Communication system
- Task management and administration
- Document content and information administration
- Technological lab system

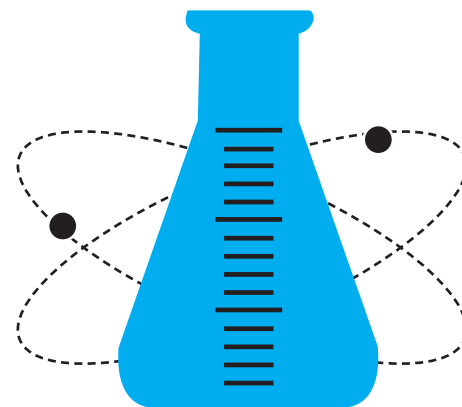
BVS continues to expand continuous integrated management system operations and to meet user needs. During 2010 a number of technical changes were made to the integrated management system that led to



TASK MANAGEMENT AND ADMINISTRATION



DOCUMENT CONTENT AND INFORMATION ADMINISTRATION



TECHNOLOGICAL LAB SYSTEM

improvements in speed and reliability. The change was driven primarily by the division of the Customer Information Module table into two where one is used to store current information for daily work and the second contains historical data back to 2005. Other activities that must be mentioned include the expansion of the system used for document administration and the implementation of corporate processes into this system. This includes functionality for service and repair requests, which was significantly supported by programming approval processes into the IS and the automatic transfer of requests into the financial system.

Another significant project was to be the implementation of a data warehouse (DWH) planned from October 2010. Due to the cancellation of the procurement process, implementation was moved to 2011. Data and process analysis was completed in 2010 as the reference material for DWH implementation.

Within other activities it is necessary to mention improvements made for increasing the efficiency of internal management in the information and communication department. This was achieved by hiring project managers and the introduction of change procedures and user needs management. An example project completed under this approach includes the redesigned website [www.bvsas.sk](http://www.bvsas.sk).

**In addition to these activities, the department secured the following activities in 2010:**

- User support
- Computer replacement - no computers are older than 4 years old, reducing service costs by 90%
- BVS data safety - SPAM filter, log in monitoring, defined IT security rules, updates to computer software and back up



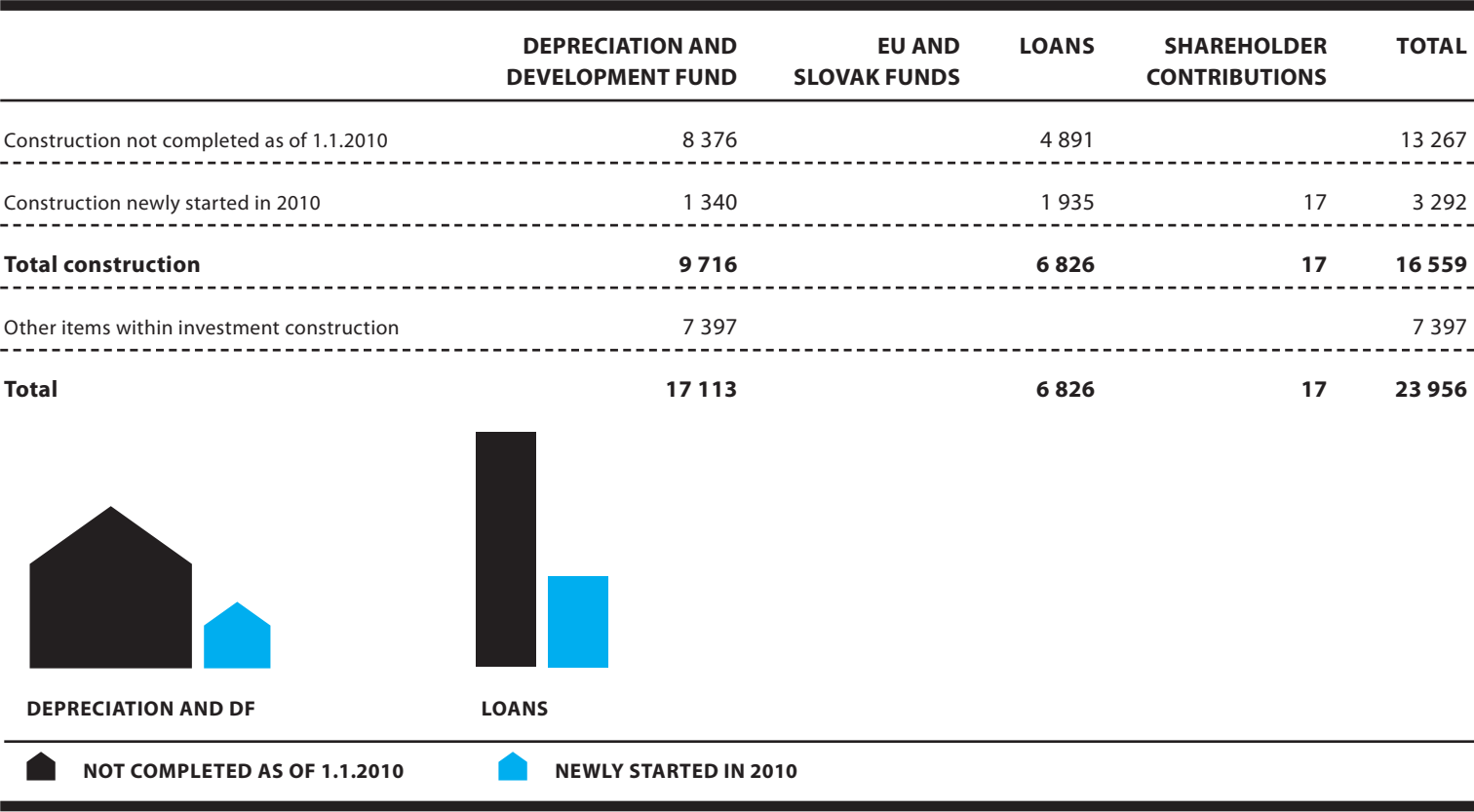


## Investment Construction

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MARTINA ŠPAČKOVÁ, PRI JAZERE

Funds used from the investment and investment construction plan for BVS in 2010 (thousand €)

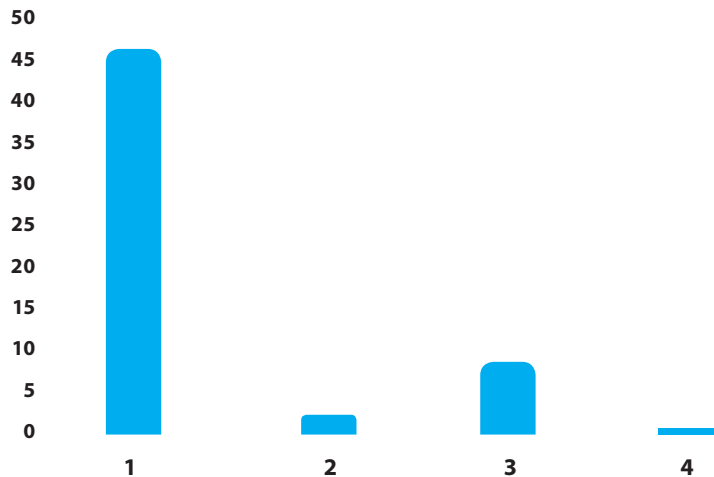


**BVS operates water mains and sewers in the Bratislava Region, parts of the Trnava Region (Skalica and Senica Districts) and parts of the Trenčín Region (Myjava District).**  
**In order to secure smooth and full operation of public water networks, public sewers, water supplies and water treatment plants, it is necessary to secure their renovation, refurbishment and modernisation. BVS also secures the execution of new construction projects required for the development of towns and cities due to physical structure limits or to meet demand to supply drinking water and collect wastewater for quantity and quality reasons.**

The need to renovate water and sewer networks and to renovate, modernise and expand existing treatment plants stems from their operational condition as well as the need to make them conform to parameters set by valid legislation and limits for wastewater effluent set by EU directives. Investment, engineering and supervision activities carried out by BVS including external supervision activities are subordinate to the strategic goals of the company declared in the following documents: "Strategy and Modernisation of Water Utility System Infrastructure at BVS, a. s." and "Program for Lowering Losses from Water Mains", which were transposed to structures and projects in the investment plan and investment construction completed by the company.

The planned funds for investment and investment construction by BVS for 2010 were approved up to a total of €56,083,000 including (*see graph*). Funds used from the approved investment and investment construction plan for the company in 2010 are €23,956,000 of the total planned annual volume of €56,083,000. The total funds for construction are €16,559,000 or 44.70% of the planned total annual volume of funds of €37,050,000.

**THE PLANNED FUNDS FOR INVESTMENT AND INVESTMENT  
CONSTRUCTION BY BVS FOR 2010 (THOUSANDS €)**



1	DEPRECIATION AND DEVELOPMENT FUND	45,169
2	EU AND SLOVAK FUNDS	2,032
3	LOANS	8,202
4	SHAREHOLDER CONTRIBUTIONS	680
TOTAL		56,083

Shareholder contributions totalling €17,500 were drawn within the following project:

→ **Gbely, traffic circle and water main reconstruction**

The number of completed construction projects and investments into construction in 2010 was affected by the structure of the implemented projects in terms of their scope and the payment conditions - maturity dates for invoices.





#### → **Small Carpathian Region – wastewater pre-cleaning, Pezinok, 2nd phase**

In the monitored period, one of the decisive construction projects was completed, specifically the 2nd phase of the "Small Carpathian Region - sewers, Pezinok - reconstruction of sewer network, Pezinok treatment plant - wastewater pre-cleaning" which secured the collection of wastewater from the Small Carpathian Region from the City of Pezinok to the Vrakuňa central treatment plant in Bratislava. The length of pressure pipe is 17.7 km. This will secure future growth in the City of Pezinok which has been halted by low capacity at the Pezinok treatment plant. In addition to Pezinok this allowed the villages of Viničné, Slovenský Grob, Ivanka pri Dunaji and Chorvátsky Grob, including Čierna voda, to connect. The main discharge from Pezinok to Bratislava was connected in Ivanka pri Dunaji to a newly built sewage discharge from Bernolákovo totalling 3.2 km in length on the basis of which the operations of the treatment plant in Bernolákovo could also be closed.

#### OTHER COMPLETED CONSTRUCTION WORK

- **Velké Leváre water improvement facility** - reconstruction, proposed water improvement technology is based on reducing oxygen content in the water and eliminating manganese and iron using sand filtration to increase the quality of drinking water supplied to residents
- **Sihot' water source**, site changes
- **Vajnory**, vacuum sewers, 2nd phase
- **Stupava, Kremenica** – water main and ATS
- **Bernolákovo**, sewer pump station and pressure pipe
- **Petržalka treatment plant**, guard booth reconstruction
- **Svätý Jur, Mikovíniho ul.**, water main and sewer reconstruction
- **Kunov – sewer expansion** - sewers for Kunov recreation area
- **Gbely**, traffic circle and water main reconstruction
- **Myjava, Kopánka**, water main and sewers

#### Projects co-financed from European Union Regional Development Fund and the State Budget

#### MAIN CONSTRUCTION PROJECTS

- **"Sewers for the Podunajská area of the Bratislava Region":**  
total budgeted costs of €42,372,000

This group of projects for sewers includes wastewater treatment for this region and the partial pumping of wastewater to Bratislava from the Small Carpathian Region and perhaps the Senec Region in the future. The resolved area is a portion of the Capital City Bratislava and is in the basin of the Danube River at the frontier area. This project includes a solution for the modernisation of the existing central treatment plant in Vrakuňa, which has been in operation for 24 years and does not currently meet legislative requirements for the quality of treated wastewater in terms of total nitrogen and phosphorus indicators. Modernisation will be completed by building a new biological step in this treatment process.

At the same time this project includes a solution for modernising the treatment plant in Petržalka with the construction of a new biological cleaning structure in order to meet legislative conditions for eliminating nutrients in treated wastewater.

An application within Priority Axis 1.1, Integrated Protection and Regional Use of Water was submitted on 30 July 2010 to the Ministry of Environment of the Slovak Republic in order to secure financing through a grant from EU funds and funds from the state budget.

→ **"Holíč, reconstruction and intensification of the treatment plant": total budgeted costs of €10,433,000**

Modernisation of this treatment plant will be completed by reconstructing the mechanical treatment of biological step as well as the gas and sludge management system with release of treated wastewater into the Morava River. Modernisation must be completed in order to follow legislative requirements related to the quality of treated wastewater released in term of nitrogen and phosphorus indicators.

A project plan was submitted to the Ministry of Environment of the Slovak Republic on 18 December 2008 for the "Sewers for the Podunajská area of the Bratislava Region", which was approved and BVS submitted a support confirmation application to the Ministry of Environment of the Slovak Republic which was approved on 16 July 2010. The grant application was then sent on 30 July 2010 and this should be approved in August 2011.

A notice as to the approval of a grant for the "Holíč, reconstruction and intensification of the treatment plant" project was delivered from the Ministry of Environment of the Slovak Republic on 8 April 2010. Work is expected to commence in April 2011.

In addition to these projects, BVS has secured the quality conditions set in EU directives - limits for released wastewater, at the following sites as well:

→ **Senica treatment plant, intensification and modernisation:** estimated completion term, february 2011 – april 2012.

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## CONSTRUCTION PROJECTS

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The following construction projects were in the preparation phase during 2010:

→ **Malacky – Kúty, water main**

The Slovak Ministry of the Environment within "large projects" did not approve this project for financing from non-returnable financial assistance from EU resources and provided notice via a letter dated 16 April 2009. The financing decision will be decisive for determining the process for assuring the project.

→ **Rača – Grinava, water network supply piping**

→ **Pod. Biskupice – Bernolákovo** pump station, reconstruction of water supply piping, 2nd phase

→ **Pod. Biskupice – Bernolákovo** pump station, reconstruction of water supply piping, 3rd phase

→ **Bernolákovo – Grinava**, reconstruction of water supply piping

→ **MKR, Pezinok – Dubová, Svätý Jur**, pressure piping and sewage collection

→ **Senec region**, sewage collection

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## PROJECT PREPARATION FROM INTERNAL FUNDS

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Internal funds were used to secure project preparation for the following construction projects:

→ **Devínska Nová Ves wastewater plant**, intensification and expansion

→ **"H" sewage collector**

→ **Botanická ul., Collector A VIII.**, reconstruction

→ **Podkolibský reservoir – Vtáčnik reservoir**, water main reconstr.

The preparation and implementation of the individual construction projects is carried out with the knowledge and use of the newest information technology in order to secure its full utilisation within the water main and sewer systems from central dispatching.

The implementation of these construction projects and their placement into use continuously improves drinking water supplies and secures necessary capacity in terms of drinking water supplies and cleanliness, which is a fundamental condition for development in these areas.



## Future Infrastructure Modernisation

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**Modernisation of water utility infrastructure at BVS is based on the existing condition of assets (public water mains and public sewers) used to conduct the company's main business activities. One of the basic priorities is to keep existing assets in the best possible condition as achieved via its permanent renewal (reconstruction). Assurance of the tasks related to keeping existing water infrastructure in good condition is integrally related to the modernisation of their systems. The goal here is to move towards the best solution for producing and distributing water or collecting and treating wastewater and achieving sufficient capacity in order to meet the demands of development in these areas with positive economic consequences in both cases.**

## Water distribution system modernisation

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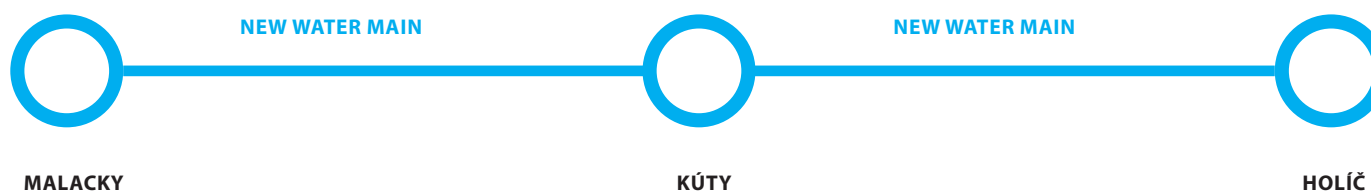
### Priority areas for water supply system modernisation include:

- Achieving missing water capacity to reliably provide current demand for drinking water while considering future needs
- Securing support for areas that currently run deficits or areas with problematic local sources
- Optimising the use of springs with energy efficient gravity distribution to consumers
- Optimising the drinking water distribution process by increasing the efficiency of the use of water sources and water distribution by gradually executing an integrated system for management and central technical dispatching
- Securing alternative solutions for supplying water in crisis situations

### Water distribution system modernisation

The current concept for using water sources in the Podunajská area for Bratislava remains in place and considers the suitability of the placement of these sources on city land, or in its immediate vicinity.

With regards to other areas it is necessary to mention that local water sources in Záhorie and in the Small Carpathian Region are not sufficient due to their capacity and quality; currently this water is supplanted to a significant degree by more quality and plentiful ground water (water sources from the Podunajská area). The eccentric placement of these water sources (in the Podunajská area) in relation to the placement of consumers outside the city of Bratislava precondition the need to build a tens of kilometres of large capacity water piping. Currently distribution lines are built from Bratislava to Záhorie (via Malacky) and to the Foothills region (via Pezinok and Senec). The continuation of this concept includes the planned connection of distribution equipment that will optimise deliveries to the Small Carpathian Region from the eastern part of Bratislava (new water line from Rača to Pezinok Grinava and reconstruction and expansion of water main capacity from Podunajské Biskupice to Bernolákovo) or that will be used to secure water supplies from the western



section of Bratislava to Senica and Skalica (new water main from Malacky – Kúty and Kúty – Holíč).

During 2010 the water system modernisation strategy was updated and within this strategy company priorities in the given area were clarified.

**Modernisation of the water system can be specified in a framework manner in the following solutions:**

- Connecting the eastern and western sections of the water utility systems with the location of all piping in the planned road tunnels as a priority
- Securing distribution lines for supplying Záhorie from the Bratislava water system, resolving drinking water supplies to the northwest section of the city
- Finding a complete solution for drinking water service to the Bratislava areas of Kramáre and Koliba
- Supplying drinking water to potential developing areas of Bratislava - Lamačská brána, Vajnory, Južné mesto and Jarovce, Rusovce and Čunovo
- Modernising the water system in the eastern part of Bratislava and the areas of Pezinok and Senec (reconstruction and modernisation of water main from Podunajské Biskupice – Bernolákovo – Pezinok

Grinava, water main from Bratislava Rača – Pezinok Grinava), additional connection and lower line loops

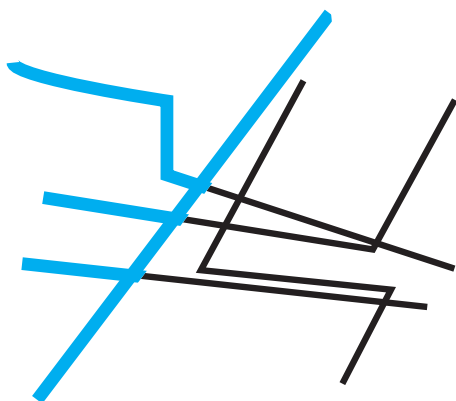
- Constructing the Zohor – Suchohrad – Malacky supply line
- Expanding and connecting water source Holdošov mlyn to system
- Optimising water spring use
- Connecting water system to Rohožník – Plavecké Podhradie water main
- Water main Malacky – Kúty
- Water main Kúty – Holíč
- Constructing an integrated management and central technical dispatching system

The current and total anticipated balance of the territory where BVS operates is significantly positive. This also brings to the table the question of the use of water source capacity above the framework of anticipated demand in the territory where BVS operates and the needs of neighbouring regions. An updated and detailed balance of water points to potential cooperation in terms of drinking water supplies in cross border regions of Hungary, Austria and the Czech Republic (portions of southern Moravia).

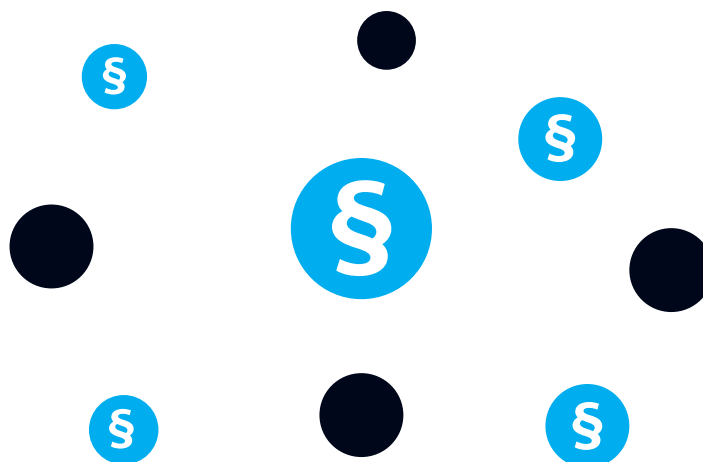


## Sewer system modernisation

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MODERNISATION OF DRAINAGE NETWORKS



MODERNISATION OF WATER TREATMENT PLANTS PURSUANT TO VALID LEGISLATION

### Sewer system modernisation

#### Priorities in sewer system modernisation include:

- Achieving missing sewer capacity to reliably provide current demand for sewage collection while considering future needs
- Securing wastewater treatment in connection with valid legislation and in connection with current land development
- Optimising the sewage collection process with progressive execution of integrated management system and central technical dispatching

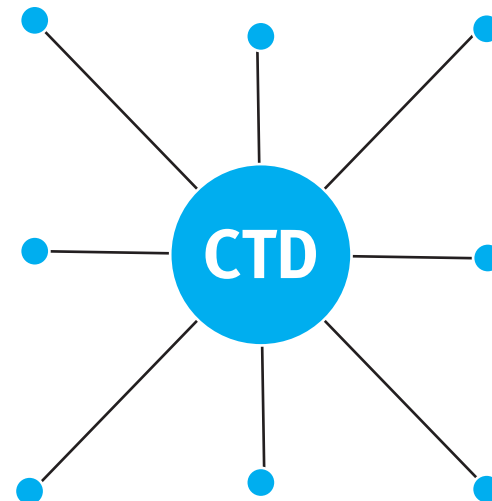
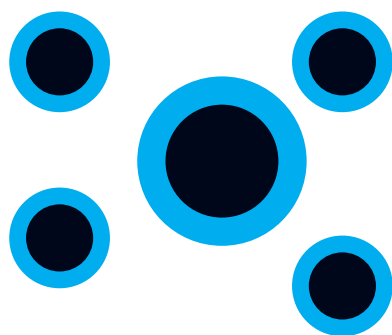
Sewer collection solutions will continue to focus on the concept of central wastewater treatment, which is effective in the Small Carpathian Region and Senec as well as in Most pri Bratislave, Malinovo and Zálesie or the new H sewer collector in the eastern areas of Bratislava with connection to the left-bank sewer system in Bratislava with the common Bratislava Vrakúňa treatment plant. This is also the case for the set of sewers in the collection area for the Hamuliakovo treatment plant. In other cases independent sewers with a separate treatment plant will be used and will

continue to be used with possible connections to a low number of satellite neighbourhoods near other smaller towns.

The sewer system modernisation plan was updated in 2010 and priorities in this area were clarified as well.

#### Modernisation of the sewer system can be specified in a framework manner in the following solutions:

- Modernisation of drainage networks (mainly Collector H in Bratislava, pressure sewer piping between villages in the sewer system for the Hamuliakovo treatment plant, etc.)
- Modernisation of water treatment plants to meet the cleaned wastewater effluent parameters pursuant to valid legislation; the category of municipal areas exceeding 10,000 EO includes the Vrakúňa and Petržalka treatment plants as well as sewer collection from the Small Carpathian and Senec Regions used to collect wastewater from Pezinok and Senec as well as the Holíč wastewater plant, Senica wastewater plant, Skalica wastewater plant, Malacky wastewater plant and Hamuliakovo wastewater plant (modernisation has been completed for Pezinok and Hamuliakovo)



#### INCREASING CAPACITY OF WATER TREATMENT PLANTS

#### MODERNISATION OF SEWER SYSTEMS

#### CONSTRUCTING AN INTEGRATED MANAGEMENT AND **CTD** SYSTEM

- Modernisation of wastewater plants in order to increase the capacity to cover land development demands (this solution also includes above mentioned modernisations as well as the Devínska Nová Ves wastewater plant)
- Modernisation of sewer systems to improve technology used to increase efficiency that will be secured within the modernisation specified above
- Constructing an integrated management and central technical dispatching system

BVS's strategy in the area of water utility infrastructure is conceived with respect to the fundamental EU documents for the area (in general the Framework Directive on Water, for wastewater collection and treatment: Council Directive No. 91/271/EEC and for the area of drinking water quality: Council Directive No. 98/83/EC) that are also transposed into national legislation (in particular Act No. 364/2004 Coll. on Water and Act No. 442/2002 Coll. on Public Water Mains and Public Sewers) as well as in other fundamental documents in the Slovak Republic including the Hydrological Policy Concept to 2015 and the Development Plan for Public Water Mains and Public Sewers of the Slovak Republic.

Progressive execution of the reconstruction and modernisation BVS's infrastructure will employ an optimal conceptual solution that will as much a possible approach a perspective oriented to effective execution of water production and distribution processes or wastewater collection and treatment processes.

# Report on Supervisory Board Activities

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Pursuant to Section 197 et seq. of the Commercial Code, the Supervisory Board of a company serves to control company activities and with regards to this fact its activities include supervision over the activities of the board of directors and over all company activities. It performs its activities pursuant to appropriate provisions of the Commercial Code, the company's articles and the Supervisory Board's discussion rules. These legal regulations set the power and competencies of the company's Supervisory Board, the activities of the Supervisory Board, calling meetings of the Supervisory Board, decision as to individual questions and tasks of the Supervisory Board within the company and the number of Supervisory Board members.

One priority activity of the Supervisory Board is to inspect records related to company activities to ensure they are recorded properly by management in accordance with the factual situation and if the company's business activities are completed pursuant to legal regulations, articles and general meeting instructions.

As the Chairman of the Supervisory Board of BVS, I can responsibly state that the BVS Supervisory Board as a control body fully focused on the facts considered above and on adherence to valid legal regulations and internal company standards.

**In 2010 the Supervisory Board met a total of eleven times and focused on the following issues and questions connected to company activities and company function:**

- Approved the sales plan, financial budget, investment and investment construction plan for 2010 and any changes thereto and provided information on its fulfilment in the form of quarterly written reports.
- Awarded its consent to the transfer of shares pursuant to Article 7, Point 7.8. of the articles of BVS to the towns and cities of Gbely, Radošovce, Vrádište, Popudinské Močidlány, Holíč and Chropov and did not provide consent to the transfer of the shares of BVS, a. s., to the city of Skalica.
- Approved the addendum to the statute pertaining to the Board of Directors.
- Did not approve the change to the manager contract for the executive management of the company.
- Discussed the ordinary separate financial statements for 2009 and the proposal for reporting earnings for 2009, the 2009 annual report, the report from the board of directors on business activities and the balance of assets for 2009 and the consolidated financial statements for 2009 and submitted its statement for the meeting of the ordinary general meeting of the company, selected the auditor for the accounting audit for 2010 and 2011, proposed the cancellation of Resolutions 4 and 5 adopted by the general meeting of shareholders on 16 June 2008 awarding consent to conclude loan contracts and consent to conclude lien contracts.
- Reviewed the levels and developments in injuries in the company, the report from occupational health and safety inspections, fluctuations in as well as the planned and current status of employees, the planned and completed educational activities within the employee education and development system, with internal and external events organised by the communication and public relations department, the status of insurance policies in the company, the fulfilment of the water meter reading project and the status of on-going procurement activities within public procurement during 2010.
- It received information from the Board of Directors on the use of funds to support charity, cultural and social events as well as other activities, the handling of complaints, notices, claims and suggestions, the fulfilment of the program to reduce water losses, the activities of the internal audit department, an assessment of the contents of monitoring articles, the planned and performed organisational changes in the company, the case surrounding the assignment of BVS receivables and their collection against the new debtor, facts surrounding the "exchange" case, costs and income expected during 2010, company insurance coverage, the schedule for increasing the share capital of Infra Services and the status of individual steps regarding the actual increase in the share capital.

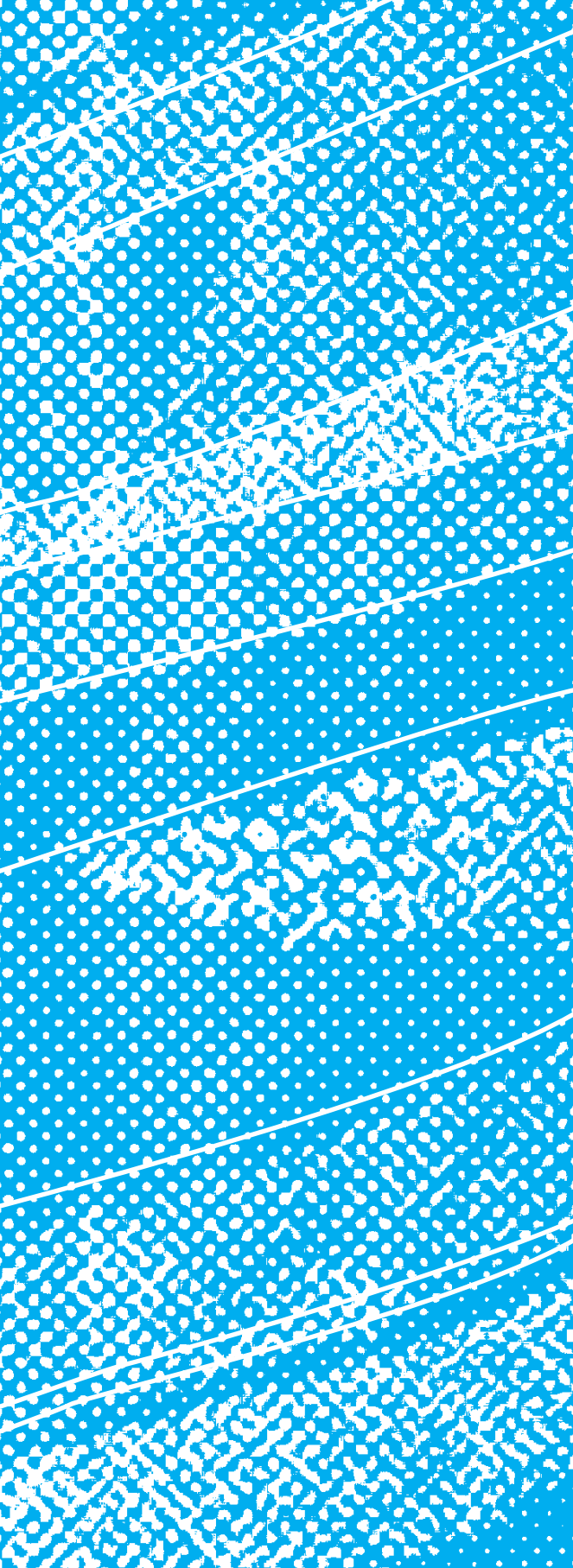
- The most serious materials that the Supervisory Board considered and discussed during 2010 at its meetings included an assessment of financial parameters for the basic integrated management system and the extensions of this system, an assessment of the establishment of subsidiaries and legal steps related to these subsidiaries, the increase in the share capital of the subsidiary Infra Services pursuant to the Strategic Plan to 2012 for the needs of the general meeting, an assessment of outages in the BVS water network, the unification of diagnostic activities in the BVS water network and changes to the articles of the company.
- The Supervisory Board discussed a submitted price bid for the delivery and production of drinking water from public water networks, the price for public drinking water network distribution for municipal water companies and for the collection and treatment of public sewer wastewater for 2010.
- At a number of meetings, the Supervisory Board focused in investigating anonymous suggestions submitted against BVS via the majority shareholder through members of the Supervisory Board and with the results of any findings.
- It also reviewed information from the board of directors on the purchase of company shares from the towns of Studienka and Bilkove Humence.

During the resolution of problems, the Supervisory Board to a significant degree contributed to the resolution of problems in close cooperation with the company's board of directors as evidenced by meetings of the Supervisory Board that were attended by the Chairman of the Board of Directors and by the Vice Chairman of the Board of Directors or by another authorised member of the board if the Chairman was not present. Professional internal and external company experts were invited to help deal with professional issues. The Supervisory Board took interest in the company's business activities, on the management of accounting and on the overall economic progress made by the company. It requested that the board of directors submit information for discussion that it did not directly decide upon but that the Supervisory Board wanted to express an opinion towards in an attempt to contribute to a resolution to such matters thereby providing the board of directors with an independent opinion regarding the discussed issue. Last but not least the Supervisory Board initiated the solutions to other problems and initiatives received from shareholders, the company itself, business partners and from other affected legal entities and individuals. These mainly concerned initiatives that related to company activities and with property owned or administered by the company.

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**Ing. Karol Kolada**  
**Chairman of the Supervisory Board**

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# Financial part

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# Management comments

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## on Company Performance and Assets

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**Total income in 2010 reached €80,570,973, representing a total of €1,064,662 less than was anticipated in the income budget for 2010 (fulfilment of 98.7%).**

Income from the sale of internal products - water - reached €39,330,987 fulfilling the budget to 97.4%. Income for collecting wastewater reached €38,217,363 fulfilling the budget to 99.1%.

**Fulfilment of the income budget reaching 98.7% was also affected by the following items:**

- Lower income from asset capitalisation (80.3%)
- Other revenues were higher - revenues from rentals, subsidies and gifts accounted to income (111.2%)
- Higher financing income - interest income, income from current financial assets and exchange rate profits (368.3%)

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**Total costs for 2010 reached €80,420,930 a decrease of €1,031,636 less than was planned in the budget (fulfilment of 98.7%). Incomplete draw down of costs considered in the budget was mainly from the following items:**

- Consumed materials (95.7%)
- Consumed energy (98.5%)
- Depreciation of non-current assets (98.1%)
- Personnel costs (97.0%)
- Gifts (65.9%)
- Other services (90.4%)
- Taxes and fees (93.4%)
- Financial costs (59.5%)

Costs were exceeded in the budget for adjustments and maintenance (110.1%).

Company earnings are represented by a profit of €532,144 before taxes and in comparison with anticipated budgeted earnings of €183,069 representing growth of €349,075. A total profit of €150,042 was earned after deducting taxes and deferred taxes.

## Balance of assets

**In 2010 BVS recorded an increase of €1,946,000 in assets compared to 2009.**

Compared to 2009, non-current assets decreased by €4,294,000 (an increase in acquisition costs by €19,838,000. minus an increase in adjustments by €24,132,000) and represents a value of €364,313 as at 31.12.2010. The company has no assets that are secured in the interest of a third party.

BVS has insured its assets for damage to machinery, equipment and technology up to €11,068,000, for damage caused by theft of tangible assets up to €1,500,000, for structural parts of buildings up to €66,000 and for damage caused by a force majeure event for tangible assets up to €7,374 and for real estate up to €126,874,000.

In thousand €	As at 31. 12. 2009	As at 31. 12. 2009
Non-current intangible assets	876	741
Non-current tangible assets	341,597	339,728
Non-current financial assets	58,438	56,148
Total fixed assets	400,911	396,617
Total current assets	22,158	29,251
Deferrals and accruals	5,521	4,668
<b>TOTAL ASSETS</b>	<b>428,590</b>	<b>430,536</b>

# Consolidated Financial Statements

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# Complete Balance Sheet

(in thousand €)	Note	Balance at 31. 12. 2010	Balance at 31. 12. 2009	Balance at 1. 1. 2009
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	1,777	8,764	11,608
Accounts receivable and other receivables	6	24,337	19,170	18,662
Receivables from income tax	21	10	838	740
Stocks	7	911	825	814
		<b>43,034</b>	<b>29,597</b>	<b>31,824</b>
<b>Non-current assets</b>				
Non-current tangible assets	8	361,510	362,892	358,355
Intangible assets and other assets	9	1,370	1 279	1 357
Deferred tax receivable	10	158	147	-
		<b>363,038</b>	<b>364,318</b>	<b>359,712</b>
<b>Total assets</b>		<b>406,072</b>	<b>393,915</b>	<b>391,536</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current receivables</b>				
Liabilities from business relationships and other obligations	11	22,446	21,170	19,396
Deferred income	11	949	1 030	714
Receivables from income tax	21	197	-	-
		<b>23,592</b>	<b>22,200</b>	<b>20,110</b>
<b>Non-current liabilities</b>				
Loans and borrowings	12	3,298	-	-
Reserves	14	1,121	915	1,087
Deferred income	11	14,296	14,218	13,492
Receivables from pension programs	13	491	678	729
Deferred tax liabilities	10	4,225	4,059	3,925
Other non-current liabilities		1,219	1,570	1,028
		<b>24,650</b>	<b>21,440</b>	<b>20,261</b>
<b>Shareholder equity</b>				
Share Capital	15	279,439	279,439	279,558
Statutory reserve fund and other funds	15	66,346	71,366	68,783
Retained profits	15	4,932	-530	2,824
		<b>350,717</b>	<b>350,275</b>	<b>351,165</b>
Stakes with minority influence	1	7,113	-	-
		<b>357,830</b>	<b>393,915</b>	<b>391,536</b>
<b>Total equity and liabilities</b>		<b>406,072</b>	<b>393,915</b>	<b>391,536</b>

Túto závierku je potrebné čítať spolu s Poznámkami na stranách 134-177.

# Complete Income Statement

(in thousand €)	Note	Year ending 31. 12. 2010	Year ending 31. 12. 2009
Revenues	16	79,364	74,767
Investment income		-	93
<b>Total income</b>		<b>79,364</b>	<b>74,860</b>
Consumed water, other materials and energy		-13,455	-15,379
Salary costs	17	-17,489	-16,913
Depreciation	8, 9	-28,603	-25,895
Services	18	<b>-18,526</b>	<b>-16,896</b>
Other operating income	19	2,941	1,809
Other operating costs	19	-3,116	-2,474
<b>Operating costs</b>		<b>-78,248</b>	<b>-75,748</b>
<b>Operating earnings</b>		<b>1,116</b>	<b>-888</b>
<b>Financing costs, net</b>	20	<b>-4</b>	<b>-1</b>
<b>Earnings before taxes</b>		<b>1,112</b>	<b>-889</b>
Income tax	21	-457	34
<b>Earnings from the current period</b>		<b>655</b>	<b>-855</b>
Other comprehensive earnings		-	-
<b>Complete earnings from the current period</b>		<b>655</b>	<b>-855</b>
<b>Earnings and complete earnings belonging to:</b>			
The owner of the parent company		655	-855
Stakes with minority influence		-	-
		<b>655</b>	<b>-855</b>

## Statement of changes in equity

	Share capital	Internally held shares	Statutory and other funds	Retained profits	Total	Stakes with minority influence	Total equity
<b>Originally reported balance as at 1.1.2009</b>	<b>281,399</b>	<b>-1,841</b>	<b>68,783</b>	<b>-2,376</b>	<b>345,965</b>	<b>-</b>	<b>345,965</b>
Correction of errors from previous period (see 2,24)	-	-	-	5,200	5,200	-	5,200
<b>Corrected balance as at 1.1.2009</b>	<b>281,399</b>	<b>-1,841</b>	<b>68,783</b>	<b>2,824</b>	<b>351,165</b>	<b>-</b>	<b>351,165</b>
Differences from Euro adoption	-33	-	33	-	-	-	-
Purchase of company shares	-	-86	-	-	-86	-	-86
Other shareholder asset deposits	-	-	51	-	51	-	51
Distributions of retained statutory profits	-	-	<b>2,499</b>	<b>-2,499</b>	-	-	-
Corrected net loss for the year	-	-	-	-855	-855	-	-855
<b>Balance at 31.12.2009</b>	<b>281,366</b>	<b>-1,927</b>	<b>71,366</b>	<b>-530</b>	<b>350,275</b>	<b>-</b>	<b>350,275</b>
Shareholder deposits	-	-	-	-	-	6,900	6,900
Decrease in reserve fund	-	-	-5,020	5,020	-	-	-
Other movements	-	-	-	<b>-213</b>	<b>-213</b>	<b>213</b>	-
Net profit for the year	-	-	-	655	655	-	655
<b>Balance at 1. 12. 2010</b>	<b>281,366</b>	<b>-1,927</b>	<b>66,346</b>	<b>4,932</b>	<b>350,717</b>	<b>7,113</b>	<b>357,830</b>

# Statement of Cash Flows

(in thousand €)	Note	Year ending 31. 12. 2010	Year ending 31. 12. 2009
<b>ON-GOING ACTIVITIES</b>			
<b>Cash flow from operating activities</b>			
Cash flow from operating activities	22	28,498	27,860
Refunded (+) / Paid (-) taxes		723	-28
Accepted interest	20	51	80
<b>Net cash flow from operating activities</b>		<b>29,272</b>	<b>27,862</b>
<b>Cash flow from investment activities</b>			
Purchase of non-current assets		-26,226	-30,701
Income from sale of non-current assets		210	30
<b>Net cash flow from investment activities</b>		<b>-26,016</b>	<b>-30,671</b>
<b>Cash flow from financing activities</b>			
Income from received loans, borrowings and gifts	12	3,298	-
Income from equity increases	1	2,458	-
Other income from financing activities		-	-35
<b>Net cash flow from investment activities</b>		<b>5,756</b>	<b>-35</b>
<b>Net cash flow</b>		<b>9,012</b>	<b>-2,844</b>
<b>Net received cash and cash equivalents</b>			
Cash and cash equivalents at the start of the period	5	8,764	11,608
<b>Cash and cash equivalents at the end of the period</b>	<b>5</b>	<b>17,776</b>	<b>8,764</b>

# Notes to the Financial Statements

## 1. General information

**Bratislavská vodárenská spoločnosť, a. s., (Company ID: 35850370) was established on the basis of Privatisation Decision 853 issued by the Ministry for the Administration and Privatisation of the National Property of the Slovak Republic dated 2 October 2002 to transform the state-owned company Vodárne a kanalizácie and a portion of the state-owned company Západoslovenské vodárne a kanalizácie. The company was established upon its entry into the Commercial Register on 7 January 2003 (Commercial Register in Bratislava I District Court, Section: Sa, File No. 3080/B).**

**Bratislavská vodárenská spoločnosť, a. s., (hereinafter only "BVS" or "company") is a joint stock company in the Slovak Republic. The company's registered office is in Bratislava, Prešovská ulica 48. The company's main activities include the operation of public water and sewer networks around Bratislava, Senica and Záhorie.**

### **1.1 Establishment of subsidiaries Infra Services, a. s., and BIONERGY, a. s**

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On the basis of the general meeting's decision made on 9 December 2007 the company founded a 100%-owned subsidiary Infra Services, a. s., via a non-cash deposit into the company including assets and liabilities from the former service activity division of the company. The company was established with entry into the Commercial Register on 22 December 2007.

The company established another 100%-owned subsidiary BIONERGY, a. s., on the basis of prior consent received from the general meeting held on 14 October 2009 via a non-cash deposit into the company including the assets and liabilities related to processing and disposal of biodegradable waste and the production and delivery of thermal supplies and electricity. BIONERGY, a. s., was established with entry into the Commercial Register on 31 December 2009.

On 17 December 2010 the share capital of Infra Services, a. s., was increased by €6,672,000 with a capital surplus of €228,000. The company received cash of €2,230,000 and a receivable in the form of a shareholder deposit of €4,670,000 for the subscription of shares. BVS's share in this subsidiary as of 31 December 2010 is 51%. BVS has and continues to maintain decisive influence over Infra Services, a. s. A share with minority interest totalling €7,113,000 was created from this transaction.

Upon the establishment date of the subsidiaries, assets and liabilities valued pursuant to Slovak law were deposited into the companies and these are recorded pursuant to their real value in the subsidiaries' financial records. Assets and liabilities that were the subject of this deposit are recorded in these IFRS financial records in their original value on the basis of the concept of historical prices.

## 1.2 The structure of the largest company shareholders as of 31 December 2010 and 2009

SHAREHOLDERS	Share in share capital		Share in voting rights
	eur	%	%
Capital City of the Slovak Republic, Bratislava	5,026,138	59.29	59.29
City of Pezinok	245,495	2.90	2.90
City of Senica	238,181	2.81	2.81
City of Malacky	211,013	2.49	2.49
Internally held shares	714,771	8.43	8.43
Other shareholders	2,041,833	24.08	24.08
<b>Total</b>	<b>8,477,431</b>	<b>100.00</b>	<b>100.00</b>

## 1.3 Members of company bodies

COMPANY BODIES	Position	Name
<b>Board of Directors</b>	Chairman	Ing. Daniel Gemeran
	Vice Chairman	RNDr. Oto Nevický
	Member	Ing. Jaroslav Néma
	Member	Ing. Ján Rafajdus
	Member	Ing. Aleš Procházka
	Member	Ing. Peter Čecho
	Member	Ing. Peter Lenč
<b>Supervisory Board</b>	Chairman	Ing. Karol Kolada
	Member	JUDr. Tomáš Korček
	Member	PeadDr. Milan Trstenský
	Member	Ing. Katarína Otčenášová
	Member	Ing. Gabriel Kosnáč
	Member	Ing. Dagmar Blahová
	Member	Peter Hurban
	Member	Pavol Šťastný
	Member	Mgr. Oliver Solga
<b>Executive Management</b>	General Director	Ing. Daniel Gemeran
	Technical Director	Ing. Jaroslav Néma
	Production Manager	Ing. Ján Rafajdus
	Financial Director	Ing. Katarína Horváthová
	Business Director	Ing. Juraj Hagara

## 1.4 Information about the consolidated unit

Company name	Registered office	Description of Activities	Ownership stake	Ownership relation
<b>Infra Services, a. s.</b>	Hraničná 10, Bratislava	Water network and sewer line service activities	51 %	Subsidiary
<b>BIONERGY, a. s.</b>	Prešovská 48, Bratislava	Electricity and thermal production from biomass	100 %	Subsidiary

The influence of the subsidiaries on the financial situation and earnings reported in these consolidated financial statements after the elimination of mutual relationships and the re-valuation of assets is as follows:

31. december 2010	BVS	Subsidiaries	Total
Fixed assets	342,447	20,591	363,038
Current assets	29,695	13,338	43,034
<b>Total assets</b>	<b>372,142</b>	<b>33,929</b>	<b>406,072</b>
Equity	329,243	28,587	357,830
Non-current liabilities	24,403	247	24,650
Current receivables	18,487	5,095	23,592
Total liabilities	42,900	5,342	48,242
<b>Total equity and liabilities</b>	<b>372,142</b>	<b>33,929</b>	<b>406,072</b>
Income	78,519	845	79,364
Costs	-58,002	-20,707	78,709
<b>After-tax profit</b>	<b>20,517</b>	<b>-19,862</b>	<b>655</b>

Infra Services, a. s., and BIONERGY, a. s., are subsidiaries of Bratislavská vodárenská spoločnosť, a. s. Bratislavská vodárenská spoločnosť, a. s., compiles the consolidated financial statements for both companies in the consolidated unit. It is the consolidating company. As stated in note 1.1, the company established the subsidiaries through non-cash deposits.

## 2. Reference materials for issuing the financial statements

**The fundamental accounting principles and methods used when issuing these financial statements are described below. These methods were consistently applied during all reported periods unless stated otherwise. If no other units are presented for monetary values, the presented numbers are in thousands of Euros.**

### 2.1 Method used and reason for issuing these financial statements

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These consolidated financial statements are the company's ordinary financial statements. They have been issued for the accounting period from 1 January to 31 December 2010 pursuant to the International Financial Reporting Standards as approved by the European Union.

The company has also issued audited financial statements for the year ending on 31 December 2010 pursuant to the statutory accounting standards pursuant to Act No. 431/2002 Coll. on Accounting as amended.

The purpose of these consolidated financial statements is to meet the requirements of the Slovak Accounting Act; they have not been prepared for any specific purpose. The readers of these consolidated financial statements for this reason should not exclusively rely on them when making decisions and should perform other appropriate due diligence before making any such decision.

### 2.2 Standards, interpretations and amended standards applied by the company for the first time in 2010

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**IFRIC 12, Service Concession Agreements** (approved by the European Union on 25 March 2009 with effect from 1 January 2010). This interpretation applies for public sector contracts related to the development, financing and maintenance of infrastructure. The company does not provide any public sector services on the basis of concession agreement and for this reason this interpretation has no impact on the company's financial statements.

**IFRIC 15, Agreements for the Construction of Real Estate** (approved by the European Union on 22 July 2009 with effect from 1 January 2010). This interpretation concerns the accounting of income and related costs from companies focused on the construction of real estate, either directly or via sub-suppliers; it also provides a guide for determining if an agreement for the construction of real estate falls under IAS 11 or IAS 18. It also presents the criteria for defining when an accounting unit is to report income from such transactions. This interpretation is not relevant to the company's activities.

**IFRIC 16, Hedges of a Net Investment in a Foreign Operation** (approved by the European Union on 4 June 2009 with effect from 1 July 2009 and later). This interpretation explains which exchange risks meet the conditions to be accounted as hedges and also states that the calculation from the functional currency to the currency of presentation does not generate a risk that could be applied as an accounted hedge. This interpretation is not relevant to the company's activities.



**IFRIC 17, Distribution of Non-Cash Assets to Owners** (approved by the European Union on 26 November 2009 with effect from 1 November 2009). This interpretation clarifies when and how the transfer of non-cash assets in the form of a dividend to a shareholder and owner of a commercial stake is to be accounted. The accounting unit is obliged to value the obligation to distribute a non-cash asset in the form of a dividend as the real value of the asset to be distributed. Profit or loss from the distributed non-cash asset is reported on the complete income statement when the accounting unit pays this dividend to the owner. This interpretation is not relevant for the company as the company did not distribute any non-cash assets to the owners.

**IFRIC 18, Transfers of Assets from Customers** (approved by the European Union on 27 November 2009 with effect from 1 November 2009). This interpretation clarifies the accounting of assets transferred from customers - the circumstances under which the definition of an asset applies; accounting the asset and the definition of its acquisition price during initial accounting; identification of individually identifiable services (one or more services exchanged for the transferred asset); reporting income and accounting cash transfers from customers. The company assessed the impact of IFRIC 18 on the financial statements and this interpretation has no significant impact on the company's financial statements.

**IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments** is effective for the annual accounting period starting on 1 July 2010 or later. This interpretation clarifies that equity instruments that are issued to a creditor in order to extinguish a financial liability are qualified as a financial payment. Issued equity instruments are valued at real value. If these cannot be reliably valued, the given equity instrument is valued at the real value of the extinguished financial liability. Any profit or loss is accounted directly to income or costs. This interpretation is not relevant to the company's activities.

**Amended IFRS 3, Business Combinations** (effective for business combinations for which the acquisition date is in the accounting period starting on 1 July 2009 and later). While the amended IFRS 3 continues to describe the accounting for business combinations using the acquisition method, this standard provides a number of significant changes. For example, all costs for acquiring a company must be valued at their real value on the acquisition date whereby the underlying fulfilment is accounted as a liability and any changes in its value affect the complete earnings statement and not the value of goodwill. Furthermore, indemnification assets lower the amount of consideration transferred for business combinations even though indemnification pledged by the seller has not been accounted as an asset of the acquirer and if held would then impact the amount of accounted goodwill.

Transaction costs are accounted as an expense immediately. The amendment also allows the selection of a method for valuing a non-controlling interest (NCI) in the acquired company for each business combination either as the real value or a relative share in the identifiable net assets of the acquired company. The amendment only requires the calculation of goodwill to the date on which control was acquired and goodwill is not determined in other phases of progressive acquisition. The calculation of goodwill does include the revaluation of the share owned before acquiring control to the real value with impact on earnings. The amendment was approved by the European Union on 3 June 2009. The amended standard had no impact on the company's separate financial statements. This standard has been progressively applied from 1 January 2010.

**Amendment to IAS 27, Consolidated and Separate Financial Statements** (Effective from 1 July 2009 or later). This amendment requires that the company include earnings from the owner of the parent company and from the owners of any uncontrolled shares in the complete financial statements even if the balance of the uncontrolled shares will be negative. The amended standard also states the changes in the ownership shares of the parent company within the subsidiary that do not lead to any loss of control must be accounted as equity transactions. It also specifies that every investment left with the former subsidiary must be valued at real value as of the date on which control is lost. This amendment was approved by the European Union on 3 June 2009. The amended standard had no impact on the company's separate financial statements.

**Amendment to IFRS 1, First application of International Financial Reporting Standards** (effective from 1 July 2009 or later). The amended IFRS 1 standard preserved all the content of previous versions while changing the form and structure of its presentation with the goal of improving understanding of this standard and its adaptability to future changes. This amendment was approved by the European Union on 25 November 2009. The amended standard had no impact on the company's financial statements.

**Amendment of IFRS 1, First-time Adoption of International Financial Reporting Standards** (effective from 1 January 2010 or later). This amendment covers the ability to apply an exception from the general IFRS rules during the first-time adoption of IFRS by a company, specifically in the areas of rentals, heavy industry and liabilities from liquidation and re-cultivation. This amendment was approved by the European Union on 23 June 2010 and had no impact on the company's financial statements.

**Amendment of IFRS 2, Share-based Payment** (effective from 1 January 2010 or later). This amendment clarifies the scope of application and the method used for accounting cash-settled share-based payment transac-

tions. It clarifies accounting at the level of the subsidiary which accepts services completely or partially paid by the parent company or other company in the group. This amendment to IFRS 2 also contains changes that are already included more so in IFRIC, 8 Scope of IFRS 2 Application and IFRIC 11, IFRS 2 - Group and Treasury Share Transactions, thereby cancelling these two interpretations. This amendment was approved by the European Union on 23 March 2010 and had no impact on the company's financial statements.

**Eligible Hedged Items - amendment of IAS 39, Financial Instruments: Recognition and Measurement** (effective for accounting period beginning after 1 July 2009). This amendment clarifies how to apply principles in specific situations that define if a hedged risk or a portion of cash flow meets the conditions to be defined as a hedge. This amendment was approved by the European Union on 15 September 2009. This amendment had no impact on the company's financial statements.

**Amendment of IFRIC 9, Reassessment of Embedded Derivatives and amendment of IAS 39, Financial Instruments: Recognition and Measurement** (effective for accounting period ending 30 June 2009 or later). Pursuant to this amendment, all embedded derivatives must be valued at the real value in earnings and if necessary must be recognised in the financial statements separately during the reclassification of financial assets. This amendment was approved by the European Union on 30 November 2009. This amendment had no impact on the company's financial statements.

**Improving International Financial Reporting Standards** (issued by the IASB in April 2009 and approved by the European Union on 23 March 2010). These improvements consist of a combination of significant changes and explanations in the following standards and interpretations:

**Amendment of IFRS 2, Share-based Payments** (effective from 1 July 2009 or later). This amendment deals with the scope of application for IFRS 2 and clarifies that the standard does not apply for acquired companies under joint control or to the establishment of a joint-venture. This amendment had no impact on the company's financial statements.

**Amendment of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations** (effective from 1 January 2010 or later). This amendment clarifies the requirements for publication defined in IFRS 5 and in other standards for non-current assets (or groups for elimination) classified as held for sale and for discontinued activities. The amendment had no impact on the publication of the company's financial statements.

**Amendment of IFRS 8, Operating Segments** (effective from 1 January 2010 or later). Pursuant to this amendment the publication of the total value of assets and liabilities is mandatory for every reported segment if this information is regularly provided to management responsible for making decision regarding the allocation of resources. This amendment had no impact on the company's financial statements.

**Amendment of IAS 1, Presentation of Financial Statements** (effective from 1 January 2010 or later). This amendment clarifies conditions for classifying current receivables. It specifies that the liability conditions that lead to its repayment in the form of the issue of an equity security via the application of an option by the counterparty do not impact its classification. This amendment had no significant impact on the company's financial statements.

**Amendment of IAS 7, Statement of Cash Flows** (effective from 1 January 2010 or later). This amendment clarifies the classification of costs from investment activities - only costs that led to the accounting of an asset on the balance sheet meet criteria for classification as cash flows from investment activities. This matches the accounting of cash flows from investment activities with accruals of assets on the balance sheet. This amendment had no significant impact on the company's statement of cash flows.

**Amendment of IAS 17, Leases** (effective from 1 January 2010 or later). This amendment clarifies that the leasing of lands and buildings requires the classification of operating or financial leasing pursuant to IAS 17 criteria for each item individually. The lease of lands for an indefinite period that was first classified as an operating lease can be classified as a financial lease. The amended standard had no impact on the company's separate financial statements.

**Amendment of IAS 36, Impairment of Assets** (effective from 1 January 2010 or later). This amendment clarifies that a cash generating unit or a group of cash generating units to which goodwill is allocated cannot be larger than an operating segment before aggregation for the purposes of the testing the impairment of goodwill (defined in IFRS 8, Operating Segments). The amended standard had no impact on the company's separate financial statements.

**Amendment of IAS 38, Intangible Assets** (effective from 1 July 2010 or later). This amendment eliminates an exception for accounting intangible assets where the real value could not be reliably defined for a business combination and specifies various methods for valuing intangible assets if no active market exists. The amended standard had no impact on the company's separate financial statements.

**Amendment of IAS 39, Financial Instruments: Recognition and Measurement** (effective from 1 January 2010 or later). This amendment eliminated inter-segment transactions from the items meeting the criteria for hedges within separate financial statements. It also clarified that the revaluation of hedge instruments can be reclassified from equity to the income statement if the hedged cash flows affect earnings. These changes had no significant impact on the company's financial statements.

The amendment also changed limits in the scope of application for the standard presented in IAS 39.2(g) so that it was clear this only applies to forward contracts that in the future will lead to business combinations with a duration that does not exceed an appropriate period necessary to obtain necessary permits to complete the transaction. The amendment of IAS 39.2(g) may also apply to all contracts open as of the date the amendment was adopted. Options that previously were considered not to be applicable under IAS 39 must be valued at their real value during the application of this amendment.

**Amendment of IFRIC 9, Reassessment of Embedded Derivatives** (effective from 1 July 2009 or later). This amendment states that a derivative embedded in contracts received in transactions under joint control and when establishing a joint-venture do not fall under the application of IFRIC 9. This amendment had no impact on the company's financial statements.

**Amendment of IFRIC 16, Hedges of a Net Investment in a Foreign Operation** (effective from 1 July 2009 or later). This amendment eliminated the limit by which the hedging instrument could not be a held foreign operation if instrument was the subject of such a hedge. This amendment has no impact on the company's financial statements.

## 2.3 Standards, interpretations and amended standards effective after 1 January 2011

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None of the standard, interpretations and supplementations of issued standards was voluntarily applied before their respective effective dates when the company was issuing its financial statements:

**Amendment of IAS 32, Financial Instruments: Presentation** (effective from 1 February 2010 or later). This amendment changes the method used for accounting the rights of shareholders proportionally to their share in a share capital increase in a joint stock company if such an increase is expressed in any currency other than the functional currency of the securities'

issuer. These rights had to be accounted as financial derivatives before this amendment was adopted. This amendment was approved by the European Union on 23 December 2009. This amendment had no impact on the company's financial statements.

**Amendment of IAS 24, Related Party Disclosures** (effective from 1 January 2011 or later). This amendment introduces a partial exception from the need to disclose information regarding related parties in the financial statements in which the state exerts specific influence. It also contains an updated and simplified definition of a related party and eliminates inconsistencies. The company adopted this amendment and in relation to this did not report transactions between the company and other companies owned by the majority shareholder, the Capital City of the Slovak Republic, Bratislava.

Changes were also made to **IFRS 8 Operating Segments** in connection with this amendment that more clearly specify the assessment of a sole customer in the case of authorities with state influence. This amendment was approved by the European Union on 19 July 2010. The company is currently assessing the impact of this amendment on its financial statements.

**Limits on the exception from disclosing comparable information pursuant to IFRS 7 related to first-time adoption - Amendment of IFRS 1, First-time Adoption of International Financial Reporting Standards and Amendment of IFRS 7, Financial Instruments: Disclosures** (effective from 1 July 2010 or later). Pursuant to the amendment, the same exception relates to information disclosure for a comparable period pursuant to IFRS 7 for first-time IFRS application as to entities that have used IFRS in the past. This amendment was approved by the European Union on 30 June 2010. This amendment should not have any impact on the company's financial statements.

**Amendment of IFRS 7, Financial Instruments - Disclosures – transfers of financial assets** (effective from 1 July 2011 or later). This amendment expands the requirements for disclosing information on transactions that include the transfer of financial assets. This should make reporting of the risk to which the accounting unit is exposed to in the case of transactions in which it transfers a financial asset more transparent; however the transferring party will maintain a specific level of lingering engagement connected to such an asset. This amendment also provides a definition of transfer or lingering participation for disclosure purposes. The European Union has not yet approved this amendment. The company is currently assessing the impact of this amendment on its financial statements.

**IFRS 9, Financial Instruments, Section 1: Classification and Valuation** (effective from 1 January 2013). IFRS 9 was issued in November 2009 and

replaces a portion of IAS 39, which defines the classification and valuation of financial assets. The basic characteristics of the standard include:

- Financial assets will be classified into two categories for the purposes of valuation: assets valued at real value and assets valued at their amortized value using the effective interest rate method. Classification must be completed when a financial asset is acquired and depends on the business model used for managing financial instruments and the characteristics of the agreed cash flow for the given financial asset.
- Financial assets will be valued at their amortized value using the effective interest rate method only if this is a debt financial instrument where (i) the purpose of the business model for the accounting unit is to own this asset to collect this agreed cash flows and (ii) the agreed cash flows only represent interest and principle payments, (i.e. the financial instrument only has basic loan characteristics). All other debt instruments will be valued at their real value wherein the results of such revaluation will impact profit or loss.
- Shares and commercial stakes will be valued in their real value. Shares held for trading will be re-valued with impact on profit or loss. The accounting unit will be able to make a one-off and irrevocable decision at the time of acquisition to revalue other shares and commercial stakes (i) with impact on profit or loss or (ii) with impact on other profit or loss. Reclassification or recycling of revaluation into profit or loss at the time of sale or in the event of a lowered value will not be possible. This decision on classification can be taken separately for every individual investment into shares or ownership stakes. Dividends will be accounted with impact on profit or loss if they represent income from investment and not a return on investment.
- A majority of IAS 39 standard requirements on the classification and valuation of financial liabilities were transposed without change into IFRS 9. One main change is the obligation of an accounting unit to account for the effects of changes in internal loan risk within financial liabilities valued at real value where this change is accounted to the income statement and in other earnings.

The company is currently assessing the impact of this new standard on its financial statements. The European Union has yet to approve IFRS 9.

**Amendment of IFRIC 14, Minimum Funding Requirements** (effective from 1 January 2011 or later). This amendment will only have a limited impact as it only relates to companies that have defined a minimum limit for retirement plan contributions with pre-set retirement benefits. The goal of the amendment is to eliminate unintentional consequences of IFRIC 14 for voluntarily prepaid contributions. This amendment was approved by the European Union on 19 July 2010. This amendment is not relevant for the company as the company is liable for minimum funding requirements.

#### **IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments**

(effective from 1 July 2010 or later). This interpretation clarifies accounting when a creditor and debtor repeatedly renegotiates the conditions of a financial liability where the result is that the debtor allows the liability to completely or partially extinguish by issuing an equity instrument to the creditor. IFRIC for such extinguishing of a liability requires accounting with impact on earnings. This impact is defined as the difference between the accounting value of the financial liability and the real value of the issued equity instruments. A supplemental annex to the IFRS 1 standard was issued in connection with this amendment in order to ensure a match between international accounting standards. This amendment was approved by the European Union on 23 July 2010. The company does not anticipate that this amendment would have a significant impact on its financial statements.

**Improvement of International Financial Reporting Standards** (issued by the IASB in May 2010, not yet approved by the European Union). These improvements consist of a combination of significant changes and explanations in the following standards and interpretations:

#### **Amendment of IFRS 1, First-time Adoption of International Financial Reporting Standards**

(effective from 1 January 2011 or later). This amendment: (i) allows the use of the value of a non-current tangible or intangible asset determined pursuant to previous accounting standards as the acquisition price if this asset in the past was used in operations subject to price regulations, (ii) allows the use of the price determined during the induced revaluation of a non-current tangible asset as the acquisition price if this revaluation occurred during the period covered by the first financial statements issued pursuant to IFRS and (iii) requires that an accounting unit issuing financial statements pursuant to IFRS for the first time explain all changes in accounting procedures or the use of exceptions in IFRS 1 if these took place between the issue of the preliminary financial statements and the issue of the first complete IFRS financial statements.

**Amendment of IFRS 3, Business Combinations** (effective from 1 July 2010 or later). The amendment: (i) requires the valuation of a non-controlling interest in real value (if no other valuation method is specified within IFRS) if this non-controlling interest is not a part of an ownership stake or does not give a right to a proportional part of equity in the event of liquidation, (ii) provides directives regarding the accounting of agreed payments on the basis of equity securities if these agreed payments were not replaced or voluntarily replaced by other agreements by the acquiring company within business combination and (iii) specifies that the conditioned payments arising from business combinations completed before the date of the amendment to IFRS 3 (issued in January 2008) will be accounted pursuant to the rules set in previous IFRS 3 versions.

**Amendment of IFRS 7, Financial Instruments - Disclosures** (effective from 1 January 2011 or later). This amendment contains specific requirements on disclosure: (i) disclosure must include a supplement with explicit emphasis on the interaction between qualitative and quantitative disclosures regarding the type and scope of financial risks, (ii) the duty of the accounting unit must disclose the accounting value of assets with agreed changes to contractual conditions that otherwise would be paid in full or fully depreciated, (iii) requirements for disclosing the real value of hedged receivables were replaced with a more general disclosure of their financial impact and (iv) a specification was added stating that an accounting unit should disclose all completed hedging of receivables that it owns as of the balance sheet date and not the sum received from the hedge during the accounting period.

**Amendment of IAS 1, Presentation of Financial Statements** (effective from 1 January 2011 or later). This amendment clarifies that the statement of equity changes must contain the profit or loss from the period, other profits and total comprehensive profit as well as transactions with owners and that the analysis of total comprehensive profit can be disclosed in the attachment to the financial statements based on its contents.

**Amendment of IAS 27, Consolidated and Separate Financial Statements** (effective from 1 January 2011 or later). This amendment clarifies the transitional provisions for the amendments of IAS 21, 28 and 31 induced by the amendment to IAS 27 (issued in January 2008).

**Amendment of IAS 34, Financial Reporting during the Accounting Year** (effective from 1 January 2011 or later). This amendment added additional examples of significant events and transactions that require disclosure in abbreviated preliminary financial statements including transfers between levels in the hierarchy of real values, changes in the classification of financial assets or changes in the business or economic environment that affect the real value of the accounting unit's financial assets.

**Amendment of IFRIC 13, Loyalty Programs for Customers** (effective from 1 January 2011 or later). This amendment clarifies the definition of the real value of points awarded to customers.

**Amendment of IAS 12 Recovery of Underlying Assets** – (effective for the annual period starting on 1 January 2012 or later; EU has not yet adopted this amendment). This amendment relates to the valuation of deferred tax liabilities and deferred tax receivables that are related to investment into real estate valued using the real value model pursuant to IAS 40, Investments into Real Estate, and the amendment introduces the rebuttable presumption that investments into real estate are received back in full upon their sale. This presumption does not apply if the accounting unit holds the investment within

a business model that has the goal of using practically the entire economic usefulness of such real estate and not selling it. Application of the amendment of IAS 12 has no impact on these financial statements.

The company does not expect that this Improvement will have any significant impact on its financial statements.

## 2.4 Conversion of foreign currencies

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### (i) Functional currency and the currency of financial statement presentation

The data in the company's financial statements are valued using the currency of the primary economic environment in which the accounting unit operates ("functional currency"). The financial statements are presented in the Euro, the functional currency and the currency used by the company.

### (ii) Transactions and balance sheet balances

Assets and liabilities expressed in a foreign currency are converted to the Euro using the reference exchange rate announced by the European Central Bank valid for the date on which the accounting case is completed with the exception of foreign currency purchased or sold in cash using the Euro where the commercial bank rate used for such purchase or sale applies. As of the date to which these financial statements were issued, all balances are valued at the exchange rate for this date. Profits and losses from the conversion to the Euro currency are accounted as exchange profits or losses as a credit or debit to earnings.

## 2.5 Financial assets

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Investments are accounted or are no longer accounted on the transaction date of an investment purchase or sale contract that conditions the execution of the investment within a specific time framework and in a specific market and are valued at real value when first reported after subtracting direct transaction costs; other financial assets are reported at their real value if these are accounted on the income statement and are valued at real value when first reported.

Financial assets are classified into the following categories of financial assets: "real value accounted on income statement (FVTPL)", "investments held to



maturity", "financial assets available for sale" (AFS) and "loans and receivables". Classification depends on the nature of the financial asset and the purpose of its use and is defined during its first accounting.

At the date of issuing the following financial statements, securities that the company holds until maturity (investments held to maturity) are valued at amortised costs using the effective interest rate method after considering any decrease in value whereby income is recorded using the effective return method.

Investments other than those held to maturity will be defined as available for trading or available for sales and at the date to which the following financial statements are issued these are values at real value on the basis of the price on the market as at the date to which the balance sheet is issued. Unrealised profits and losses from financial investments available for trading are recorded on the income statement. For investments that are available for sale, unrealised profits and losses are accounted for directly in ownership equity until this financial investment is sold or written off as depreciated; when cumulative profits and losses are recorded and these are accounted on the income statement.

Accounts receivable, loans and other receivables with fixed or variable payments that are not anchored to the active market are classified as "loans and receivables". Loans and receivables are valued at amortised costs using the effective interest rate method after considering any decreases in value. Interest returns are reported using the effective interest rate method; this does not apply for current receivables for which reported interest is insignificant.

## 2.6 Cash and cash equivalents on the statement of cash flows

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Cash and cash equivalents represent cash, cash in bank accounts and securities with maturity of up to three months from the date of issue to which a negligible risk of a value change is connected.

## 2.7 Accounts receivable and other receivables

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Accounts receivable are valued at their real value when they occur and are then reported in accounting value using the effective interest rate method while the value is then lowered by an adjustment. Adjustments are created when objective evidence exists that the company will not be able to collect

the entire outstanding amount based on the original conditions of the receivable. Indicators that collection of a receivable is doubtful include significant financial problems for the debtor, the likelihood that a debtor will be declared bankrupt or will be in financial reorganisation, is later in making payments or unable to make payments. The amount of the adjustment is the difference between the accounting value and the current value of anticipated future cash flow discounted by the original effective interest rate. The adjustment is reported on the complete income statement in operating costs (**NOTE 6**).

## 2.8 Stocks

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Materials and other stocks are reported at the acquisition price or at the net realisable value, depending on which is lower. The acquisition price includes costs for materials, other direct costs and related overhead costs. The net realisable value is the anticipated sales price under normal trading conditions after subtracting sales costs.

## 2.9 Financial investments

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### Subsidiaries

Subsidiaries are all companies (including special purpose companies) that the company can control financially or operationally, which in general is connected to ownership of a simple majority of voting rights. The existence and impact of potential voting rights that can be applied or exchanges are considered to determine if a company controls another company. Investments in subsidiaries are valued at their acquisition prices.

## 2.10 Non-current tangible assets

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Buildings, structures, machinery, equipment and intangible assets are valued on the balance sheet at acquisition cost lowered by subsequent repairs and total adjustments due to the non-current decrease in the value of assets. The acquisition cost includes costs for contracted labour, direct materials, salaries and overhead costs. Lands are valued at the official forecast established by the state for lands obtained within privatisation or at acquisition cost.

Assets are depreciated during a period that corresponds to period of expected generation of future economic utility. On the basis of the regulated framework the company can also include depreciation into the water and

sewer tariff during a period established by URSO. Actual technical lifespan differs and is normally longer (for water utility equipment and infrastructure: 20 - 50 years) but the company anticipates that the economic utility of such assets will not be exhausted at the end of the depreciation period approved by URSO for the purposes of establishing the tariff. For this reason these assets will remain in use even after they are fully depreciated. Depreciation begins on the date on which non-current assets are placed into use. Lands and works of art are not depreciated.

**The depreciation term is defined by regulations; the depreciation methods and depreciation rates for non-current assets follow:**

Buildings, structures and water company infrastructure	20 – 30 years
Machinery, instruments and equipment	6 – 12 years
Means of transport	4 – 6 years
Intangible assets	4 – 5 years

Profits and losses from the scrapping of buildings, structures, machinery and equipment are fully considered in the income statement.

Costs that relate to buildings, structures, machinery and equipment after they are placed into use only increase their accounting value in the event that the company can anticipate future economic returns above the framework of their original performance. All other costs are accounted as repairs and maintenance and as an expense for the period that relates to such costs.

Pursuant to the requirements of **IAS 36** an evaluation is to be completed at the date the financial statements are issued to determine if factors that would signify the realisable value of buildings, structures, machinery and equipment is lower than their accounting value. If these factors are determined the realisable value of these buildings, structures, machinery and equipment is to be estimated as the higher of the sale value or the current value of future cash flow. Any estimated loss due to lowered value of buildings, structures, machinery and equipment is accounted in full on the income statement for the period when this lowered value occurred. Discount rates used during the calculation of the current value of future cash flow stem from the company's positions as well as from the economic environment in the Slovak Republic as at the date of the balance sheet. If the company decides to stop an investment project or it significantly delays the planned completion of such a project it will also evaluate a decrease in its value and will record an adjustment as necessary.

## 2.11 Leased assets

### (i) Operating leasing

Leased assets for which the lessor bears a significant portion of the risk and potential for profits connected to ownership are classified as operating leasing. Instalments made within operating leases are reported in equally in the complete income statement for the duration of the lease.

### (ii) Financial leasing

The rental of non-current tangible assets for which the company bears a significant portion of the risk and benefits connected to ownership is classified as financial leasing. Assets acquired through financial leasing are capitalised at the start of the lease term as the real value or the current value of the minimum leasing instalment depending on what value is lower.

Every leasing instalment is divided into the principal and financing costs that are calculated using the effective interest rate method and are accounted to the comprehensive income statement during the lease term. The corresponding liability from the lease minus financing costs is a part of loans.

Non-current tangible assets acquired through financial leasing are depreciated during the lifespan of the asset or for the duration of the lease, whichever is shorter, under the expectation that the company is not able to clearly define that it will receive ownership of the rented asset at the end of the lease term.

## 2.12 Non-current intangible assets

The company's non-current tangible assets mainly include purchased software, licenses, valuable rights and capitalised development costs.

Purchased software licenses and valuable rights are valued at acquisition cost and an adjustment is used in the event of any depreciation. The acquisition price includes the price for acquiring the asset and costs related to acquisition. Software licenses and valuable rights are depreciated using the straight line method for a period shorter than 5 years.

Non-capitalised development costs are accounted to costs in the accounting period in which they occurred.

Development costs that relate to a clearly defined product or process for which technical feasibility and potential sale can be proven and when the company has sufficient funds to complete the project, sell the project

or use its results are capitalised in the amount of likely future economic benefits. Other development costs are accounted in the period in which they occurred. Capitalised development costs are depreciated in the accounting period in which the sale of the product or use of the process is expected. Development costs that were originally reported as a cost are not capitalised in future periods.

### **2.13 Support related to assets**

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State and European support provided to acquire non-current assets is reported as deferred income and is dissolved into income materially and with respect to time during the lifespan of the associated asset or during the scrapping of such an asset.

### **2.14 Declining asset value**

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The test for a decline in asset value is completed when circumstances indicate that the accounting value can no longer be realised. A loss from a decline in value is accounted by the amount the accounting value exceeds the actual realizable value.

The realizable value is either the real value lowered by costs for a sale or the useful value, depending on which is higher. In order to determine a lower value, the asset is placed into a group based on the lowest level for which separate cash flow exists (units generating cash flow). For non-current assets other than goodwill that have declined in value, there is a regular review as of the date of the financial statements to determine if this decline in value can be eliminated.

### **2.15 Share capital**

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Registered common stock represents the share capital of the company. The company has not issued any new common stock. The company has purchased its own common stock in the previous years.

### **2.16 Statutory reserve fund**

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The company has established a statutory reserve fund pursuant to the Commercial Code and the company's articles. Contributions to the statutory reserve fund were generated from net profits up to 20% of the value of the share capital. The statutory reserve fund can only be used pursuant to the Commercial Code and the company's articles and cannot be paid out as a dividend.

### **2.17 Payment of dividends**

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The distribution of profit to company shareholders in the form of a dividend is reported in the company's financial statements as a liability for the period for which the dividend was approved by the company's general meeting. Dividends approved by the general meeting after the date of the financial statements are placed in the notes to the financial statements as a significant event that came after the date of the financial statements.

### **2.18 Loans and borrowings**

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Loans and borrowings are mainly bank and overdraft loans. Initially these are accounted in the amount of received funds lowered by the transaction fees. These loans are then valued at their residual value using the effective interest rate method. Loans are classified as current if the company does not have the unconditional right to defer the settlement of a liability for a period of at least 12 months from the date on which the financial statements are issued.

Starting 1 January 2009 interest costs during the acquisition process are capitalised in the acquisition cost of the non-current asset for which a longer period of time is required in terms of preparation for use or sale. All other interest costs are accounted to costs.



## 2.19 Employee benefits

### (i) Current employee benefits

Payment, salaries, paid annual vacation time, bonuses and other non-cash benefits are accounted to costs for the accounting period in which the employee gains the right to such benefits from the company. Salaries and compensation for vacation time are a current liability owed to employees.

### (ii) Non-current employee benefits

#### → Retirement program

The company categorises employee benefits related to employee retirement plans as programs with defined contributions and programs with defined annuities.

In programs with defined contributions, the company pays a fixed contribution to the given entity, which it accounts at the date on which the liability to pay this contribution occurs to the comprehensive income statement in material and time relation to the period worked by the employees. This is mandatory social insurance payments that the company must pay to the National Social Insurance Agency or a private retirement fund on the basis of specific legal regulations or a voluntary supplemental retirement savings plan paid to supplemental retirement program administration companies that then take responsibility for the future annuity payments. The company has no legal or other (implicit) obligation to pay any additional contributions if these companies will have insufficient assets to meet their obligations to employees for their service term in the present or in the past.

In programs with defined annuities, the company has the legal obligation to pay the employee a severance package upon retirement pursuant to Section 79 of the Labour Code equal to a single average monthly salary plus one additional monthly salary on the basis of the collective bargaining agreement. The company has no other liabilities with regards to additional payments. The liabilities arising from programs with defined annuities are accounted as a non-current reserve and is calculated as of the date to which the financial statements are issued using an actuarial method as the current value of the defined severance pay for the service term as of the balance sheet date. The mathematical premium profit or loss resulting from changes and adjustments in actuarial prerequisites is accounted to income and costs for the current period in which they occur.

**The main actuarial prerequisites used to calculate the liabilities from programs with defined annuities are as follows:**

Average number of employees as of 31 December 2010	<b>1,067</b>
Percentage of employees who terminate employment at the company before retirement (departure rate)	<b>9.0 %</b>
Expected rate of salary increases	<b>1.5 %</b>
Discounted rate	<b>5.1 %</b>
Long-term inflation	<b>2.5–3.4%</b>

#### → Bonuses for years of service

Non-current liabilities to employees for work anniversaries are also accounted as a non-current reserve wherein their value is defined similarly as the liabilities for programs with a defined annuity. Eventual costs from increased demands on bonuses due to changes in the collective bargaining agreement are immediately accounted net to costs at the time they occur.

**Bonuses for years of service depend on the number of years of service and are as follows:**

YEARS OF SERVICE	2010	2009
20	<b>250 eur</b>	<b>250 eur</b>
25	<b>365 eur</b>	<b>365 eur</b>
30	<b>485 eur</b>	<b>485 eur</b>
35	<b>520 eur</b>	<b>520 eur</b>
40	<b>600 eur</b>	<b>600 eur</b>

An identical or similar liability was included in the contract with the labour unions from 2002. The company has created the expectations on the part of employees that it will continue providing benefits. It is the company's opinion that any cancellation of such benefits is unrealistic.

## 2.20 Liabilities from business relationships and other liabilities

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Liabilities from business relationships and other liabilities are first valued at current value and then amortised costs using the effective interest rate method.

## 2.21 Reserves

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Reserves represent liabilities with an undefined term or amount and are valued at the current value of anticipated costs. In order to forecast reserves it is necessary to take into consideration all risks and uncertainty that accompany a number of connected events and circumstances. Reserves are created when all of the following three criteria are met: there is a duty that must be met (legal or material) resulting from a past event; it is likely that it must be met and will require funds and it is possible to make a relatively reliable estimate of how much funds will be required.

Reserves are valued in the current value of costs that are anticipated to settle a liability using rates before taxes that reflect market forecasts for the value of money at the given time and the risks that are specific to the liability. Reserves are increased over time and are accounted as interest costs.

The company forecasts costs connected to the removal of sludge and the revitalisation of waste landfills as well as the disposal of contaminated equipment. Expected costs for liquidation and renewal are based on current legislation, technology and price levels. Reserves for environmental obligations are formed in such an amount that includes all expected future costs for liquidation discounted to their current value with consideration provided to inflation. This uses a discount rate that reflects the current market value of cash and the specific risks associated with the liability.

## 2.22 Accounting income

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Income is the real value of goods and services sold within ordinary company activities after the deduction of value added tax, discounts and other rebates. The company accounts income in the time which the amount of such income can be reliably valued, it is likely that the company will enjoy future economic returns and if the specific criteria for the individual company activities described below are met.

### Sales of internal products, materials and goods

Income from the sales of internal products (mainly water) are accounted if the company has transferred the risks and benefits of ownership to the purchaser and no longer has effective control over the sold products, materials or goods.

### Provided services

Income from the sales of services (mainly water) is accounted in the accounting period in which the services were provided with consideration for the completion status of the given service. This is determined on the basis of actually provided services as a ratio to the total scope of the agreed services.

### Interest income

Interest income is accounted using an accrual of the effective interest rate method.

### Un-invoiced supplies

The company accounted the amount of un-invoiced supplies on the basis of actual invoicing completed in the period from 31 December 2010 and on the basis of forecasting for un-invoiced water and sewer services to customers as of 31 December 2010, which were defined on the basis of developments in consumption over the previous year.

## 2.23 Income tax

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The taxes payable liability and deferred tax receivable are accounted separately from other assets and liabilities. Tax shown on the comprehensive income statement for the accounting period includes the taxes payable for the period and the deferred tax.

The tax base for current income tax is calculated from earnings that are adjusted by items that increase and decrease the tax base.

Deferred tax relates to the temporary differences between the value of assets and liabilities accounted on the balance sheet and their tax base. Deferred tax is calculated using the tax rate approved for the period in which the deferred tax receivable is expected to be realised or in which the deferred tax liability is expected to be settled. The deferred tax receivable is accounted if it is likely that taxable profits will be available in the future against which this deductible temporary difference may be applied.

## 2.24 Correction of errors from the past

(In thousand eur)		As at 31 December 2009	
	Original value	Corrected value	
Non-current tangible assets (iii)	361,503	362,892	
Accounts receivable and other receivables (ii)	19,958	19,170	
Reserves (i)	4,726	915	
Retained profits	-4,942	-530	
(In thousand eur)		2009	
	Original value	Corrected value	
Tržby	75,555	74,767	
(in thousand eur)		Profit	Equity
<b>Pôvodné hodnoty k 31. decembru 2009</b>		<b>-67</b>	<b>345,863</b>
Oprava rezervy na súdne spory (i)	-	-	3,811
Oprava vykázaných tržieb (ii)	788	-	-788
Oprava vykázaných vodomeroch (iii)	-	-	1,389
<b>Opravené hodnoty k 31. decembru 2009</b>		<b>-855</b>	<b>350,275</b>
(In thousand eur)		Equity	
<b>Pôvodné hodnoty k 1. januáru 2009</b>		<b>345,965</b>	
Oprava rezervy na súdne spory (i)	-	3,811	
Oprava vykázaných tržieb (ii)	-	-	
Oprava vykázaných vodomeroch (iii)	-	1,389	
<b>Opravené hodnoty k 1. januáru 2009</b>		<b>351,165</b>	

The company identified significant errors related to prior accounting periods and corrected these errors from prior years in the current accounting period.

**i) i)** The company corrected its accounting policy in connection with the accounting of reserves for legal disputes. In the past the company accounted reserves for legal disputes even when the estimates from the legal department and external council were unlikely (less than 50% probability) and when such liabilities could not be reliably valued. The company created a reserve equal to the probability applied to the potential amount in dispute. Based on an assessment of probability and consideration for the complexity for evaluated cases, the company decided in 2010 to eliminate the reserve for legal disputes in connection with the exchange notes as an error from previous accounting periods with an impact on the retained profits of €3,811,000 (as at 31 December and 1 January 2009).

**ii) In 2010** the company used retained profits to correct the excessive deferred income estimates by a total of €788,000 as an error from previous

accounting periods (as at 31 December 2009; as at 1 January 2009: €0). This error was identified after improving the information system, which allowed for a more accurate forecast for the sales of water.

**iii) In 2010** the company corrected the accounting of water meters as an error from previous accounting periods as these were accounted as consumable materials. As their lifespan significantly exceeds the period of a single year, water meters should have been recorded as a part of non-current tangible assets. The impact on non-current tangible assets as at 31 December 2009 and as at 1 January 2009 resulted in an increase in non-current tangible assets by €1,389,000.

**iv) With respect to their level of significance,** the company decided not to account the deferred taxes related to items (ii) and (iii).

The company is of the opinion that the reporting of the corrected values as at 1 January 2009 would not bring the user any significant added value and for this reason has not reported them in the notes.

### 2.25 Statutory reserve fund

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The statutory reserve fund has been established pursuant to the Commercial Code. The company created the statutory reserve fund on the basis of the financial statements as 10% of net profit up to a total of 20% of share capital. The fund can only be used to increase share capital or to cover losses.

### 2.26 Other funds

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The company creates new reserve funds to cover future capital expenditure pursuant to the Commercial Code and the company's articles. Contributions to these funds have been approved by the general meeting. These funds can only be used upon a decision from the shareholders.

### 3. Financial risk management

#### 3.1 Financial risk factors

The business activities the company performs expose it to various financial risks, primarily connected to credit risk and risk of changes to interest rates and somewhat to the risk of exchange rate fluctuation. The main financial instruments the company uses to manage these risks include bank loans, receivables and liabilities from business relationships arising directly from the everyday activities of the company. Risk management is handled by the financial department, which has identified and evaluated financial risk and on the basis of their analysis it has proposed measures to manage financial risk. The Financial Director has decided on the manner by which to minimise financial risk.

##### (i) Loan / credit risk

Credit risk arises in connection with cash and cash equivalents, financial derivatives and deposits held in banks and financial institutions. The company is also exposed to credit risk in connection with sales to wholesale and retail customers in terms of unpaid receivables and in connection with transactions agreed in the future.

(In thousand €)	As at 31 December 2010	As at 31 December 2009
Accounts receivable and other receivables (Note 6)	24,337	19,170
Cash and cash equivalents (Note 5)	17,776	8,764
<b>Total financial assets</b>	<b>42,113</b>	<b>27,934</b>

In order to eliminate credit risk from bank accounts and derivative financial instruments, the company only enters into relationships with those banks and financial institutions that have high independent ratings. Cash is kept with financial institutions that have a low risk of insolvency at the time at which the funds were deposited.

Financial assets that represent the potential for credit risk are mainly accounts receivable. An overview of the age structure of accounts receivable and an analysis of their adjustments are shown in **NOTE 8**.

The company has introduced credit management rules that ensure credit risk is minimised. The conclusion of contracts with customers is subject to a prior check of their creditworthiness and business approval. The company actively secures its receivables with insurance, payment in advance or a bill of credit, primarily with new customers. Credit sales are only completed with customers with good creditworthiness, rating or with a good history of paying liabilities on time.

While the return of receivables can be affected by economic factors, management is not aware of any significant risk that could lead to a company loss that is above the amount of accounted receivables. With regards to the nature of its sales, the company has no defined credit limits for individual customers. The company also monitors the condition of unpaid receivables and if necessary it disconnects customers that do not pay.

## **(ii) Regulatory risk**

Business involving public water and sewer networks is regulated by Act No. 442/2002 Coll. on Public Water and Sewer Networks as amended. This act, in addition to other aspects, stipulates the establishment, development and operation of public water networks and sewers, the rights and obligations of their operators and also supervision performed by bodies of state authorities, above all in the area of adherence to qualitative indicators for drinking water as well as the collection and treatment of wastewater.

The price for the production and delivery of drinking water via public water networks and for the collection and treatment of wastewater via public sewers fall into the prices regulated by the Utility Network Regulation Office ("URSO") pursuant to Act No. 276/2001 as amended. Price regulation is executed pursuant to a Decree that stipulates regulation for individual years and on the basis of a directive that supplements individual paragraphs in the Decree. The company is not protected against any losses from significant changes in regulations.

The price for 2010 was defined and submitted for URSO approval, which issued Decision 0061/2009/V dated 18 November 2009 approving a maximum price from 1 January 2010 until 31 January 2010 for the production and supply of drinking water via public water networks of 0.8266 €/m<sup>3</sup>, a maximum price for distributing drinking water via public water networks of 0.6274 €/m<sup>3</sup> and a maximum price for collecting and treating wastewater via a public

sewer network of 0.8295 €/m<sup>3</sup>. This decision was changed by Decision 0121/2010/V dated 24 February 2010, which changed the maximum price for the production and supply of drinking water via public water networks to 0.8964 €/m<sup>3</sup> for the period from 26 February 2010 to 31 December 2010.

### **Analysis of the sensitivity of the company's earnings to regulation risk for selected regulatory items.**

- If the price for drinking water increased by 5% and no other circumstances would change, pre-tax earnings at 31 December 2010 would increase to €1,967,000. (2009: €1,849,000).
- If the price for wastewater collection increased by 5% and no other circumstances would change, pre-tax earnings at 31 December 2010 would increase to €1,911,000. (2009: €1,842,000).

## **(iii) Market risk**

The company is exposed to market risk. Market risk is generated by open market positions for interest rates and derivative financial operations that are exposed to general and specific market movements. The company is not protected from losses due to any significant market movements.

### **→ Exchange rate risk**

Nearly all company transactions are denominated in the Euro and for this reason the company is not exposed to significant risk due to changes in foreign currency exchange rates.

### **→ Risk of interest rates affecting real values and cash flows**

The company is exposed to risk from changes in interest rates, in particular in terms of consequences for current and non-current loans. Borrowings with variable interest rates expose the company to a variable cash flow risk. Borrowings with fixed interest rates expose the company to a real value risk.

As the company has no significant liabilities with variable interest rates, its interest incomes are only slightly dependent on changes to interest rates on the market meaning that the company is not exposed to any significant risk of changing foreign exchange rates.

As the company has no significant assets subject to variable interest rates other than bank accounts and current deposits in banks, its interest income are only slightly dependent on changes to interest rates on the market.

## **(iv) Liquidity risk**

Careful liquidity risk management means preserving a sufficient quantity of cash and accessible financing in order to cover agreed credit lines and the ability to close market positions. Management of the company's

(In thousand €)	Less than 1 year	1 – 2 years	2 – 5 years	More than 5 ys	Total
<b>As at 31 December 2009</b>					
Accounts receivable and others (Note 11)	18,572	-	-	-	18,572
<b>Total financial liabilities under IFRS 7</b>	<b>18,572</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,572</b>
<b>As at 31 December 2010</b>					
Bank loans - principal (Note 12)	-	-	3,298	-	3,298
Bank loans - interest*	19	75	64	-	158
Accounts receivable and others (Note 11)	20,276	-	-	-	20,276
<b>Total financial liabilities under IFRS 7</b>	<b>20,295</b>	<b>75</b>	<b>3,362</b>	<b>-</b>	<b>23,732</b>

\* Interest from bank loans represents anticipated interest costs until their anticipated maturity.

financial position is focused on preserving its financing flexibility by maintaining open lines of credit.

Management uses cash flow forecasts to monitor the anticipated level of company credit liquidity. The main liquidity management instruments include sufficient excess capacity in lines of credit (**NOTE 12**) and cash as well as cash equivalents (**NOTE 5**).

The Financial Department creates the sales plan for the company in cooperation with other internal company departments. The sales plan is submitted for approval to the Board of Directors and is then submitted to the Supervisory Board for evaluation. The sales plan includes the annual overview of cash flows generated using the indirect method.

**The table over analyses the anticipated non-discounted cash flows from the payment of the company's financial liabilities.**

## 3.2 Equity management

The company considers share capital as presented in these financial statements to be the group's equity (31 December 2010 €357,830,000, 31 December 2009 €350,275,000). The company's goal in capital management is to secure the ability of the company to be a going concern with sufficient returns on equity for shareholders and to maintain an optimum equity structure with the goal of maintaining low financing costs.

The company has a statutory reserve fund that serves to cover any losses or measures that are to be taken in order to overcome negative business developments. As at 31 December 2010, the statutory reserve fund was €66,346,000 (at 31 December 2009: €71,366,000) The statutory reserve fund cannot be distributed as a dividend. The company is bound on the basis of loan agreements to maintain specific financial indicators in terms of the ratio of share capital to the total of share capital and liabilities. This indicator was met as at the end of the accounting period.

## 3.3 Real value estimate

The fair value of financial assets and liabilities lowered by the amount of any adjustments within a payment term of less than one year is used to approximate real value. The real value of a financial liability for the purposes of reporting is defined in the addendum on the basis of the discounted future contractual cash flow at current market interest rates that the company has available for similar financial instruments.

In the opinion of the company's management the accounting value of financial assets and financial liabilities reported in the financial statements in amortised costs approach their real value.

## 4. Fundamental accounting estimates and decisions

**The company adopted the following decisions related to uncertainty and estimates that have a significant impact on the totals reported in the financial statements and while applying the accounting principles shown in Note 2. These sections show events that represent significant risks of serious adjustments in future accounting periods:**

### Regulated income

Company income is mainly represented by revenue from the production, distribution and delivery of drinking water via public water networks and the collection of sewage via public sewer networks. Prices for the provisions of these services are set by the Utility Network Regulation Office (URSO). Prices for the delivery of drinking water and wastewater removal are set by URSO on the basis of planned eligible costs that also include depreciation of non-current tangible assets on the basis of specific depreciation rates and adequate profit per cubic meter of delivered or collected water.

In the event that authorised costs recorded by the company are higher or lower than the planned costs included in prices approved by URSO the difference will be considered in future prices for services regulated by URSO using a correction factor. Pursuant to IFRS no asset or liability is recorded with consideration to future price adjustments in the event that actual costs exceed or do not exceed planned eligible costs.

### Devaluation of buildings, structures, machinery and equipment

Company revenues are regulated and are connected to the company's eligible costs as evaluated by the Utility Network Regulation Office (URSO) pursuant to valid legislation.

The company administers a large quantity of tangible and intangible assets necessary to secure its activities. Company management has evaluated the future economic benefits from these tangible and intangible assets of the company along with the benefits from the financial investment into BIONERGY with regards to the high level of interconnection between the business activities of both companies. The residual value of the tangible and intangible assets of these two cash generating units as at 31 December 2010 reached €358 million. The adopted Act No. 364/2004 Coll. the Water Act and Government of the Slovak Republic Regulation No. 269/2010 means that the company will have to invest another sum of around €190 million based on its own best estimates in the next 5 years into improving existing treatment plants in order to avoid potential fines for breaching outlet water limits. On the other hand, the company can also expect grant assistance from Eurofunds totalling €40 million, which will be used for co-financing investments into treatment plants.

The depreciation of existing assets and profits determined by the regulator are intended to be the sources for financing improvements to existing assets and investing in new real estate assets. These resources will be lowered by the level of costs that the company expends for its activities yet are ignored by the regulator. From 2004 to 2007 the regulator defined appropriate profits as a fraction of depreciation, which was lowered and in 2008, 2009, 2010 and 2011 the calculated profit was defined as €0.05 per cubic meter for water and €0.07 per cubic meter for sewer. In 2011 the regulator also allowed the investment demands of treatment plants to be taken into consideration using the Y factor.

Company management remains convinced that the briefly described framework does not allow the company sufficient room in order to



achieve a return on funds invested into its assets as of 31 December 2010. Company management has developed a model for the current value of future economic returns that the company generates on the basis of the existing business plan and the current regulation model (as briefly described in the prior text). When using a weighted average cost of capital (WACC) of 7.67% and when using a number of profit and related cash flow scenarios, company management has reached a negative difference between the current value of future economic returns and the net value of company assets within business activities in the range of €98 – €248 million (using various company development scenarios, regulatory frameworks and the development of business activities of the subsidiary BIONERGY). Due to the high uncertainty that arises from future development, which is inherent in calculations, company management has decided not to account these items in the financial statements.

### **Legal disputes**

The company is a participant in various legal disputes; as a result company management expects a loss that could result in specific financial costs. The company relied on the advice of its external legal counsel in establishing this forecast along with the newest available information on the status of legal proceedings and an internal evaluation of the likely result. Details as to individual legal disputes are shown in **note 25**.

5. Cash and cash equivalents (thousand €)

The following items are included in cash and cash equivalents on the balance sheet:

	As at 31. 12. 2010	As at 31. 12. 2009
Cash and cash equivalents on hand	49	33
Current accounts in banks	17,727	6,481
Bills of exchange	-	2,250
<b>Cash and cash equivalents on the balance sheet</b>	<b>17,776</b>	<b>8,764</b>

The following items are included in cash and cash equivalents on the statement of cash flows:

	As at 31. 12. 2010	As at 31. 12. 2009
Cash, cash equivalents and balances in bank accounts	17,776	8,764
<b>Cash and cash equivalents for the comprehensive statement of cash flows</b>	<b>17,776</b>	<b>8,764</b>

## 6. Accounts receivable and other receivables (thousand €)

### Accounts receivable

	As at 31. 12. 2010	As at 31. 12. 2009
Accounts receivable	15,568	16,011
Un-invoiced income	4,542	5,453
Receivables from shareholder deposits	4,670	-
Adjustments	- 1,349	-3,290
<b>Total accounts receivable</b>	<b>23,431</b>	<b>18,174</b>
Other non-financial receivables	40	29
Tax receivables (mainly from VAT)	550	702
Deferred costs	316	265
Total non-financial receivables	906	996
<b>Total accounts receivable and other receivables</b>	<b>24,337</b>	<b>19,170</b>

### Development in adjustments

	1. 1. 2009	Creation	Use	Dissolution	31. 12. 2009
Adjustments for accounts receivable	3,408	133	-	-251	3,290
<b>Total for 2009</b>	<b>3,408</b>	<b>133</b>	<b>-</b>	<b>-251</b>	<b>3,290</b>

(thousand €)	1. 1. 2010	Creation	Use	Dissolution	31. 12. 2010
Adjustments for accounts receivable	3,290	928	2,310	-559	1,349
<b>Total for 2010</b>	<b>3,290</b>	<b>928</b>	<b>2,310</b>	<b>-559</b>	<b>1,349</b>

The company created a 100 % adjustment for all receivables that are more than 365 days past due (except for receivables against cities and city districts) as it follows from previous experience that such receivables that are 365 or more past due cannot be collected. Adjustments for accounts receivable that are past due by between 60 and 365 days on the basis of the expected irrecoverable sum from the sale of products based on previous experience with unpaid receivables in as a per cent value.

A lien on behalf of VUB, a. s., has been established on company receivables.

As of 31 December 2010, the company recorded non-current receivables and other receivables totalling €12,000 (31 December 2009: €20,000).

The actual value of the receivables does not significantly differ from their accounting value.

7. Stocks (thousand €)

	As at 31. 12. 2010	As at 31. 12. 2009
Materials	949	825
Adjustments	-38	-
<b>Total</b>	<b>911</b>	<b>825</b>

No creditor liens have been established on the company's stocks.

## 8. Non-current tangible assets (thousand €)

### Dlhodobý hmotný majetok

31 December 2010	Land, buildings and structures	Machinery, instruments and equipment	Unfinished investment construction	Total
Acquisition price as of 1.1.2010	541,074	82,499	31,731	655,304
Adjustments	-228,005	-62,324	-2,083	-292,412
<b>Residual price cena</b>	<b>313,069</b>	<b>20,175</b>	<b>29,648</b>	<b>362,892</b>
Additions	-	-	25,437	25,437
Placed into service	15,144	8,707	-23,851	-
Disposals	-	-65	-	-65
Depreciation	-20,896	-6,551	-	-27,447
Changes to adjustments	48	-	645	693
<b>Final residual price at 31. 12. 2010</b>	<b>307,365</b>	<b>22,266</b>	<b>31,879</b>	<b>361,510</b>
Acquisition price	556,218	91,141	33,317	680,676
Adjustments	-248,853	-68,875	- 1,438	-319,166
<b>Residual price</b>	<b>307,365</b>	<b>22,266</b>	<b>31,879</b>	<b>361,510</b>

31 December 2009	Land, buildings and structures	Machinery, instruments and equipment	Unfinished investment construction	Total
Acquisition price as of 1.1.2009	507,422	74,918	43,071	625,411
Adjustments	-208,494	-56,941	-1,620	-267,055
<b>Residual price</b>	<b>298,928</b>	<b>17,977</b>	<b>41,451</b>	<b>358,356</b>
Additions	-	-	30,066	30,066
Placed into service	33,793	7,613	-41,406	-
Disposals	-141	-32	-	-173
Depreciation	-19,511	-5,383	-	-24,894
Changes to adjustments	-	-	-463	-463
<b>Final residual price at 31. 12. 2009</b>	<b>14,141</b>	<b>2,198</b>	<b>-11,803</b>	<b>4,536</b>
Acquisition price	541,074	82,499	31,731	655,304
Adjustments	-228,005	-62,324	-2,083	-292,412
<b>Residual price</b>	<b>313,069</b>	<b>20,175</b>	<b>29,648</b>	<b>362,892</b>

No creditor liens have been established on non-current company assets. Non-current assets are insured for damage caused by force majeure events, operational interruptions (and other cases) up to the total acquisition value of the asset.

The most significant share in assets is represented by land, buildings and structures as well as equipment related to infrastructure for the production, delivery and distribution of drinking water and the collection and treatment of wastewater.

## Development in adjustments for non-current assets (thousand €)

	As at 1. Jan	Creation	Use	Cancellation	As at 31. Dec
Unfinished investment construction	1,620	463	-	-	2,083
Buildings and structures	262	-	-	-	262
<b>Total for 2009</b>	<b>1,882</b>	<b>463</b>	<b>-</b>	<b>-</b>	<b>2,345</b>
Unfinished investment construction	2,083	721	-1,366	-	1,438
Buildings and structures	262	-	-	-48	214
<b>Total for 2010</b>	<b>2,345</b>	<b>721</b>	<b>-1,366</b>	<b>-48</b>	<b>1,652</b>

## 9. Intangible assets (thousand €)

Purchased software and other intangible assets	
<b>Balance at 1 January 2009</b>	
Acquisition price	4,342
Adjustments	-2,985
<b>Residual value</b>	<b>1,357</b>
<b>Year ending 31 December 2009</b>	
Additions	452
Depreciation	-530
<b>Residual value</b>	<b>1,279</b>
<b>Balance at 31 December 2009</b>	
Acquisition price	4,794
Adjustments	-3,515
<b>Residual value</b>	<b>1,279</b>
<b>Year ending 31 December 2010</b>	
Additions	610
Depreciation	-519
<b>Residual value</b>	<b>1,370</b>
<b>Balance at 31 December 2010</b>	
Acquisition price	5,404
Adjustments	-4,034
<b>Residual value</b>	<b>1,370</b>

## 10. Deferred tax receivables and liabilities (thousand €)

The deferred tax receivables and liabilities were calculated using the 19% income tax rate (2009: 19%) and include the following items:

	Deferred tax receivable	Deferred tax liabilities	Net as at 31.12.2010	Net as at 31.12.2009
Non-current tangible assets	105	-4,872	-4,767	-4,735
Adjustments and reserves	605	-	605	616
Tax loss	-	-	-	150
Other	127	-31	95	57
<b>Total</b>	<b>837</b>	<b>- 4,903</b>	<b>-4,067</b>	<b>- 3,912</b>

Movements in the deferred tax receivables (+) and liabilities (-) in 2009 were as follows:

	As at 31. 12. 2008	Cost (-)/ income (+) (Note 21)	As at 31. 12. 2009
Non-current tangible assets	-4,850	115	-4,735
Adjustments and reserves	450	166	616
Tax loss	-	150	150
Other	475	-418	57
<b>Total</b>	<b>-3,925</b>	<b>13</b>	<b>- 3,912</b>

Movements in the deferred tax receivables (+) and liabilities (-) in 2010 were as follows:

	As at 31. 12. 2009	Cost (-)/ income (+) (Note 21)	As at 31. 12. 2010
Non-current tangible assets	-4,735	-32	-4,767
Adjustments and reserves	616	-11	605
Tax loss	150	-150	-
Other	57	38	95
<b>Total</b>	<b>- 3,912</b>	<b>-155</b>	<b>-4,067</b>



## 11. Accounts payable and other liabilities (thousand €)

	As at 31. 12. 2010	As at 31. 12. 2009
<b>Financial liabilities:</b>		
Accounts payable and other liabilities	15,890	15,706
Un-invoiced supplies and presumptive items	2,466	2 682
Accrued costs	1,920	184
<b>Total financial liabilities</b>	<b>20,276</b>	<b>18,572</b>
<b>Non-financial liabilities:</b>		
Liabilities connected to employees	774	1,343
Liabilities to Social Insurance and other taxes	461	464
Liabilities from the Social Fund	30	92
Tax liabilities and support	236	180
Deferred income	15,245	15,064
Other liabilities	669	795
<b>Total non-financial liabilities</b>	<b>17,415</b>	<b>17,938</b>
<b>Accounts payable and other liabilities</b>	<b>37,691</b>	<b>36,510</b>

The actual value of accounts payable and long-term liabilities does not significantly differ from their accounting value. The company does not have any liabilities that are covered by a lien.

The structure of due and past due liabilities is shown in the following table:

	As at 31. 12. 2010	As at 31. 12. 2009
Due liabilities	37,013	36,510
Past due liabilities	678	-
<b>Accounts payable and other liabilities</b>	<b>37,691</b>	<b>36,510</b>

Creation and drawdown of the social fund during the accounting period are shown in the following table (in thousands €):

	2010	2009
<b>Financial liabilities:</b>		
Balance at 1. January	92	118
Creation as debits to costs, other additions	158	257
Drawdown	220	283
<b>Balance at 31 December</b>	<b>30</b>	<b>92</b>

## 12. Loans and borrowings (thousand €)

	As at 31. 12. 2010	As at 31. 12. 2009
<b>Current</b>		
Overdraft loan	-	-
Bank Loans	-	-
<b>Total current loans and borrowings</b>	-	-
<b>Non-current</b>		
Bank Loans	3 298	-
<b>Total non-current loans and borrowings</b>	<b>3 298</b>	-
<b>Total non-current loans and borrowings</b>	<b>3 298</b>	-

### Zostatková lehota splatnosti úverov a pôžičiek:

	As at 31. 12. 2010	As at 31. 12. 2009
Within 1 year	-	-
1 – 2 years	-	-
2 – 5 years	3 298	-
More than 5 years	-	-
	<b>3 298</b>	-

Company loans are denominated in € with a variable interest rate of 3M EURIBOR + 1.15% p.a. (NOTE 3.1 (iii)). Security provided for bank loans is shown in NOTES 6 AND 25. The company has an available line of credit up to €20,000,000.

### Accounting and real value of non-current loans and borrowings:

	As at 31. 12. 2010		As at 31. 12. 2009	
	Accounting value	Real value	Accounting value	Real value
Bankové úvery	3 298	3 298	-	-
<b>Dlhodobé úvery a pôžičky spolu</b>	<b>3 298</b>	<b>3 298</b>	-	-

The real value of non-current loans and borrowings is not significantly different from their accounting value.

The company was following loan agreement conditions defining terms of the fulfilment of indicators as at 31 December 2010.

### 13. Liabilities from benefits provided upon employment termination

	Total employee benefits 31 December 2010	Total employee benefits 31 December 2009
Liabilities as of 1 January, net	678	729
Net change in reserves (actuarial estimate) included in personnel costs	-167	-32
Paid employee benefits	-20	-19
<b>Liabilities, net</b>	<b>491</b>	<b>678</b>

#### Key insurance/mathematical prerequisites used by the company to complete the actuarial estimate include:

	31 December 2010	31 December 2009
Discount rate	5 %	4 %
Actual future annual rate of increase for salaries	2 %	2 %
Anticipated fluctuation	9 %	1 %
<b>Retirement age</b>	<b>62 rokov</b>	<b>62 rokov</b>

The non-current employee benefit plan valid within the company represents a program with established benefits according to which employees have the right to a one-time contribution upon their entry into retirement equal to twice the employee's average salary. As at 31 December 2010, this program includes 1,067 company employees. (2009: 1,056). At this date this program was not covered by financial resources, without specifically defined assets that cover the liabilities that arise from this program.

If actual fluctuation was 500 basis points higher (or lower) than the forecasted fluctuation, the accounting value of liabilities for pension benefits would be as at 31 December 2010 €89,000 lower (or higher) (as at 31 December 2009: €133,000).

## 14. Reserves (thousand €)

<b>2009</b>	<b>As at 1 Jan</b>	<b>Creation</b>	<b>Use</b>	<b>As at 31. Dec</b>
Reserves for legal disputes (ii)	230	-	-48	182
Environmental reserves (i)	857	-	-124	733
<b>Total for 2009</b>	<b>1 087</b>	<b>-</b>	<b>-172</b>	<b>915</b>
<b>2010</b>				
Reserves for legal disputes (ii)	182	319	-15	486
Environmental reserves (i)	733	44	-142	635
<b>Total for 2010</b>	<b>915</b>	<b>363</b>	<b>-157</b>	<b>1 121</b>

### (i) Environmental reserves

A reserve as at 31 December 2010 totalling €635,000 (as at 31 December 2009: €733,000) was generated to close and re-cultivate a landfill up to the anticipated investment costs for its closure. The definition of reserves was based on the anticipated need for various types of construction materials (foils, gravel and various composite components), the unit prices for materials at the time of completing the analysis and a forecast of costs for labour needed to close and re-cultivate the landfill.

### (ii) Legal disputes

A reserve for legal disputes totalling €486,000 (2009: €182,000) includes the anticipated financial consequences in connection with on-going legal disputes and the number of petitioners seeking compensation for limited use of their real estate.

## 15. Share capital and other funds (thousand €)

### Statutory reserve fund and retained profits

	As at 31. 12. 2010	As at 31. 12. 2009
Legal reserve fund	31,378	34,471
Retained profits	4,932	-530
<b>Total</b>	<b>36,310</b>	<b>33,941</b>
Other funds	34,968	36,895
<b>Total</b>	<b>71,278</b>	<b>70,836</b>

#### (i) Share capital

As at 31 December 2009 and 2010 the share capital of the company comprised 8,477,431 registered common shares with face value of €33.19 that have been paid in full. At 31 December 2010, the company held 714,771 internal shares (2009: 714,771) with an acquisition value of €1,927,000 (2009: €1,927,000). Holding these shares is in no way limited by the law.

#### (ii) Statutory reserve fund and retained profits

16. Income (thousand €)

	2010	2009
Water	39,646	36,975
Sewer	38,690	36,840
Other income	1,028	952
<b>Total income</b>	<b>79,364</b>	<b>74,767</b>

## 17. Salary costs (thousand €)

	2010	2009
Salaries (including compensation for statutory body members)	12,760	12,191
Retirement-Social Insurance (Note 2.19)	-	-
Other mandatory social deductions	4,729	4,722
Other social costs	-	-
<b>Total salary costs</b>	<b>17,489</b>	<b>16,913</b>

Average number of employees in 2010: 1,067 (2009: 1,056).

## 18. Services (thousand €)

	2010	2009
Rent	3,604	2,849
Repairs and maintenance	5,496	3,475
Deductions, metrology and analysis	647	523
Advertising and representation costs	65	5
Safety and protection of property	1,099	993
Postal fees, telephone service	1,086	990
Legal, economic and tax advisory services	573	757
Cleaning, waste collection and disposal	1,305	759
IT services	620	73
Training, analyses and projects	167	61
Other services	3,864	6,410
<b>Total services</b>	<b>18,526</b>	<b>16,896</b>



## 19. Other operating income and costs (thousand €)

<b>OTHER OPERATING INCOME</b>	<b>2010</b>	<b>2009</b>
Capitalization	244	329
Revenue from sales of non-current assets and material	210	32
Revenue from rented property	205	225
Contractual fines and penalties	271	85
Support sunk into income	951	899
Received dividends	15	-
Other income	1,044	239
<b>Ostatné prevádzkové výnosy spolu</b>	<b>2,941</b>	<b>1,809</b>
<b>OTHER OPERATING COSTS</b>	<b>2010</b>	<b>2009</b>
Residual price of sold non-current assets and material	84	168
Adjustments to lower the value of receivables	211	133
Bank fees and other financing costs	580	-20
Taxes and fees	1,806	1,727
Other costs	434	466
<b>Total other operating costs</b>	<b>3,116</b>	<b>2,474</b>

20. Financing costs and income (thousand €)

FINANCING INCOME	2010	2009
Foreign exchange profit, other	-	2
Total financing income	-	2
FINANCING COSTS		
Interest costs	4	-
Exchange rate losses	-	3
Total financial costs	4	3

## 21. Income tax (thousand €)

	2010	2009
Current income tax	302	-21
Change in balance of deferred taxes	155	-13
<b>Total income tax</b>	<b>457</b>	<b>-34</b>

### Transfer from theoretical to accounted income tax:

	2010		2009	
	Tax base	Tax at 19%	Tax base	Tax at 19%
Earnings before taxes	1,112		-889	
Theoretical tax of 19%		<b>211</b>		<b>-169</b>
Tax influence of costs that are not recognised during the calculation of the taxable tax base		235		294
Deferred taxes from tax losses from past years		-		-150
Other		11		-9
<b>Accounted tax - cost (+), income (-)</b>		<b>457</b>		<b>-34</b>
Current tax		302		-21
Deferred tax		155		-13
<b>Accounted tax - cost (+), income (-)</b>		<b>457</b>		<b>-34</b>

## 22. Cash flow from operating activities (thousand €)

	Note	Year ending 31. 12. 2010	Year ending 31. 12. 2009
<b>Net profit for current period</b>		<b>1,112</b>	<b>-889</b>
<b>Adjusted by:</b>			
Depreciation of non-current tangible and intangible assets	8, 9	28,603	25,895
Depreciation of receivables		45	-
Increase (decrease) in adjustments for receivables	6	-1,949	118
Increase (decrease) in adjustments for non-current assets	8	-692	49
Change in balance of reserves	14	206	-223
Loss (profit) from sale of non-current tangible assets		-138	138
Net interest	20	-51	-93
<b>Changes in working capital</b>			
Stocks	7	-85	-11
Accounts receivable and other receivables	6	621	-297
Liabilities from business relationships and other obligations	11	734	3,173
<b>Cash flow from operating activities</b>		<b>28,406</b>	<b>27,860</b>

23. Bonuses and benefits provided to management

Year ending 31 December 2009	Year ending 31 December 2010
€619,000	€680,000

Pay and bonuses are a component of personnel costs.

## 24. Transactions with related parties (thousand €)

### Transactions with related parties

	2010	2009
<b>Purchased services</b>	<b>218</b>	<b>875</b>

<b>As at 31 December 2010:</b>	<b>income</b>	<b>Services and non-current assets</b>	<b>Receivables</b>	<b>Liabilities</b>
Capital City of the Slovak Republic, Bratislava	1,600	139	144	1
HASS, s. r. o.	-	5,920	4,670	1,138
<b>Total</b>	<b>1,600</b>	<b>6,059</b>	<b>4,814</b>	<b>1,139</b>
<b>As at 31 December 2009:</b>	<b>Income</b>	<b>Services and non-current assets</b>	<b>Receivables</b>	<b>Liabilities</b>
Capital City of the Slovak Republic, Bratislava	1,787	274	151	2
HASS, s. r. o.	-	4,203	-	3,509
<b>Total</b>	<b>1,787</b>	<b>4,477</b>	<b>151</b>	<b>3,511</b>

### Parties related to the company include:

- 1) Main shareholder – Capital City of the Slovak Republic, Bratislava
- 2) Board of Directors – See Point 26
- 3) HYDROCOOP, spol. s r.o. – Personnel-connected companies
- 4) Association of Water Utility Companies
- 5) HASS, s. r. o.  
Shareholder with minority stake in Infra Services, a. s.

## 25. Other liabilities and other financial obligations

Loan type	Form of collateral	Creditor	thousand €
Investment	Receivables	VÚB, a. s.	15,136

**The company has the following other liabilities that are not recorded in the current accounting and are not shown on the balance sheet:**

**(i) Bank loan collateral**

Loan type: Investment  
Form of collateral: Receivables  
Creditor: VÚB, a. s.  
Value of pledged receivables as at  
31 December 2010 in thousand €: 15,136

**(ii) Uncertainty within Slovak tax law**

With regards to the fact that in many areas of Slovak tax law no sufficiently verified practices exist, there is no certainty as to how the tax authorities will apply such laws. This level of uncertainty cannot be quantified and is immediately eliminated when such legal precedence or official interpretations from appropriate authorities are made available.

**(iii) Environmental loads**

On 13 May 2004 the National Council of the Slovak Republic approved Act No. 364/2004 Coll. on Water, which included the requirements stipulated in Council Directive 91/271/EEC on communal wastewater treatment. On the basis of this act an obligation to construct public sewers to secure wastewater treatment in communities with more than 10,000 residents by the end of 2010 and in communities with more than 2,000 residents by the end of 2015 has been established. The company finances these investments from internal funds, certain grants and other external funding sources. In July 2010 the company concluded a contract with Všeobecná

úverová banka, a. s., for financing for the purposes of financing projects and the purchase of small investment assets and the reconstruction of currently owned assets and the investment needs of the company.

On the basis of the Water Act, the company pays fees totalling €0.0332 per cubic meter for water taken from underground sources and also pays fees for the release of wastewater into surface water pursuant to Government Office of the Slovak Republic Regulation No. 755/2004 Coll. In 2010 the company paid fees totalling €2,385,000 for water taken from underground sources (2009: €2,434,000) and fees for releasing wastewater totalling €1,312,000 (2009: €1,225,000).

**(iv) Legal disputes**

The company is currently involved in a legal dispute related to three bills of exchange totalling €13 million which were signed by the previous management of Západoslovenské vodárne a kanalizácie, state-owned company, dated 11 February 2000. The company doubts the validity of these bills of exchange on the basis of suspicions that these are based on fraudulent claims and it is not considered likely that they will become due.

The company is also engaged in a legal dispute related to damage compensation for agricultural organisations for compensation of material damages suffered from limited use of lands in the protective zones around water sources. No claimed amount is currently shown in the petition. The company is of the opinion that it is unlikely such claims will be honoured and that it is not possible at present to reliably value any such liabilities generated for this reason.

26. Events after the balance sheet date

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No significant events requiring disclosure occurred after the balance sheet date.

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# Comprehensive, three-year financial statements

## Comprehensive balance sheet for 2008 to 2010 (thousand €)

Balance sheet as at 31. 12.	2010	2009	2008
<b>TOTAL ASSETS</b>	<b>430,536</b>	<b>428,590</b>	<b>393,151</b>
Fixed assets	396,617	400,911	364,313
Non-current intangible assets	741	876	1,146
Non-current tangible assets	339,729	341,598	352,736
Non-current financial assets	56,147	58,437	10,431
Securities and shares in subsidiary accounting units and in companies with significant influence	56,147	56,147	8,141
Other non-current securities and shares, borrowings to accounting units in the same consolidated unit and other non-current financial assets	0	2,290	2,290
Current assets	29,241	22,158	22,086
Stocks	24	7	7
Non-current receivables	12	16	15
Current receivables	14,272	15,365	14,153
Financial accounts	14,943	6,770	7,911
Deferrals and accruals	4,668	5,521	6,752
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>430,536</b>	<b>428,590</b>	<b>393,151</b>
Shareholder equity	380,094	379,944	349,393
Share Capital	279,439	279,438	279,558
Capital funds	61,996	67,016	36,097
Funds generated from profits	38,509	38,509	36,010
Retained earnings	3,023	-4,898	-4,889
Earnings from the accounting period	150	-122	2,617
Liabilities	30,165	33,398	29,455
Statutory reserves	1,034	824	905
Other non-current and current reserves	1,002	4,933	5,270
Non-current liabilities	5,396	5,583	5,002
Current receivables	19,435	22,058	18,278
Bank loans and aid	3,298	0	0
Non-current bank loans		0	0
Normal bank loans and current financial aid	0	0	0
Deferrals and accruals	17,244	15,248	14,303

## Comprehensive income statement for 2008 – 2010 (thousand €)

<b>Income Statement as at 31. 12.</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Revenue from the sale of goods	0	0	0
Cost of goods sold	0	0	0
Sales margin	0	0	0
Production	79,555	75,186	73,481
Sales of internal products and services	79,311	74,869	73,179
Change in internal company stocks	0	0	0
Capitalization	244	317	302
Production consumption	41,007	38,692	35,905
Added value	38,548	36,494	37,576
Personnel costs	10,417	10,705	10,597
Taxes and fees	1,632	1,560	1,177
Revenue from sale of non-current assets and materials and other revenue from economic activities	1,734	1,388	2,158
Residual price of sold non-current assets and materials and other costs for economic activities	687	227	1,282
Accruals and depreciation and adjustments for non-current intangible assets and non-current tangible assets	26,845	25,220	23,155
Income transferred from economic activities (-)	0	0	0
Costs transferred to economic activities (-)	0	0	0
Earnings from financing activities	701	170	3,523
Income from financing activities	70	121	517
Costs for financing activities	387	284	266
Transferred financing income (-)	0	0	0
Transferred financing expenses (-)	0	0	0
Earnings from financing activities	-317	-163	251
Current income tax from normal activities	104	-11	873
Deferred income tax from normal activities	126	140	284
Earnings from normal activities	154	-122	2,617
Exceptional income	0	0	0
Exceptional costs	4	0	0
Current income tax from exceptional activities	0	0	0
Deferred income tax from exceptional activities	0	0	0
Earnings from exceptional activities	-4	0	0
Earnings from the accounting period	150	-122	2,617

## Summary cash flow statement 2008 – 2010 (thousand €)

MK	ITEM NAME	2010	2009	2008
<b>Z/S</b>	<b>Earnings from normal operations before income taxes (+/-)</b>	<b>380</b>	<b>6</b>	<b>3,775</b>
<b>A.1.</b>	<b>Non-cash operations affecting earnings from normal operations before income taxes (+/-)</b>	<b>23,902</b>	<b>26,872</b>	<b>22,912</b>
A.1.1.	Depreciation of non-current intangible assets and non-current tangible assets (+)	26,485	25,033	23,185
A.1.2.	Residual value of non-current tangible and intangible assets accounted during the removal of such assets to costs of normal activities with the exception of the sale of such an asset (+)	-	-	-
A.1.3.	Depreciation of adjustment for acquired assets (+/-)	-	-	30
A.1.4.	Change in balance of reserves (+/-)	-3,187	-394	-833
A.1.5.	Change in balance of adjustments (+/-)	-2,635	-932	-1,329
A.1.6.	Change to the balance of deferred liabilities and accrued income (+/-)	3,023	3,156	2,890
A.1.7.	Dividends and other shares in profit accounted to income (-)	-	-	-
A.1.8.	Interest accounted to costs (+)	-	-	-
A.1.9.	Interest accounted to income (-)	-51	-42	-512
A.1.10.	Exchange differences (+/-)	-	-	-1
A.1.11.	Balance from sales of non-current assets with the exception of assets considered to be cash equivalents (+/-)	-138	60	-519
A.1.12.	Other non-cash items (+/-)	45	-9	1
<b>A.2.</b>	<b>Impact of changes to the balance of working capital on earnings from normal business activities</b>	<b>1,448</b>	<b>2,657</b>	<b>-4,112</b>
A.2.1.	Change in balance of receivables from operations (-/+)	3,022	-995	-935
A.2.2.	Change in balance of liabilities from operations (+/-)	-1,557	3,652	-3,178
A.2.3.	Change to balance of stocks (-/+)	-17		1
A.2.4.	Change to balance of current financial assets with the exception of assets that are a component of cash and cash equivalents (-/+)	-	-	-
<b>*</b>	<b>Cash flow from operations with the exception of income and costs that are presented separately in other sections of this cash flow overview (+/-) (Sum Z/S+A.1.+A.2.)</b>	<b>25,730</b>	<b>29,535</b>	<b>22,575</b>

MK	ITEM NAME	2010	2009	2008
A.3.	Accepted interest (+)	51	42	514
A.4.	Costs for paid interest (-)	-	-	-
A.5.	Income from dividends and other shares in profit (+)	-	-	-
A.6.	Costs for paid dividends and other shares in profit (-)	-	-	-
A.7.	Costs for accounting unit income tax (-/+)	815	-76	-177
A.8.	Extraordinary income related to operations (+)	-	-	-
A.9.	Extraordinary costs related to operations (-)	-	-	-
<b>A.</b>	<b>Net cash flow from operations</b>	<b>26,596</b>	<b>29,501</b>	<b>22,912</b>
B.1. 1.	Costs for acquiring non-current tangible and intangible assets (-)	-24,214	-29,897	-31,427
B.1.2.	Costs for acquiring non-current securities and stakes in other accounting units with the exception of securities considered to be cash equivalents and securities ready for sale or trading (-)	-	-	-
B.1.3.	Income from the sale of non-current tangible and intangible assets (+)	203	9	692
B.1.4.	Income from the sale of non-current securities and stakes in other accounting units with the exception of securities considered to be cash equivalents and securities ready for sale or trading (+)	-	-	-
B.1.5.	Costs for acquiring non-current securities and stakes in other accounting units	-	-1,123	-
B.2.1.	Costs for non-current borrowings provided to another accounting unit in the same consolidated unit (-)	-	-	-2,290
B.2.2.	Income from the repayment of non-current loans provided to other accounting units in the same consolidated unit (+)	2,290	-	-
B.2.3.	Costs for non-current borrowings provided to third parties with the exception of non-current borrowings provided to an accounting unit in the same consolidated unit (-)	-	-	-
B.2.4.	Income from the repayment of borrowings provided to an accounting unit in the same consolidated unit (+)	-	-	-
B.3.	Income from the rental of tangible and intangible assets used and depreciated by the tenant (+)	-	-	-
B.4.	Accepted interest (+)	-	-	-
B.5.	Income from dividends and other shares in profit (+)	-	-	-
B.6.1.	Costs related to derivatives with the exception if these are intended for sale or trading (-)	-	-	-

MK	ITEM NAME	2010	2009	2008
B.6.2.	Income related to derivatives with the exception of those intended for sale or trading (-)	-	-	-
B.7.	Costs for accounting unit income tax (-)	-	-	-
B.8.1.	Extraordinary income related to investment activities (+)	-	-	-
B.8.2.	Extraordinary costs related to investment activities (-)	-	-	-
B.9.1.	Other income related to investment activities (+)	-	-	-
B.9.2.	Other costs related to investment activities (-)	-	-	-
<b>B.</b>	<b>Net cash flow from investment activities</b>	<b>-21,721</b>	<b>-31,011</b>	<b>-33,025</b>
<b>C.1.</b>	<b>Cash flow in equity</b>	<b>0</b>	<b>-86</b>	<b>-195</b>
C.1. 1.	Income from subscribed shares and commercial stakes (+)	-	-119	-
C.1.2.	Income from other deposits into equity by partners (+)	-	33	1 105
C.1.3.	Accepted financial gifts (+)	-	-	-
C.1.4.	Income from losses paid by partners (+)	-	-	-
C.1.5.	Costs for acquiring or re-purchasing company shares or commercial stakes (-)	-	-	-430
C.1.6.	Costs connected to decreasing funds created by the accounting unit (-)	-	-	-
C.1.7.	Costs for payment of share in equity by partners in accounting unit (-)	-	-	-
C.1.8.	Expanses from other reasons connected with a decrease in equity (-)	-	-	-870
<b>C.2.</b>	<b>Costs connected to decreasing funds created by the accounting unit (-)</b>	<b>3,298</b>	<b>455</b>	<b>0</b>
C.2.1.	Income from issued debt securities (+)	-	-	-
C.2.2.	Costs for liabilities from debt securities (-)	-	-	-
C.2.3.	Income from loans (+)	3,298	-	-
C.2.4.	Costs for repaying loans (-)	-	-	-

MK	ITEM NAME	2010	2009	2008
C.2.5.	Income from received borrowings (+)	-	-	-
C.2.6.	Costs for repaying borrowings (-)	-	-	-
C.2.7.	Costs for paying liabilities from financial leasing (-)	-	-	-
C.2.8.	Costs for the payment of liabilities from rental of tangible and intangible assets used and depreciated by tenant (-)	-	-	-
C.2.9.	Income from other long-term receivables and current receivables from accounting unit financing activities (+)	-	455	-
C.2.10.	Costs for repaying other long-term receivables and current receivables from accounting unit financing activities (-)	-259	-	-
<b>C.3.</b>	<b>Cash flows from other financing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
C.3.1.	Costs for paid interest (-)	-	-	-
C.3.2.	Costs for paid dividends and other shares in profit (-)	-	-	-
C.3.3.	Costs related to derivatives with the exception of those intended for sale or trading (-)	-	-	-
C.3.4.	Income related to derivatives with the exception of those intended for sale or trading (+)	-	-	-
C.3.5.	Costs for accounting unit income tax (-)	-	-	-
C.3.6.	Extraordinary income related to financing activities (+)	-	-	-
C.3.7.	Extraordinary costs related to financing activities (-)	-	-	-
<b>C.</b>	<b>Net cash flow from financing activities</b>	<b>3 298</b>	<b>369</b>	<b>-195</b>
<b>D.</b>	<b>Net increase or decrease in cash and cash equivalents (+/-) (sum of A+B+C)</b>	<b>8,173</b>	<b>-1,141</b>	<b>-10,308</b>
<b>E.</b>	<b>Balance of cash and cash equivalents at the start of the accounting period</b>	<b>6,770</b>	<b>7,911</b>	<b>18,219</b>
<b>F.</b>	<b>Exchange rate differences in cash and cash equivalents as of the date to which the financial statements are issued (+/-)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>G.</b>	<b>Balance of cash and cash equivalents at the end of the accounting period (sum of D+E+F)</b>	<b>14,943</b>	<b>6,770</b>	<b>7,911</b>

## Overview of movement in fixed assets 2008 – 2010 (thousand €)

	ACQUISITION PRICE/INTERNAL COSTS				31. 12. 2010
	31. 12. 2009	Additions	disposals	Transfers	
Capitalised development costs	0	0	0	0	0
Software	1,767	28	9	0	1,786
Valuable rights	16	99	0	0	115
Goodwill	0	0	0	0	0
Other non-current intangible assets	2,495	98	0	0	2,593
Acquired non-current intangible assets	41	323	225	0	139
Deposits provided for non-current intangible assets	0	0	0	0	0
<b>Total non-current intangible assets</b>	<b>4,319</b>	<b>548</b>	<b>234</b>	<b>0</b>	<b>4,633</b>
Land	75,209	287	21	0	75,475
Structures	441,225	14,642	194	0	455,673
Separate tangible items and sets of tangible items	54,571	7,250	1,272	0	60,549
Other non-current tangible assets	124	5	17	0	112
Acquired non-current tangible assets	31,515	24,609	23,475	0	32,649
Deposits provided for non-current tangible assets	0	0	0	0	0
<b>Total non-current tangible assets</b>	<b>602,644</b>	<b>46,793</b>	<b>24,979</b>	<b>0</b>	<b>624,458</b>
Securities and stakes in controlled entities	56,147	0	0	0	56,147
Securities and stakes in companies with a controlling interest	0	0	0	0	0
Other non-current securities and shares	0	0	0	0	0
Borrowings to accounting units in the consolidated unit	2,290	0	2,290	0	0
<b>Total non-current financial assets</b>	<b>58,437</b>	<b>0</b>	<b>2,290</b>	<b>0</b>	<b>56,147</b>
<b>Total fixed assets</b>	<b>665,400</b>	<b>47,341</b>	<b>27,503</b>	<b>0</b>	<b>685,238</b>

ADJUSTMENTS					RESIDUAL PRICE	
31. 12. 2009	Additions	Disposals	Transfers	31. 12. 2010	31. 12. 2009	31. 12. 2010
0	0	0	0	0	0	0
1,735	31	9	0	1,757	32	29
2	9	0	0	11	14	104
0	0	0	0	0	0	0
1,706	418	0	0	2,124	789	469
0	0	0	0	0	41	139
0	0	0	0	0	0	0
<b>3,443</b>	<b>458</b>	<b>9</b>	<b>0</b>	<b>3,892</b>	<b>876</b>	<b>741</b>
0	0	0	0	0	75,209	75,475
220,272	20,280	268	0	240,284	220,953	215,389
38,616	5,580	1,266	0	42,930	15,955	17,619
76	19	17	0	78	48	34
2,082	721	1,366	0	1 437	29,433	31,212
0	0	0	0	0	0	0
<b>261,046</b>	<b>26,600</b>	<b>2,917</b>	<b>0</b>	<b>284,729</b>	<b>341,598</b>	<b>339,729</b>
0	0	0	0	0	56,147	56,147
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	2,290	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58,437</b>	<b>56,147</b>
<b>264,489</b>	<b>27,058</b>	<b>2,926</b>	<b>0</b>	<b>288,621</b>	<b>400,911</b>	<b>396,617</b>



	ACQUISITION PRICE/INTERNAL COSTS				
	31. 12. 2008	Additions	Disposals	Transfers	31. 12. 2009
Capitalised development costs	0	0	0	0	0
Software	1,845	0	78	0	1,767
Valuable rights	14	2	0	0	16
Goodwill	0	0	0	0	0
Other non-current intangible assets	2,317	178	0	0	2,495
Acquired non-current intangible assets	5	216	180	0	41
Deposits provided for non-current intangible assets	0	0	0	0	0
<b>Total non-current intangible assets</b>	<b>4,181</b>	<b>396</b>	<b>258</b>	<b>0</b>	<b>4,319</b>
Land	82,521	52	7,364	0	75,209
Structures	420,431	33,538	12,744	0	441,225
Separate tangible items and sets of tangible items	57,359	7,537	10,325	0	54,571
Other non-current tangible assets	140	0	16	0	124
Acquired non-current tangible assets	42,902	29,740	41,127	0	31,515
Deposits provided for non-current tangible assets	0	0	0	0	0
<b>Total non-current tangible assets</b>	<b>603,353</b>	<b>70,867</b>	<b>71,576</b>	<b>0</b>	<b>602,644</b>
Securities and stakes in controlled entities	8,141	48,006	0	0	56,147
Securities and stakes in companies with a controlling interest	0	0	0	0	0
Other non-current securities and shares	0	0	0	0	0
Borrowings to accounting units in the consolidated unit	2,290	0	0	0	2,290
<b>Total non-current financial assets</b>	<b>10,431</b>	<b>48,006</b>	<b>0</b>	<b>0</b>	<b>58,437</b>
<b>Total fixed assets</b>	<b>617,965</b>	<b>119,269</b>	<b>71,834</b>	<b>0</b>	<b>665,400</b>

ADJUSTMENTS					RESIDUAL PRICE	
31. 12. 2008	Additions	Disposals	Transfers	31. 12. 2009	31. 12. 2008	31. 12. 2009
0	0	0	0	0	0	0
1,771	42	78	0	1,735	74	32
1	1	0	0	2	13	14
0	0	0	0	0	0	0
1,263	443	0	0	1,706	1,054	789
0	0	0	0	0	5	41
0	0	0	0	0	0	0
<b>3,035</b>	<b>486</b>	<b>78</b>	<b>0</b>	<b>3,443</b>	<b>1,146</b>	<b>876</b>
0	0	0	0	0	82,521	75,209
206,472	19,692	5,892	0	220,272	213,959	220,953
42,455	4,789	8,628	0	38,616	14,904	15,955
71	21	16	0	76	69	48
1,619	463	0	0	2,082	41,283	29,433
0	0	0	0	0	0	0
<b>250,617</b>	<b>24,965</b>	<b>14,536</b>	<b>0</b>	<b>261,046</b>	<b>352,736</b>	<b>341,598</b>
0	0	0	0	0	8,141	56,147
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	2,290	2,290
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,431</b>	<b>58,437</b>
<b>253,652</b>	<b>25,451</b>	<b>14,614</b>	<b>0</b>	<b>264,489</b>	<b>364,313</b>	<b>400,911</b>

## Overview of equity changes 2008 – 2010

	31. 12. 2008	Additions	Disposals	31. 12. 2009	Additions	Disposals	31. 12. 2010
Share Capital	281,399	-33	0	281,366	0	0	281,366
Internally held shares	-1,841	-86	0	-1,927	0	0	-1,927
Changes to share capital	0	0	0	0	0	0	0
<b>Share Capital</b>	<b>279,558</b>	<b>-119</b>	<b>0</b>	<b>279,439</b>	<b>0</b>	<b>0</b>	<b>279,439</b>
Share premium fund	0	0	0	0	0	0	0
Other capital funds	2,309	51	0	2,360	0	0	2,360
Legal reserve fund from capital deposits	30,464	33	0	30,497	0	5,020	25,477
Differences from revaluation of assets and liabilities	3,324	30,835	0	34,159	0	0	34,159
<b>Capital funds</b>	<b>36,097</b>	<b>30,919</b>	<b>0</b>	<b>67,016</b>	<b>0</b>	<b>5,020</b>	<b>61,996</b>
Legal reserve fund	3,713	262	0	3,975	1,927	0	5,902
Indivisible fund	0	0	0	0	0	0	0
Statutory funds and other funds	32,297	2,237	0	34,534	0	1,927	32,607
<b>Funds generated from profits</b>	<b>36,010</b>	<b>2,499</b>	<b>0</b>	<b>38,509</b>	<b>1,927</b>	<b>1,927</b>	<b>38,509</b>
Retained earnings from previous years	-1,975	-9	0	-1,984	5,007	0	3,023
Unpaid losses from previous years	-2,914	0	0	-2,914	2,914	0	0
<b>Earnings from previous years</b>	<b>-4,889</b>	<b>-9</b>	<b>0</b>	<b>-4,898</b>	<b>7,921</b>	<b>0</b>	<b>3,023</b>
<b>Earnings for the current accounting period</b>	<b>2,617</b>	<b>-122</b>	<b>2 617</b>	<b>-122</b>	<b>150</b>	<b>-122</b>	<b>150</b>
<b>Total</b>	<b>349,393</b>	<b>33,168</b>	<b>2 617</b>	<b>379,944</b>	<b>9,998</b>	<b>6,825</b>	<b>383,117</b>

## Overview of movements in shares 2008 – 2010

		As to 31. 12. 2008			
No.	SHAREHOLDER	Additions	Disposals	No. of shares	%
1	Bratislavská vodárenská spoločnosť. a. s.	228,463		668,805	7.89
2	National Property Fund		4,741	5,887	0.07
3	Capital City of the Slovak Republic. Bratislava			5,026,138	59.29
4	City of Brezová pod Bradlom			0	0.00
5	City of Gbely			58,728	0.69
6	City of Holíč			131,612	1.55
7	City of Malacky			205,126	2.42
8	City of Modra			96,030	1.13
9	City of Myjava			0	0.00
10	City of Pezinok			245,495	2.90
11	City of Senec			169,240	2.00
12	City of Senica			238,181	2.81
13	City of Skalica			171,128	2.02
14	City of Stará Turá. district of Černochovej Vrch		1,944	0	0.00
15	City of Stupava			88,648	1.05
16	City of Svätý Jur			50,211	0.59
17	City of Šaštín - Stráže		55,672	0	0.00
18	Town of Báhoň			0	0.00
19	Town of Bernolákovo			50,638	0.60
20	Town of Bilkove Humence			2,573	0.03
21	Town of Blatné			15,494	0.18
22	Town of Boldog			4,427	0.05
23	Town of Borinka	4,741		4,741	0.06
24	Town of Borský Mikuláš		42,695	0	0.00
25	Town of Borský Svätý Jur			17,685	0.21
26	Town of Brestovec			11,168	0.13
27	Town of Budmerice			21,920	0.26
28	Town of Bukovec			5,078	0.06
29	Town of Cerová			14,449	0.17
30	Town of Čáry		13,966	0	0.00
31	Town of Častá			22,617	0.27
32	Town of Častkov			6,472	0.08
33	Town of Čataj			10,910	0.13
34	Town of Dojč			13,314	0.16
35	Town of Dolný			11,808	0.14
36	Town of Dubová			9,393	0.11
37	Town of Dubovce			7,505	0.09
38	Town of Dunajská Lužná			32,493	0.38
39	Town of Gajary			29,471	0.35
40	Town of Hamuliakovo			9,764	0.12

As to 31. 12. 2009				As to 31. 12. 2010			
Additions	Disposals	No. of shares	%	Additions	Disposals	No. of shares	%
45,966		714,771	8.43			714,771	8.43
	5,887	0	0.00			0	0.00
		5,026,138	59.29			5,026,138	59.29
		0	0.00			0	0.00
		58,728	0.69		58,728	0	0.00
		131,612	1.55			131,612	1.55
5,887		211,013	2.49			211,013	2.49
		96,030	1.13			96,030	1.13
		0	0.00			0	0.00
		245,495	2.90			245,495	2.90
		169,240	2.00			169,240	2.00
		238,181	2.81			238,181	2.81
		171,128	2.02	99,950		271,078	3.20
		0	0.00			0	0.00
		88,648	1.05			88,648	1.05
		50,211	0.59			50,211	0.59
		0	0.00			0	0.00
		0	0.00			0	0.00
		50,638	0.60			50,638	0.60
		2,573	0.03			2,573	0.03
		15,494	0.18			15,494	0.18
		4,427	0.05			4,427	0.05
		4,741	0.06			4,741	0.06
		0	0.00			0	0.00
		17,685	0.21			17,685	0.21
		11,168	0.13			11,168	0.13
		21,920	0.26			21,920	0.26
		5,078	0.06			5,078	0.06
		14,449	0.17			14,449	0.17
		0	0.00			0	0.00
		22,617	0.27			22,617	0.27
		6,472	0.08			6,472	0.08
		10,910	0.13			10,910	0.13
		13,314	0.16			13,314	0.16
		11,808	0.14			11,808	0.14
		9,393	0.11			9,393	0.11
		7,505	0.09			7,505	0.09
		32,493	0.38			32,493	0.38
		29,471	0.35			29,471	0.35
		9,764	0.12			9,764	0.12

As to 31. 12. 2008

No.	SHAREHOLDER	Additions	Disposals	No. of shares	%
41	Town of Hlboké		9,640	0	0.00
42	Town of Hradište pod Vrátnom			0	0.00
43	Town of Hrašné			5,349	0.06
44	Town of Hrubá Borša			3,910	0.05
45	Town of Hrubý Šúr			7,067	0.08
46	Town of Hurbanova Ves			2,562	0.03
47	Town of Chorvátsky Grob			17,213	0.20
48	Town of Chropov			4,078	0.05
49	Town of Chvojnica		4,786	0	0.00
50	Town of Igram			6,180	0.07
51	Town of Ivanka pri Dunaji			52,436	0.62
52	Town of Jablonec			9,247	0.11
53	Town of Jablonica			25,538	0.30
54	Town of Jablonka			6,101	0.07
55	Town of Jablonové			11,786	0.14
56	Town of Jakubov			15,134	0.18
57	Town of Kalinkovo			9,663	0.11
58	Town of Kaplná			7,539	0.09
59	Town of Kátov			6,595	0.08
60	Town of Kopčany			28,167	0.33
61	Town of Kostolište			10,325	0.12
62	Town of Kostolná pri Dunaji			5,180	0.06
63	Town of Kostolné			7,685	0.09
64	Town of Koválov			0	0.00
65	Town of Koválovec			0	0.00
66	Town of Krajné			19,381	0.23
67	Town of Kráľová pri Senci			15,527	0.18
68	Town of Kuchyňa			0	0.00
69	Town of Kuklov		8,224	0	0.00
70	Town of Kúty			0	0.00
71	Town of Láb			15,336	0.18
72	Town of Lakšárska Nová Ves			11,438	0.13
73	Town of Letniče			5,899	0.07
74	Town of Limbach			12,022	0.14
75	Town of Lopašov			3,191	0.04
76	Town of Lozorno			29,774	0.35
77	Town of Malé Leváre			11,505	0.14
78	Town of Malinovo			14,303	0.17
79	Town of Marianka			10,662	0.13
80	Town of Miloslavov			9,663	0.11
81	Town of Mokrá Háj			6,584	0.08

As to 31. 12. 2009				As to 31. 12. 2010			
Additions	Disposals	No. of shares	%	Additions	Disposals	No. of shares	%
		0	0.00			0	0.00
		0	0.00			0	0.00
		5,349	0.06			5,349	0.06
		3,910	0.05			3,910	0.05
		7,067	0.08			7,067	0.08
		2,562	0.03			2,562	0.03
		17,213	0.20			17,213	0.20
		4,078	0.05		4,078	0	0.00
		0	0.00			0	0.00
		6,180	0.07			6,180	0.07
		52,436	0.62			52,436	0.62
		9,247	0.11			9,247	0.11
		25,538	0.30			25,538	0.30
		6,101	0.07			6,101	0.07
		11,786	0.14			11,786	0.14
		15,134	0.18			15,134	0.18
		9,663	0.11			9,663	0.11
		7,539	0.09			7,539	0.09
		6,595	0.08			6,595	0.08
		28,167	0.33			28,167	0.33
		10,325	0.12			10,325	0.12
		5,180	0.06			5,180	0.06
		7,685	0.09			7,685	0.09
		0	0.00			0	0.00
		0	0.00			0	0.00
		19,381	0.23			19,381	0.23
		15,527	0.18			15,527	0.18
		0	0.00			0	0.00
		0	0.00			0	0.00
		0	0.00			0	0.00
		15,336	0.18			15,336	0.18
	11,438	0	0.00			0	0.00
	5,899	0	0.00			0	0.00
		12,022	0.14			12,022	0.14
	3,191	0	0.00			0	0.00
		29,774	0.35			29,774	0.35
		11,505	0.14			11,505	0.14
		14,303	0.17			14,303	0.17
		10,662	0.13			10,662	0.13
		9,663	0.11			9,663	0.11
		6,584	0.08			6,584	0.08

As to 31. 12. 2008

No.	SHAREHOLDER	Additions	Disposals	No. of shares	%
82	Town of Moravský Svätý Ján		22,640	0	0.00
83	Town of Most pri Bratislave			17,190	0.20
84	Town of Nová Dedinka			18,482	0.22
85	Town of Oreské			3,753	0.04
86	Town of Osuské			0	0.00
87	Town of Pernek			8,539	0.10
88	Town of Píla			2,764	0.03
89	Town of Plavecké Podhradie			7,517	0.09
90	Town of Plavecký Mikuláš			8,112	0.10
91	Town of Plavecký Peter			7,202	0.08
92	Town of Plavecký Štvrtok			22,055	0.26
93	Town of Podbranč			7,528	0.09
94	Town of Podkylava			3,180	0.04
95	Town of Popudinské Močidlňany			9,505	0.11
96	Town of Poriadie			8,033	0.09
97	Town of Prietrž			0	0.00
98	Town of Prietržka			4,798	0.06
99	Town of Prievaly			9,797	0.12
100	Town of Radimov			6,640	0.08
101	Town of Radošovce			20,527	0.24
102	Town of Reca			13,943	0.16
103	Town of Rohožník			470	0.01
104	Town of Rohov			4,303	0.05
105	Town of Rovensko		4,247	0	0.00
106	Town of Rovinka			13,853	0.16
107	Town of Rudník			0	0.00
108	Town of Rybky		4,618	0	0.00
109	Town of Sekule			17,819	0.21
110	Town of Slovenský Grob			19,853	0.23
111	Town of Smolinské		10,640	0	0.00
112	Town of Smrdáky			7,292	0.09
113	Town of Sobotište		17,505	0	0.00
114	Town of Sološnica			16,595	0.20
115	Town of Stará Myjava			7,820	0.09
116	Town of Studienka			17,741	0.21
117	Town of Suchohrad			6,483	0.08
118	Town of Šajdíkove Humence			12,471	0.15
119	Town of Šenkvice			46,234	0.55
120	Town of Štefanov		18,752	0	0.00
121	Town of Štefanová			3,854	0.05
122	Town of Tomášov			22,640	0.27



As to 31. 12. 2009				As to 31. 12. 2010			
Additions	Disposals	No. of shares	%	Additions	Disposals	No. of shares	%
		0	0.00			0	0.00
		17,190	0.20			17,190	0.20
		18,482	0.22			18,482	0.22
	3,753	0	0.00			0	0.00
		0	0.00			0	0.00
		8,539	0.10			8,539	0.10
		2,764	0.03			2,764	0.03
	7,517	0	0.00			0	0.00
		8,112	0.10			8,112	0.10
		7,202	0.08			7,202	0.08
		22,055	0.26			22,055	0.26
	7,528	0	0.00			0	0.00
		3,180	0.04			3,180	0.04
		9,505	0.11		9,505	0	0.00
		8,033	0.09			8,033	0.09
		0	0.00			0	0.00
		4,798	0.06			4,798	0.06
		9,797	0.12			9,797	0.12
	6,640	0	0.00			0	0.00
		20,527	0.24		20,527	0	0.00
		13,943	0.16			13,943	0.16
		470	0.01			470	0.01
		4,303	0.05			4,303	0.05
		0	0.00			0	0.00
		13,853	0.16			13,853	0.16
		0	0.00			0	0.00
		0	0.00			0	0.00
		17,819	0.21			17,819	0.21
		19,853	0.23			19,853	0.23
		0	0.00			0	0.00
		7,292	0.09			7,292	0.09
		0	0.00			0	0.00
		16,595	0.20			16,595	0.20
		7,820	0.09			7,820	0.09
		17,741	0.21			17,741	0.21
		6,483	0.08			6,483	0.08
		12,471	0.15			12,471	0.15
		46,234	0.55			46,234	0.55
		0	0.00			0	0.00
		3,854	0.05			3,854	0.05
		22,640	0.27			22,640	0.27

		As to 31. 12. 2008			
No.	SHAREHOLDER	Additions	Disposals	No. of shares	%
123	Town of Trnovec			3,427	0.04
124	Town of Tureň			9,314	0.11
125	Town of Unín		13,134	0	0.00
126	Town of Veľké Leváre			38,167	0.45
127	Town of Veľký Biel			23,302	0.27
128	Town of Viničné			16,359	0.19
129	Town of Vinosady			10,146	0.12
130	Town of Vištuk			14,696	0.17
131	Town of Vlky			4,191	0.05
132	Town of Vrádište			7,112	0.08
133	Town of Vrbovce			0	0.00
134	Town of Vysoká Pri Morave			20,527	0.24
135	Town of Záhorská Ves			17,348	0.20
136	Town of Zálesie			8,359	0.10
137	Town of Závod			28,909	0.34
138	Town of Zohor			34,392	0.41
Total				8,477,431	100.00

As to 31. 12. 2009				As to 31. 12. 2010			
Additions	Disposals	No. of shares	%	Additions	Disposals	No. of shares	%
		3,427	0.04			3,427	0.04
		9,314	0.11			9,314	0.11
		0	0.00			0	0.00
		38,167	0.45			38,167	0.45
		23,302	0.27			23,302	0.27
		16,359	0.19			16,359	0.19
		10,146	0.12			10,146	0.12
		14,696	0.17			14,696	0.17
		4,191	0.05			4,191	0.05
		7,112	0.08		7 112	0	0.00
		0	0.00			0	0.00
		20,527	0.24			20,527	0.24
		17,348	0.20			17,348	0.20
		8,359	0.10			8,359	0.10
		28,909	0.34			28,909	0.34
		34,392	0.41			34,392	0.41
		<b>8,477,431</b>	<b>100.00</b>	<b>99,950</b>	<b>99,950</b>	<b>8,477,431</b>	<b>100.00</b>

# Independent Auditor's Report



## SPRÁVA NEZÁVISLÉHO AUDÍTORA

Akcionárom, dozornej rade a predstavenstvu spoločnosti Bratislavská vodárenská spoločnosť, a.s.:

Uskutočnili sme audit priloženej účtovnej závierky spoločnosti Bratislavská vodárenská spoločnosť, a.s. (ďalej „Spoločnosť“), ktorá pozostáva zo súvahy k 31. decembru 2010, súhrnného výkazu ziskov a strát, zmien vo vlastnom imaní a peňažných tokov za rok, ktorý sa k uvedenému dátumu skončil a súhrnu významných účtovných postupov a ďalších vysvetľujúcich informácií.

### Zodpovednosť štatutárneho orgánu za účtovnú závierku

Štatutárny orgán je zodpovedný za zostavenie účtovnej závierky a jej objektívnu prezentáciu v súlade s Medzinárodnými štandardmi pre finančné výkazníctvo platnými v Európskej únii a za interné kontroly, ktoré štatutárny orgán považuje za potrebné pre zostavenie účtovnej závierky, ktorá neobsahuje významné nesprávnosti, či už v dôsledku podvodu alebo chyby.

### Zodpovednosť audítora

Nášou zodpovednosťou je vyjadriť názor na túto účtovnú závierku, ktorý vychádza z výsledkov nášho auditu. Audit sme uskutočnili v súlade s Medzinárodnými auditorskými štandardmi. Podľa týchto štandardov máme dodržiavať etické požiadavky, naplánovať a vykonať audit tak, aby sme získali primerané uistenie, že účtovná závierka neobsahuje významné nesprávnosti.

Súčasnou auditu je uskutočnenie postupov na získanie auditorských dôkazov o sumách a údajoch vykázaných v účtovnej závierke. Zvolené postupy závisia od rozhodnutia audítora, vrátane posúdenia rizika významných nesprávností v účtovnej závierke, či už v dôsledku podvodu alebo chyby. Pri posudzovaní tohto rizika audítor berie do úvahy internú kontrolu relevantnú pre zostavenie a objektívnu prezentáciu účtovnej závierky, aby mohol navrhnúť auditorské postupy vhodné za daných okolností, nie však za účelom vyjadrenia názoru na účinnosť internej kontroly účtovnej jednotky. Audit ďalej obsahuje zhodnotenie vhodnosti použitých účtovných zásad a účtovných metód a primeranosti významných účtovných odhadov uskutočnených štatutárnym orgánom, ako aj zhodnotenie prezentácie účtovnej závierky ako celku.

Sme presvedčení, že auditorské dôkazy, ktoré sme získali, sú dostatočným a vhodným východiskom pre náš podmienený názor.

### Východisko pre podmienený názor

Tak ako je uvedené v poznámke F1 k účtovnej závierke, existuje významná neistota ohľadne potreby a výšky opravnej položky k neobežnému majetku v zostatkovej cene 359 miliónov EUR. Tento majetok predstavuje 88% všetkých aktív spoločnosti.

Tak ako je uvedené v poznámke 4, vedenie Spoločnosti vyhodnotilo budúce ekonomické úžitky plynúce z neobežného majetku Spoločnosti a odhadlo, že existuje negatívny rozdiel medzi súčasnou hodnotou budúcich ekonomických úžitkov a účtovnou hodnotou tohto majetku v rozsahu 98 – 248 miliónov EUR, pri rôznych scenároch vývoja podnikania Spoločnosti a jej dcérskych spoločností a regulačného rámca. Ž titulu vysokej neistoty najmä ohľadom budúceho vývoja, ktorá je inherentná vo výpočte, sa vedenie Spoločnosti rozhodlo o tejto položke neúčtovať v účtovnej závierke.

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VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK202070021.  
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod číslo 6. 16611/B, oddiel: Sro.  
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.



Tak ako je ďalej uvedené v poznámke 2.10 k účtovnej závierke, Spoločnosť stanovila odpisový plán dlhodobého hmotného majetku na základe regulačného rámca Úradu pre reguláciu sieťových odvetví. Podľa nášho názoru by sa dlhodobý hmotný majetok mal odpisovať s ohľadom na opotrebovanie zodpovedajúce bežným podmienkam jeho používania, a nie podľa doby stanovenej pre účely cenovej regulácie. Nepodarilo sa nám získať dostatočné a vhodné auditorské dôkazy o zostatkovej technickej dobe životnosti dlhodobého hmotného majetku.

Vzhľadom na uvedené skutočnosti sme nemohli s dostatočnou presnosťou vyčísliť prípadnú úpravu výšky odpisov a opravných položiek k uvedenému neobežnému majetku.

#### Podmieneny názor

Podľa nášho názoru, okrem vplyvu skutočností uvedených v predchádzajúcich odsekoch, vyjadruje účtovná závierka objektívne vo všetkých významných súvislostiach finančnú situáciu spoločnosti Bratislavská vodárenská spoločnosť k 31. decembru 2010 a výsledok jej hospodárenia a peňažné toky za rok, ktorý sa k uvedenému dátumu skončil, v súlade s Medzinárodnými štandardmi pre finančné výkazníctvo platnými v Európskej únii.

  
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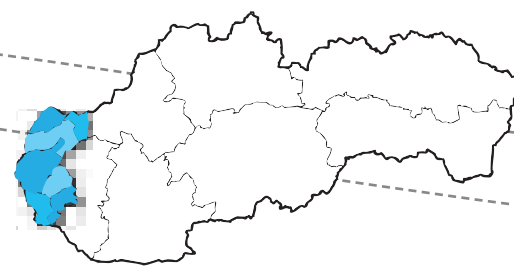
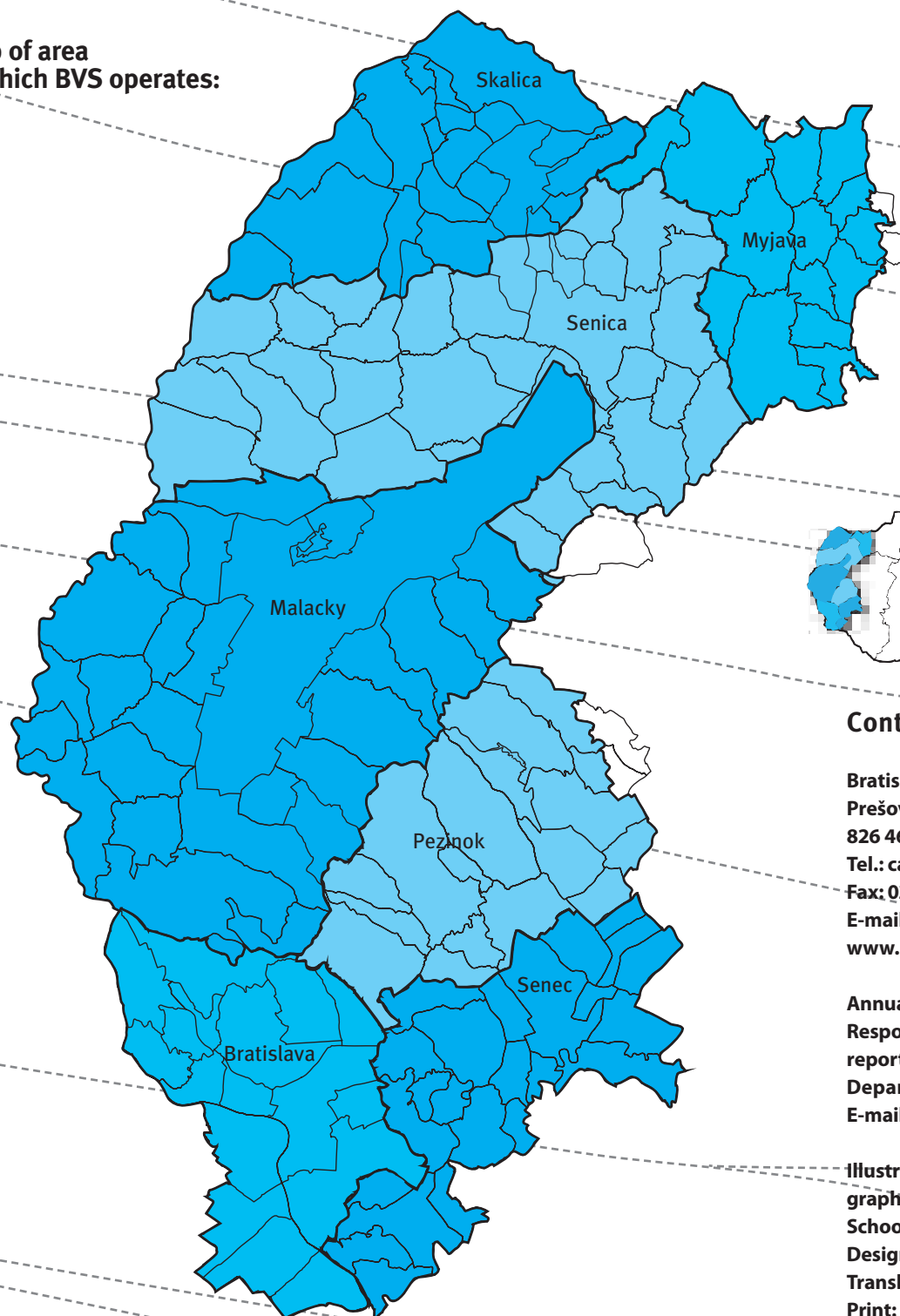
  
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v Bratislave, 2. júna 2011

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**Map of area  
in which BVS operates:**



## **Contact**

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