

A decorative graphic on the left side of the page consisting of a grid of circles in various shades of orange and red, with one circle being a darker red.

Annual Report **2007**

Podtatranská vodárenská prevádzková spoločnosť, a.s.



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Basic data

Business Name:	Podtatranská vodárenská prevádzková spoločnosť, a.s.
Registered Office:	Hraničná 662/17, Poprad, postal code 058 89
Date of Foundation:	21 December 2004
Legal Format:	Public Limited Company
Company No. (IČO):	36 500 968
VAT No. (DIČ):	SK 2021918459
Registered Capital:	1,000,000 SKK
Incorporated in:	the Companies Register administered by the Regional Court in Prešov, Section Sa, File no. 10301/P
Date of Incorporation:	21 December 2004
Turnover in 2007	596,724,000 SKK
EBIT	10,398,000 SKK
Profit/loss	7,039,000 SKK
EBIT/turnover ratio	10,704/596,724 = 1.74

Company activities, in particular:

- operation of public water distribution systems - Category I.;
- operation of public sewerage systems - Category I.;
- locksmithery;
- intermediation in trading and services within the extent of free trade;
- wholesale and retail trading within the extent of free trade;
- bricklaying, carpentry, plumbing, water installation/plumbing, heating installation/ plumbing;
- road cargo transport;
- development projects and modifications of development projects;
- construction supervision, engineering projects - water management, construction of pipelines and other line development projects;
- gas installation/plumbing;
- leasing of real estates and moveable assets;
- laboratory analyses of water, with the exception of official measuring;
- assembly, repair, maintenance, specialised reviews and professional testing of electrical equipment;
- management of hazardous waste and other waste

The Company aims at maintaining its activities within the entire scope as reported above, and at ensuring the maximum connection of the population to water distribution and sewerage systems.

Podtatranská vodárenská prevádzková spoločnosť, a.s. ensures the following tasks in the region where it is active

- concepts of development and supplies of drinking water, sewerage and waste water cleansing;
- production and supplies of drinking water for the population, industrial plants, and farmers;
- sluicing of waste water in towns and communities and waste water cleansing;
- identification of new water sources;
- protection of water sources;
- laboratory analyses – chemical, microbiological and biological analyses of water.

Editorial

Ladies and gentlemen,

The year 2007 meant the continuation of the organisational changes started by the arrival of the strategic partner, introduction of new procedures and process innovations, and new approach to customers for our company.

Podtatranská vodárenská prevádzková spoločnosť has become a proper member of VEOLIA VODA and, with the help of its shareholder, continued delivering on its contractual obligations towards its partners, Podtatranská vodárenská spoločnosť and its shareholders, the municipalities of the Poprad, Kežmarok, Spišská Nová Ves, Levoča, Gelnica and Stará Ľubovňa districts.

The customer is at the centre of our attention, so the most attention was paid to introducing VEOLIA's customer standards with the aim of improving the services for the end customer. Research of customer satisfaction was carried out and evaluated and its results are an inspiration for our everyday work.

Steps were taken towards further improvement of the work of the customer centres; a call centre was set up to facilitate communication with our customers in addressing failures and complaints and informing our customers. Thanks to the efforts of all employees of the company, their flexibility and abilities, PVPS,a.s. was able to pass successfully through the process of certification of the quality management system pursuant to the international standard STN EN ISO 9001:2001. The quality certificate represents an acknowledgement of the good quality of the products and services rendered by our Company. We can say that PVPS has become a customer-oriented company.

The focus of attention of our Company will further concentrate on customers and employees. We also organise other events for our inhabitants within our environmental protection projects. A pedagogical aid in the form of the "Water Attaché Case", which lets children apply their practical experiences in creating a positive approach to the issue of protection of water resources, has been

distributed to further schools. An international contest entitled "Mask for the Planet Earth", held under the auspices of VEOLIA ENVIRONNEMENT for pupils in the districts where we do business, has met with positive acclaim.

Effective cooperation has been continuing between PVPS and the proprietary company PVS, a.s. and its shareholders from among the mayors of towns and communities in the defining and implementation of capital investment projects in the improvement of the existing infrastructure.

The results we have currently achieved confirm that the strategy we selected was the correct one, so we can express our satisfaction and at the same time thank all members of the Company, its Board of Directors, its Supervisory Board, and the representatives of the proprietary company, for their outstanding cooperation.

I believe that the results presented in the Annual Report confirm the fact that this is a stable and reliable Company, which – therefore – deserves the credit extended to this Company by you, its customers, and all of our partners.



RNDr. Tomáš Paclík
Chairman of the Board of Directors

A stylized, handwritten signature in black ink, appearing to read 'Paclík'.



Company Profile



Organizational structure in 31.12.2007

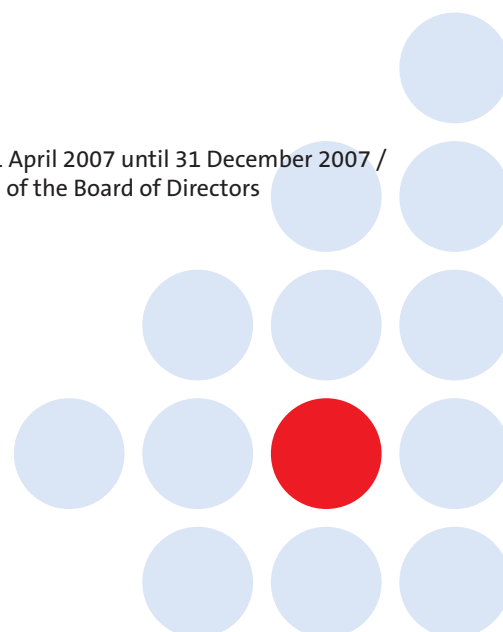
Corporate bodies of the public limited company

Board of Directors /Term of office from 1 January 2007 until 31 March 2007/

RNDr. Tomáš Paclík	Chairman of the Board of Directors
Philippe Guitard	Director
Pierre Brunet	Director
Martin Bernard	Director
Ing. Mikuláš Koval'	Director

Board of Directors /Term of office from 1 April 2007 until 31 December 2007 /

RNDr. Tomáš Paclík	Chairman of the Board of Directors
Philippe Guitard	Director
Pierre Brunet	Director
Martin Bernard	Director
Ing. Róbert Tencer	Director



Supervisory Board

JUDr. Štefan Bieľak
Zuzana Nebusová
Jozef Kaleta
Etienne Petit
Tomáš Haltuf
Rudolf Kušnir
Monika Kurillová

Ing. Jana Sedláková

Pavol Kokoruďa

Chairman of the Supervisory Board
Member of the Supervisory Board
Member of the Supervisory Board
Member of the Supervisory Board
Member of the Supervisory Board
Member of the Supervisory Board
Member of the Supervisory Board elected by the Company employees commencing on 8 December 2005
Member of the Supervisory Board elected by the Company employees commencing on 24 March 2006
Member of the Supervisory Board elected by the Company employees commencing on 29 August 2006

Executive Management of the Company

Ing. Róbert Tencer
Ing. Mikuláš Koval'
Ing. Eva Sýkorová
Ing. Patrik Tkáč, PhD., ACCA
Ing. Peter Kovalčík
Ing. Eva Janotová
Ing. Peter Griger

General Manager/CEO
Executive Manager/COO
Finance Manager
Commercial Manager
Head, water manufacturing and distribution
Head, Sewerage and Water Treatment Plants
Head, Technical Services

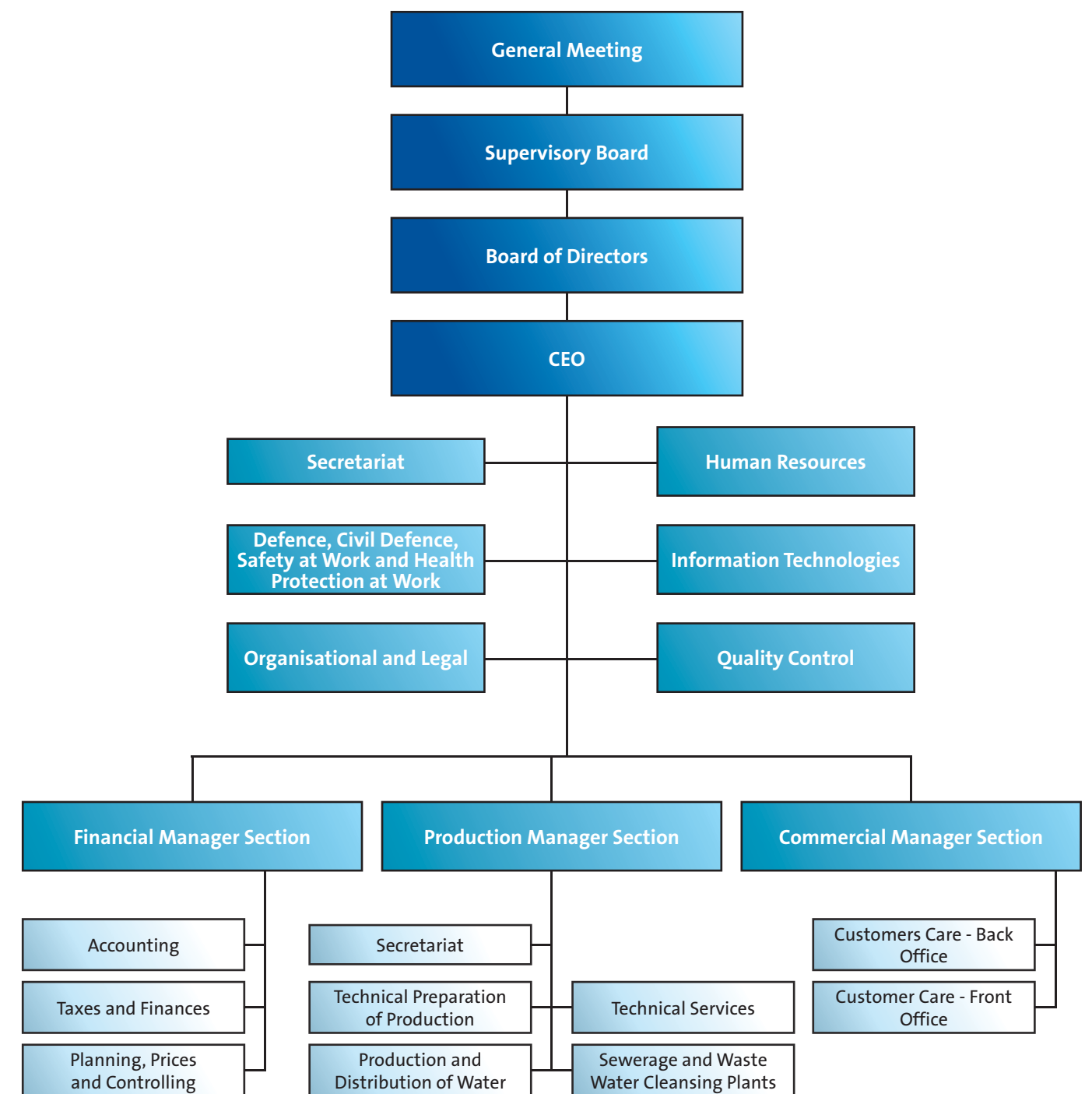


Key information for the year 2007

Corporate turnover:	596,724,000 SKK
Profit/loss:	7,039,000 SKK
Number of employees:	575
Water produced:	118,354,000 cubic metres
Water cleansed:	32,385,000 cubic metres
Number of breakdowns of the water supply system:	2,255
Number of breakdowns of the sewerage system:	92

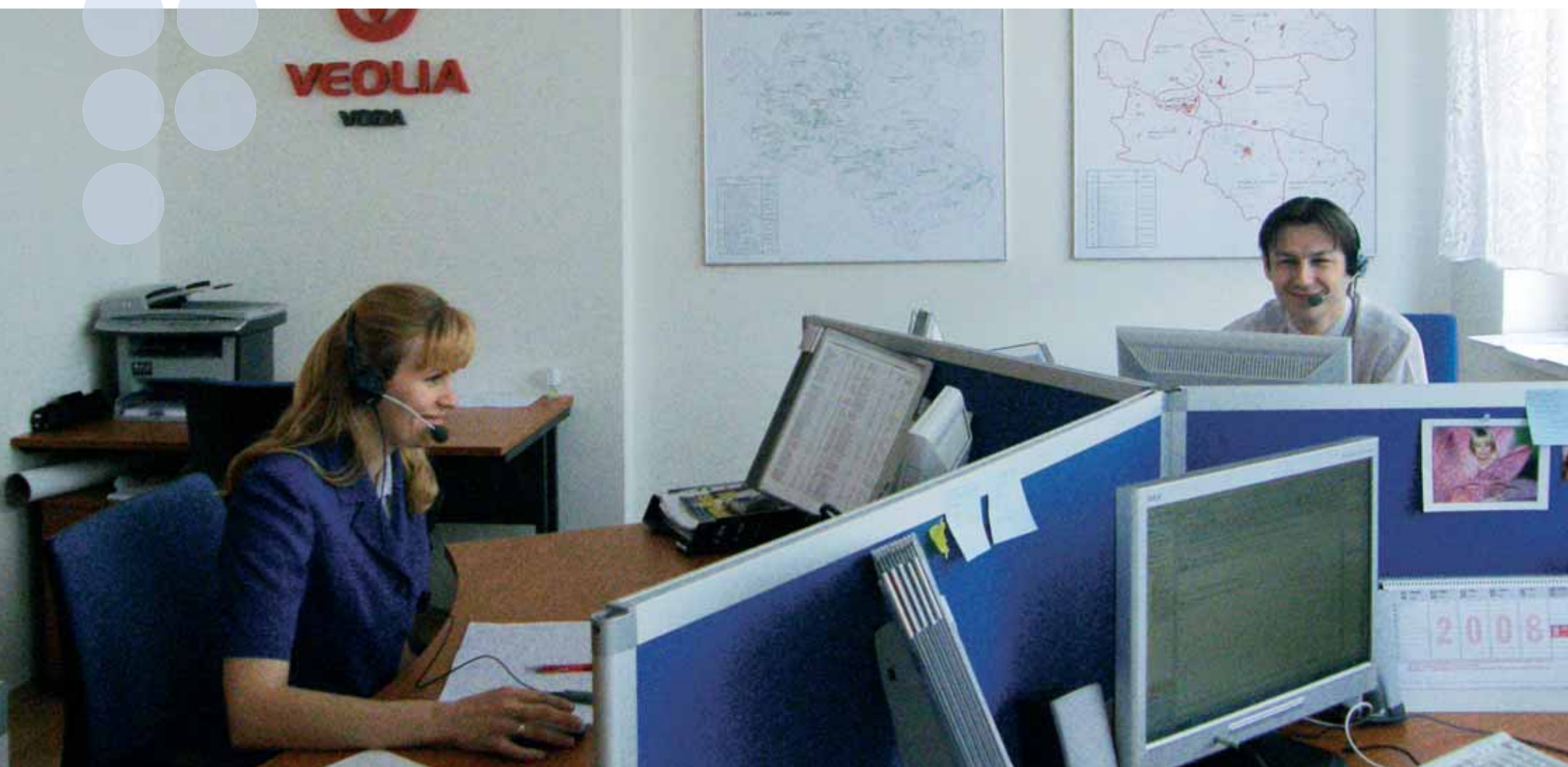
Audit firm: KPMG Slovensko spol. s.r.o.
Mostová 2
Bratislava 24
Licence number of statutory auditor: 96

Organizational structure





Customer orientation



Customer orientation

Customer services

The chief goals assigned for the year 2007 in the area of the Commercial Manager Section included the preparation and subsequent completion of the process of certification of the customer services quality management system pursuant to the international standard STN EN ISO 9001:2001. The auditor, TÜV SÜD Slovakia s.r.o. Bratislava, confirmed that the Company was prepared and complied with the requirements of the standard, with the resulting issuance of the ISO 9001:2001 certificate at the end of the year 2007.

The quality certificate represents an acknowledgement of the good quality of products and services rendered by this Company but primarily it means a commitment to continue to provide our clients with high-quality services. A side effect is in the higher transparency of the existing regulations and their higher efficiency. The certificate will not mean an end to quality management, rather, a challenge for its continuous further growth in the future. We continue to plan to provide higher quality customer services, simplify and speed up the processes of finding solutions to customer expectations and requirements.

The organisational structure of the Company has been adjusted in order to meet the standards of the Veolia Voda Group, namely by establishing the customer units of the Front Office and the Back Office. The Front Office focuses on direct contact with the customers mainly aimed at collecting, recording, and resolving customer inputs and – if an additional solution is required – passing the matter over to the correct relevant technical or economic unit. The Front Office consists of the Call Centre and Customer Centres in Poprad, Spišská Nová Ves, and Stará Ľubovňa. The centralised Back Office is located in Poprad and it is in charge of billing (accounting) and down times.

We have recorded some positive responses to the creation of the Call Centre, which can provide the overwhelming majority of information in real time. In the event of any claims, customers are free to easily report them via the telephone to the officers at the Call Centre who will either resolve them immediately or resend them electronically for resolution to the officers in charge at the Customer Centre. Customers shall be subsequently informed about the outcome of such a claim in writing as well. Customers may also obtain any required information via the Internet on the web site www.pvpsas.sk, which contains all the relevant forms as well as information

about the Company, answers to frequently asked questions, and other useful information. The Company's Customer Centres offer you magazines and information leaflets with important information relating to the content of chlorine in drinking water, colours of water, water meters, and so on. On 12 and 13 April 2007, all employees who are in direct contact with customers, underwent training sessions on the topic of "Customer Orientation". The training focused on the correct approach to and communication with customers, so that they can understand that this Company always listens to their requirements and has the correct approach to them. In addition, next year will see some further training focused on customer orientation.

This Company in the year 2007:

- issued in excess of 104,000 invoices;
- resolved 1,529 Delivery points ready to be closed down;
- sent out more than 11,000 reminders and more than 1,000 penalty invoices;
- as of 31 December 2007, registered a total of 39,284 billed water meters;
- recorded in excess of a total of 90,000 personal, telephoned, correspondence, and electronic contacts with customers.

Next year, the Company plans to pay significant attention to the introduction of the Euro and any associated statutory requirements. It will also continue to introduce the Veolia Group standards applicable to customer services. The acquisition of the ISO 9001:2001 quality certificate does not mean an end to further improving the quality of its products and services rendered, since that process will also continue with the goal of permanently increasing the satisfaction of the Company's current and future customers, based on mutual professional and stable relations.



Responsibility



Responsibility

Human Resources

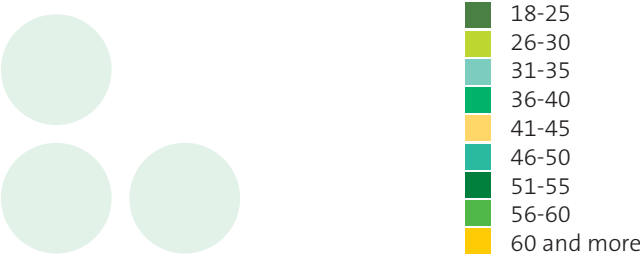
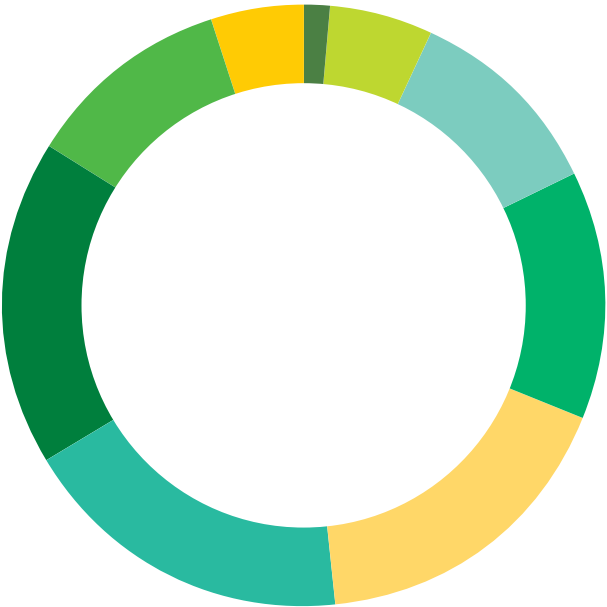
The Human Resources area experienced many changes in 2007, in connection with the new organisational setup of the Company, the introduction of the ISO 9001 standard, and last but not least, its incorporation into the Veolia Voda Group.

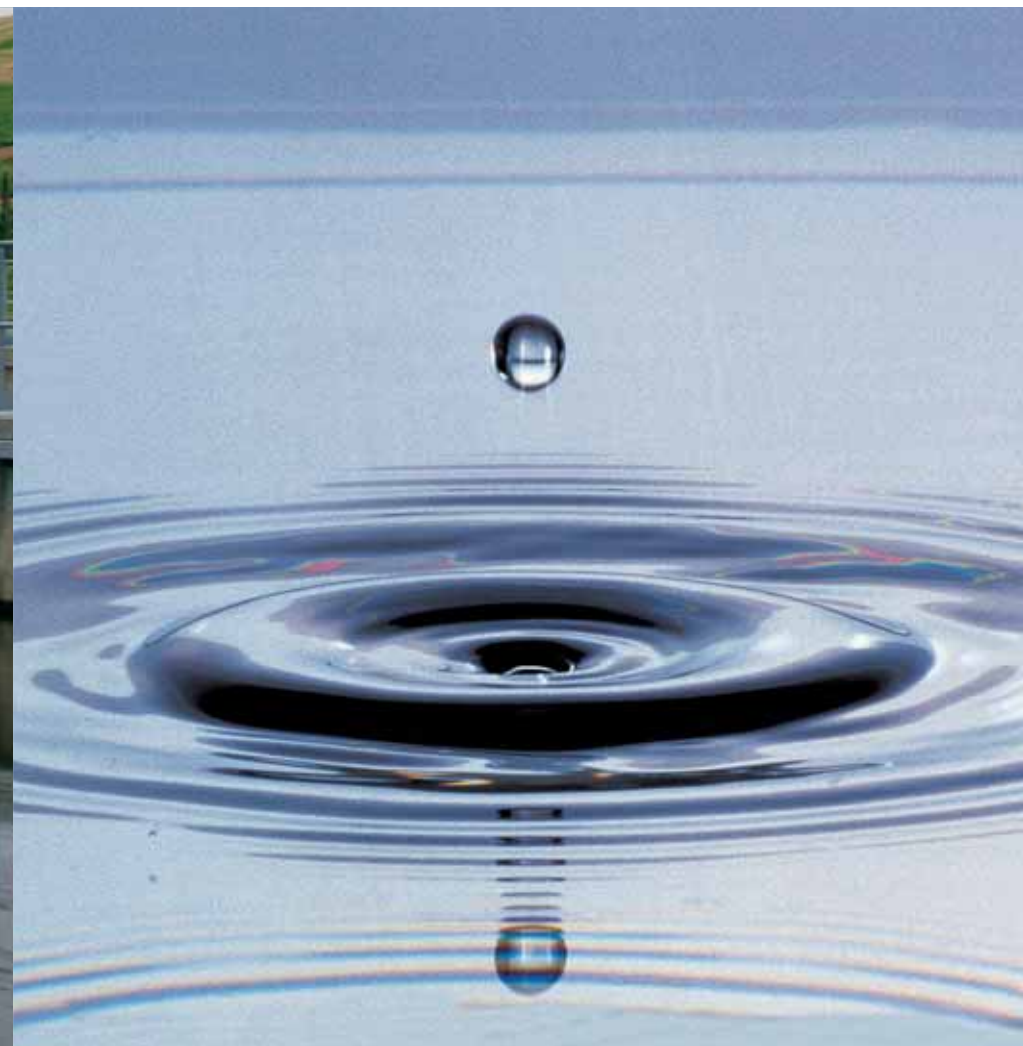
Employment Structure

Number of employees as of 31 December 2006	594
Increment in the number of employees:	29
including: temporary staff	23
permanent staff	6
Drop in the number of employees:	48
including: § 60 LC agreement	27
§ 70 LC temporary	7
§ 63 LC organisational reasons	8
other reasons (invalidity, early retirement)	2/1
maternity leaves	2
retirement	2
Number of employees as of 31 December 2007	575

Age Structure of Employees:

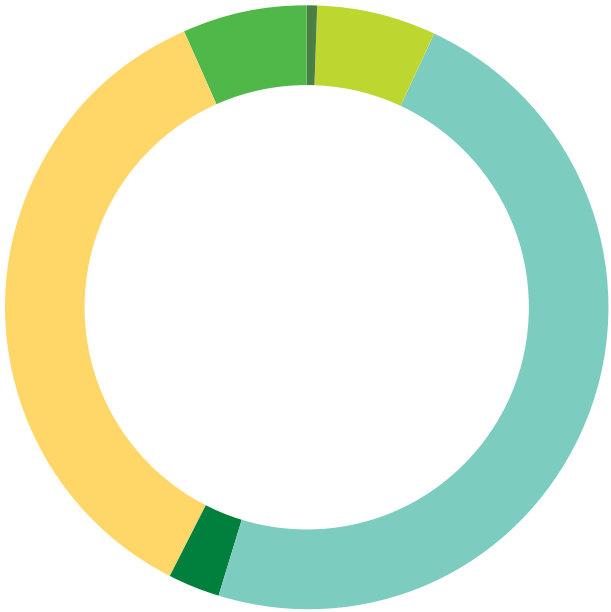
Age	Number
18-25	9
26-30	31
31-35	63
36-40	76
41-45	100
46-50	103
51-55	101
56-60	63
60 and more	28





Structure of Qualifications of Employees:

Uncompleted elementary	4
Elementary	36
Secondary vocational	275
Complete secondary general	16
Complete secondary vocational	206
University/college	38



- Uncompleted elementary
- Elementary
- Secondary vocational
- Complete secondary general
- Complete secondary vocational
- University/college

Structure of Employees According to Duration of Employment

up to 5 years	170
up to 10 years	82
up to 15 years	104
up to 20 years	110
up to 25 years	62
up to 30 years	50
30 and more years	26



- up to 5 years
- up to 10 years
- up to 15 years
- up to 20 years
- up to 25 years
- up to 30 years
- 30 and more years



Social Area

The Company entered into a Corporate Collective Agreement containing labour law, employment, safety at work, working hours, remuneration, social care, etc., conditions agreed with the trade union stewards; the Company fulfilled those conditions during the entire year 2007.

Last year, PVPS, a.s. created a social fund in the amount of 1,556,000 SKK. Its drawing was for various purposes, including contributions to meals for employees (374,000 SKK), recreation, sports, and regeneration of the labour force (645,000 SKK), awards granted to employees celebrating significant life and work anniversaries (131,000 SKK) and social purposes (103,000 SKK). The balance of the social fund in the amount of 303,000 SKK will be drawn upon in 2008.

The Company's social spending included contributions paid out to employees on top of their old-age pension savings plans totalling 3,503,000 SKK, and to meals for the employees (outside the social fund) in the amount of 5,918,000 SKK. Another important activity of the Company in the social sphere was represented by an option offered to the employees to become shareholders of Veolia Environment under advantageous conditions.

Education of Employees

In 2007, the Company mainly focused on the development of work and professional skills and knowledge of its employees, increasing and expanding their professional qualifications, knowledge and skills. The Company employees underwent compulsory training on pre-planned dates in keeping with the specific regulations.

An important component of employee training was represented by safety at work and health protection at work instruction; besides the planned sessions, all newly recruited employees also underwent such training.

Part of the employees (82) were sent to attend specialised seminars and courses organised by specialised agencies concerning the existing tax, accounting, social security, and health insurance legislation, and traffic regulations. People employed in Customer Centres were invited to partake in customer-orientation training organised by the Institute of Environmental Services in Prague.

The total educational costs for employees reached the amount of 948,000 SKK in 2007.

The following compulsory training sessions were organised the Company for its employees in 2007:

Activities with epidemiological exposure	104
Construction machinery operator	2
Operator of low-pressure boilers of up to 100 kW	11
Forklifts	6
Operator of lifting equipment + slinger	2
Welders - complete with examination for a state licence	2
Metal welders	4
Operator of low-pressure boilers - solid fuel	1
Operator of low-pressure boilers - gas - of up to 1000 kW	42
Woodcutters - retraining	7
First Aid	20
Operator of chloride equipment - gas	13
Operator of stable pressure vessels	134
Update training - electrical engineers	18
Safety at work and health protection at work	150
Lifting equipment operations engineer	2



Solidarity



Solidarity

EXTERNAL A INTERNAL COMMUNICATION

Programmes for Schools

This Company, under the patronage of the Veolia Voda Group, has expanded its activities in support of enlightenment and dissemination of information about water economy, protection of water resources, draining and cleansing of waste water. We continue to support the relationship of children and young people to the living environment by organising various educational programmes:

Contests

We organised an international creative contest in 2007 entitled - **“Mask for Planet Earth”**, involving 996 school pupils in the districts of Poprad, Spišská Nová Ves and Stará Ľubovňa. The winning contribution “Kamzita” was entered by pupils of the 4.B. class from the Elementary School at Komenský Street in Spišská Nová Ves, who participated, accompanied by their tutor, in the gala opening of the Branly international competition in Paris in June 2007.

Educational Projects

In a new project entitled “Vodovoda” (Water Duct) launched in September 2007, the Company focused on the creation of positive relationships with both the general and professional public in the region, with the goal of promoting healthy drinking water from public water supplies as a comparable replacement for bottled water and at the same time of reducing plastic bottle waste.

Pedagogical Aids - Briefcase “Water Secret”

This unique aid was distributed among 57 elementary schools this year. Teachers at the individual schools appreciated its contribution and mainly its broad application not only in chemistry classes, but also in biology and physics lectures and for other environmental uses.

Exhibitions

Together with StVPS, a.s., we took part in June 2007 in a water management exhibition entitled “AQUA TRENČÍN” where we came third in the contest named “Blue Aqueduct” for our architectural, aesthetic and innovative format.

Printed Matter

Our Customer Centres offer clients various leaflets, plaques and promotional posters, by means of which they can learn basic information about the Company, characteristics of water as well as about water meters.

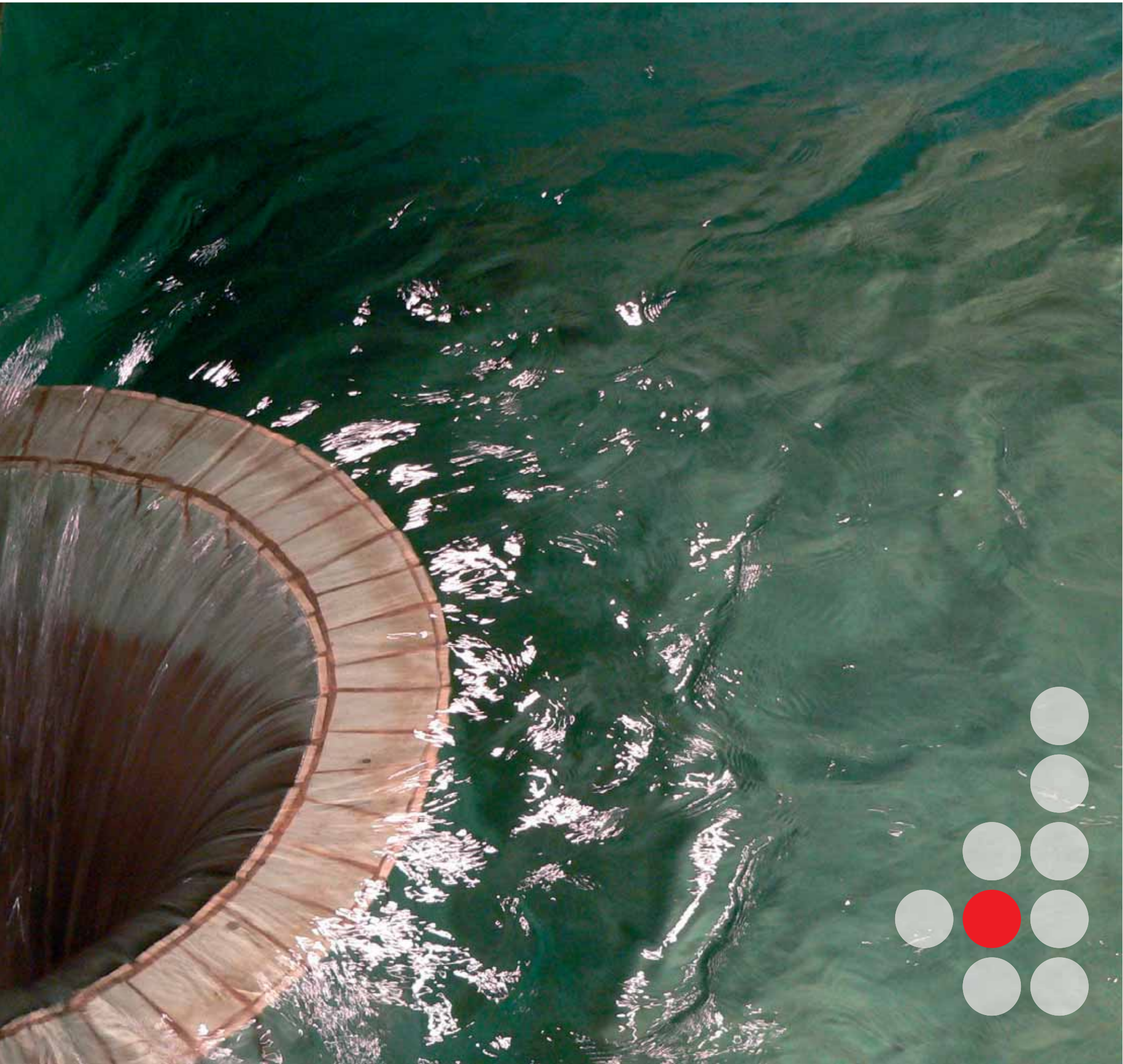
Internet Site

All required information, available documents, and answers to various questions can also be obtained by customers at our Internet site www.pvpsas.sk.

Internal Communication

We have started to publish a new magazine for employees entitled “Voda je život” (Water is Life), as part of our internal communication venture and in cooperation with StVPS, a.s. Banská Bystrica. The magazine informs about the activities of the individual plants of both companies, and the Veolia Voda Group, as well as about some interesting facts related to the water management industry.





Innovations



Innovations

Introduction of New Water Treatment Technologies and Modernisation of Water Hygienic Safety

In 2007, a test was performed at the water treatment plant at Smolník concerning the dosing of polyphosphates for the purposes of stabilisation of the pipes by creating a protective filter. This venture resulted in a drop of the iron content at the end points of the group water distribution system. Following a successful test, the relevant technologies will be purchased in order to launch a permanent operation and maintain the values achieved in keeping with the requirements for the quality of drinking water in respect of iron content.

A test operation of water tank Odorín 2-times-150 cubic metres started at the end of 2007. The project was financed by PVS, a.s. Poprad. The water tank uses modern technologies, it disinfects water depending on the input concentration of free chloride, the measured values (flow rate, pressure, level, free chloride concentration, signalling of object penetration) is shown in the control room operated by PVPS, a.s. Its commissioning allowed the connection of the community of Jamník onto the Spiš group water distribution system; previously, Jamník was supplied from weak and low quality underground water sources of its own. This situation resulted in a lack of water in winter and dry periods. As a result, the community had to very often apply water consumption regulatory limits. Also, the quality of the original water sources was insufficient because it depended to a large extent on the weather. The water tank will also ensure accumulation for two other communities of Spišský Hrušov and Domaňovce.

Water disinfection represents an area where things should be constantly improved. We continued to modernise the disinfection functions in 2007 by installing new dosing pumps, which replaced the previous obsolete dosing systems. Wherever possible, we regulate dosing depending on the flow rate or in other ways guaranteeing more reliable hygienic safety of water. We have introduced continuous measuring of free chloride in three places. The next phase will ensure the transfer of the outcome of the measuring to the control room

Innovations in the Area of Waste Water Cleansing

The airing system was replaced at the waste water cleansing plant at Levoča. The BSK-type surface aerators ensuring the airing of the activation tanks were replaced with a more efficient pneumatic system of airing with the help of blowers. The airing elements of the ČOVOX type (polyester fabric slips placed on perforated plastic pipes) were used to perform the airing.

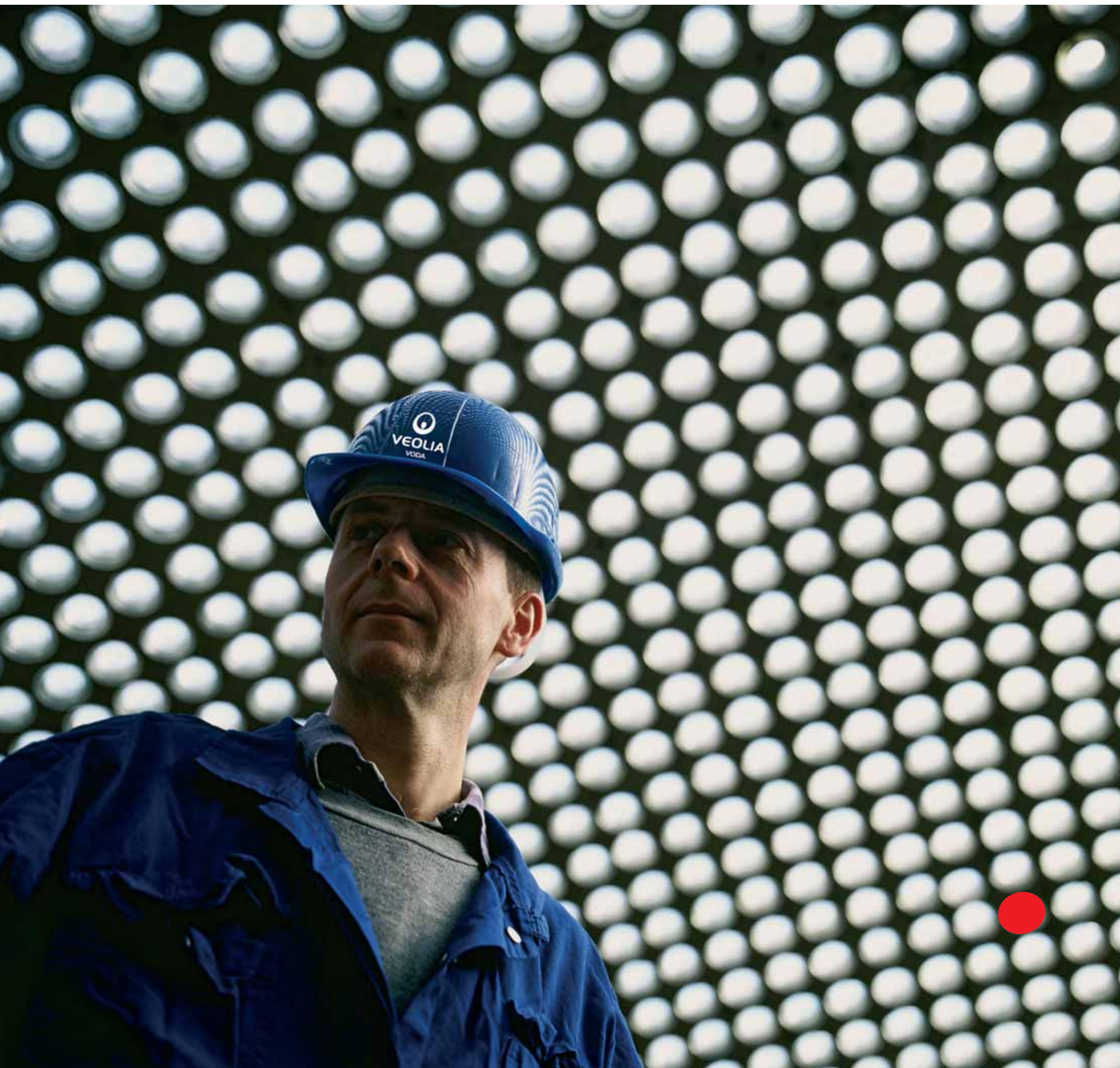
A new ferric sulphate dosing equipment was added to the waste water cleansing plant at Poprad-Matejovce; ferric sulphate is used in the chemical treatment of phosphorus. The modification of the dosing equipment helped reduce the nominal consumption of ferric sulphate. The control system of the waste water cleansing plant at Poprad-Matejovce was complemented with an automatic alternated switching of sludge heating in the heat exchanger and alternated sludge mixing in the digesters with the help of bio-gas when the digesters are operated in the single tier digestion mode. A bio-gas analyser was purchased to facilitate concentrations of such bio-gas, using the indicators of methane, carbon dioxide, oxygen, and hydrogen sulphide; it will be used to control the digestion process in all waste water cleansing plants using anaerobic sludge stabilisation.

Innovations in the Area of Energy

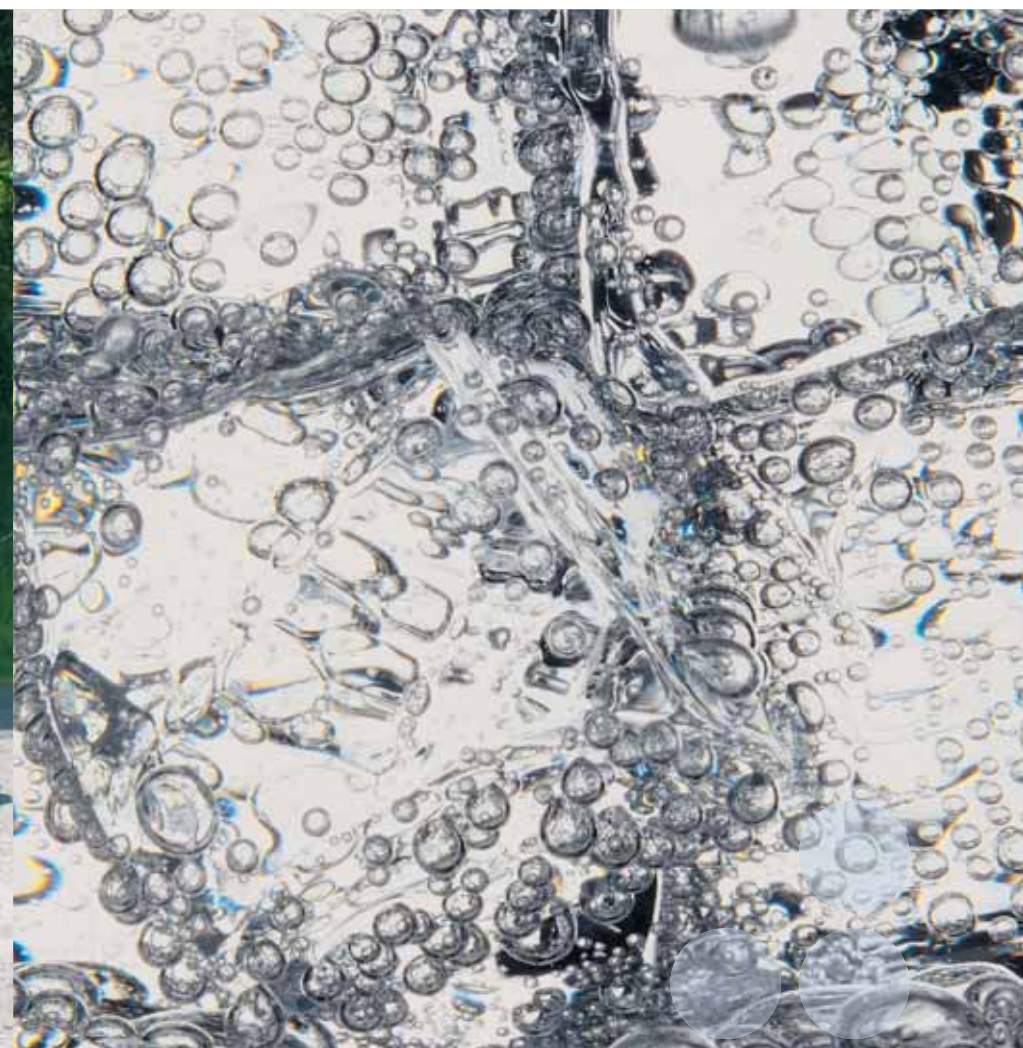
In consideration of the increasing prices of energy, this Company has adopted measures aimed at the reduction of its electricity consumption. In 2007, we installed a more economical submersible pump at the Pumping Station at Teplično serving Spišská Nová Ves, while maintaining the parameters of the pumping height and pumped water quantity. The original pump had the output of 30 kW, while the new one has the output of 24 kW. The replacement was performed by the Company's own staff.

Innovations in the Area of Reducing Water Leaks

In 2007, the Company reconstructed some obsolete water distribution systems of the LT DN 100 mm type, with a length of 299 metres, including 30 service pipes in Zvonárska Street at Spišská Nová Ves. It further reconstructed the water distribution systems made of the PE DN 110 mm pipes, including 22 service pipes, in Mlynská Street at Gerlachov. We reconstructed the water distribution system consisting of the PE DN 90 mm pipes, including 11 service pipes, in SNP Street at Hranovnica. The above-described capital investment projects helped reduce water leaks and adjust water pressure in the above-mentioned communities and town. The projects were performed by the Company's own staff.



Performance



Performance

Production and Supplies of Drinking Water

PVPS, a.s. has ensured the smooth supply of drinking water in all of its operating areas, i.e., in the districts of: Poprad, Kežmarok, Spišská Nová Ves, Levoča, Gelnica and Stará Ľubovňa. In the course of 2007, no major down time of water supplies occurred in the individual public consumption places, so the supplies can be described as regular and free of any major constraints. A short-term regulation of water supplies was introduced in respect of water mains at Šarišské Jastrabie, Ruská Vôľa and Orlov, due to drops in the spring discharge.

Selected operating data	Number and length	Capacity l/sec.
Number of water sources used	234	2,296
Number of population supplied	291,969	
Length of water mains in kms	1,533	
Number of water treatment plants	22	
Number of water tanks	150	
Number of pumping stations	38	
Number of service pipes	41,838	

Overview of fulfilment of basic production indicators:

Indicator, in '000 cubic metres	2007
Total water consumption	18,536
Underground water consumption	14,250
Surface water consumption	4,286
Total technological water consumption	182
including: underground water	3
surface water	179
Water produced in special facilities	18,354
Water delivered to community authorities	164
Water produced for purposes	18,190
Total billed water	11,913
including including	8,034
other consumers	3,879
Total unbilled water	6,277
Treated water (incl. technological)	4,725
Pumped water	6,486

Public water mains managed by PVPS, a.s. are mainly supplied from underground water sources but in places with a lack of such underground water capacity, supplies are ensured by means of treated water pumped from surface sources. Care of water sources - maintenance of protection zones of water sources, surface water pumping stations, responsibility for the maintenance of all buildings and public water distribution systems - constitute a major part of the activities of the water production and distribution units.



The administrators of the individual centres, besides the above-described activities, have also been involved in the removal of defects of the public water distribution system as shown in the following table:

	Defects 2007				
	Side pipe	Distribution	Feed	Reserve	Total
Poprad	389	592	46	12	1,039
SL	174	186	21	16	397
SNV	460	327	26	6	819
Total	1,023	1,105	93	34	2,255

Draft repair plans and capital investment projects applicable to the forthcoming period have been designed on the basis of recorded shortcomings occurring in the operation of the public water distribution system in the course of the year.

Engineers have reviewed the project documentation produced in respect of territorial planning and building permits, and urban studies. They issued written comments on this project documentation as shown in the following table:

PVaDV	Year 2007
Poprad	1,078
SL	364
SNV	113
Total PVPS	1,555

Used abbreviations:
 SNV - Spišská Nová Ves
 SL - Stará Ľubovňa

Sewerage and Waste Water Cleansing Plants

Drainage of waste water was provided for 196,680 inhabitants and industrial plants on the territory of the six districts.

In 2007, the waste water cleansing plant at Štôla and the waste water cleansing plant at Kvetnica were put out of operation. Following the development of new connecting sewerage, waste water from those places has been cleansed in a newly developed waste water cleansing plant at Poprad-Matejovce. At present, test operation is under way at the waste water cleansing plant at Hôrka.

The following serious defects were removed at certain waste water cleansing plants as follows: :

- the waste water cleansing plant at Spišská Nová Ves - replacement of the track press with a drainage spin-drier;
- the waste water cleansing plant at Levoča - replacement of BSK turbines with airing systems





Selected Operating Data	
Number of waste water cleansing plants	28
Number of projected population equivalents (EO)	446,917
Number of genuine EO - 2007	224,085
Planned capacity of waste water cleansing plants	108,982 cubic metres/day
Planned input Q_{24}	1,261.6 l/sec.
Genuine input Q_{24} for the year 2007	1,029.2 l/sec.
Number of side sewerage	19,765
Length of sewerage w/o side pipes	459 kms

Indicator, in '000 cubic metres	Reality 2007
Total drained water	33,321
Drained water (billed)	11,118
including households	6,620
other consumers	4,498
including rain water	1,819
including: households	712
other consumers	1,107
Cleansed water	32,385
Uncleansed water	936

Subject to concluded contracts, a total of 20,012 metric tons of solid sludge were disposed of from the waste water cleansing plants in 2007.

Drinking Water and Waste Water Quality Checks

Evaluation of Water Quality

In 2007, the Quality Department focused on checks of the quality of water sources, water quality after treatment to drinking water, in water tanks, and in the distribution system.

The number of samples taken and tests performed complied with Government Ordinance No. 354/2006

Test	Number of samples		Number of unsatisfactory samples		Defect rate in %	
	2006	2007	2006	2007	2006	2007
microbiological	1,645	1,959	227	332	13.7	16.9
chemical	1,426	1,805	108	117	7.5	6.4

In 2007, the ratio of chemically defective samples dropped. The chief remaining problem concerns iron content in the system. On the other hand, the number of microbiologically defective samples increased. Moreover, approximately 170 test samples were taken in order to harmonise regular water disinfection and the results of microbiological analyses.

Besides drinking water, the quality of sewerage water was also checked regularly on the outflow, water quality during water treatment at waste water cleansing plants, and also the quality of industrial waste water released to public sewage systems by industrial plants. The checks covered 10 major producers. Tatranská mliekareň, a.s. in Kežmarok was identified as the largest polluter.

Beside its own analyses, the ÚKK laboratory also performed analyses for external customers. Such external analyses were worth 1,553,000 SKK in 2007.



Services

Care for Long-Term Tangible Assets Repair of Long-Term Tangible Assets by the Company's Own Staff

The individual maintenance and construction and assembly centres, servicing centres and the transport and machinery depot implemented both periodic and non-periodic repair and maintenance of water mains, sewerages, other buildings and the transport and machinery fleet by their own staff in 2007. Smooth supplies of drinking water to the population, the sluicing of towns and communities and cleansing of waste water, mainly required the removal of defects of water mains and sewerage, repairs of technological equipment, repairs of electrical equipment, cleaning and disinfection of water tanks, replacement of water meters, painting and varnishing, repairs of fences, repairs of the transport and machinery fleet. Out of the many implemented projects, let us just mention the following examples: repairs of 47 water service pipes at Rakúsy, repairs of fences at VDJ Kežmarok, replacement of hydrants and route valves at water mains, repairs - lifting sewerage lids to the road level.

Outsourced Repairs of Long-Term Tangible Assets

In 2007, outsourced repairs of long-term tangible assets cost the Company a total of 21,750,000 SKK; the 2007 plan was 17,715,000 SKK, so it represents 122.77 percent of the plan. A substantial portion of the funds was spend on repairs of water meters, pumps, the transport and machinery fleet, chimneys, slide valve houses, waste water cleaning plants, and operational buildings.

Capital Investment Projects

Capital investment projects cost 18,296,000 SKK in 2007. The capital investment projects were performed for PVS, a.s.

Purchase of Fixed Assets

In 2007, machinery was purchased outside the development budgets worth 7,858,000 SKK. Vehicles purchased from PVS, a.s. cost 21,849,000 SKK.

Control room

We continued in the unification of databases and particularization of the water supply and sewerage systems in the sense of the operating regulations within the framework of the geographic systems in 2007. Further facilities developed with the help of structural funds were included under the management system used by the control rooms. Altogether, the control rooms currently monitor approximately 130 facilities. Controllers at the control rooms situated in Poprad, Spišská Nová Ves, and Stará Ľubovňa, besides remotely monitoring and controlling the systems, also have many other responsibilities relating to the uninterrupted operation of the control rooms and customer relations. They are in close contact with administrators, foremen, and investigators, in recording and removing breakdowns and the cyclical maintenance of equipment attached to the water and sewerage mains. In 2007, a total of 2,255 defects on the water supply mains and 92 defects on sewerage systems were removed. At the end of 2007, the control rooms and the GIS were certified pursuant to the international standard STN EN ISO 9001:2001 within the framework of PVPS, a.s., which reflects the efforts for constant quality improvements for the customers.





Financial part

BALANCE SHEET

Row	Code	Row title	Current period Gross	Correction	Net	Pre-vious period
1		Total assets r.2 + r.3 + r.32 + r.62	178,129	12,480	165,649	139,372
3	B.	Non-current assets r.4 + r.13 + r.23	42,529	4,509	38,020	10,835
4	B.I.	Fixed intangible assets - sum (r.5 to 12)	375	153	222	316
5	B.I. 1.	Establishment costs (011) - /071,091A/	52	39	13	26
7	3.	Software (013) - /073,091A/	323	114	209	290
13	B.II.	Fixed tangible assets - sum (r. 14 to r. 22)	42,154	4,356	37,798	10,519
16	3.	Separate movable items (022) - /082,092A/	42,154	4,356	37,798	10,449
20	7.	Procured fixed tangible assets (042) - 094	0	0	0	70
32	C.	Current assets r. 33 + r. 41 + r. 48 + r. 56	134,149	7,971	126,178	127,772
33	C.I.	Inventories - sum (r. 34 to r. 40)	8,624	23	8,601	8,344
34	C.I. 1.	Material (112, 119) - /191,19X/	8,624	23	8,601	8,344
41	C.II.	Long-term receivables - sum (r.42 to 47)	2,109	0	2,109	1,115
47	6.	Deferred tax receivable (481)	2,109	0	2,109	1,115
48	C.III.	Short-term receivables (r.49 to 55)	120,977	7,948	113,029	112,163
49	C.III. 1.	Trade receivables (311A to 315A) - 391 A	110,143	7,948	102,195	77,617
50	2.	Receivables from subsidiary and parent entities (351 A) - 391 A	7,403	0	7,403	0
54	6.	Tax receivables (341,342,343,345,346,347)-391 A	4	0	4	2,951
55	7.	Other receivables (335A,371A,373A..) - 391 A	3,427	0	3,427	31,595
56	C.IV.	Financial accounts - sum (r.57 to 61)	2,439	0	2,439	6,150
57	C.IV. 1.	Cash (211,213,21X)	1,227	0	1,227	1,254
58	2.	Bank accounts (221A,22X,+/- 261)	1,212	0	1,212	4,896
62	D.	Accruals / deferrals r.63 and 64	1,451	0	1,451	765
63	D. 1.	Deferred costs (381,382)	894	0	894	313
64	2.	Accrued income (385)	557	0	557	452
65		Equity and liabilities r.66 + r.86 + r.116	165,649	0	0	139,372
66	A.	Equity r.67+r.71+r.78+r.82+r.85	18,011	0	0	11,030
67	A.I.	Registered capital - sum (r.68 to r.70)	1,000	0	0	1,000
68	A.I. 1.	Registered capital (411 or +/-491)	1,000	0	0	1,000
71	A.II.	Capital fund - sum (r.72 to r.77)	100	0	0	100
74	3.	Statutory reserve fund/Indivisible fund (417,418)	100	0	0	100
78	A.III.	Funds from profit - sum (r.79 to r.81)	4,064	0	0	4,064
79	A.III. 1.	Statutory reserve fund (421)	100	0	0	100
81	3.	Statutory and other funds (423,427)	3,964	0	0	3,964
82	A.IV.	Profit/loss of previous years r.83 + r.84	5,808	0	0	0
83	A.IV. 1.	Retained profit of previous years (428)	5,808	0	0	0
85	A.V.	Profit/loss for current accounting period	7,039	0	0	5,866
86	B.	Liabilities r.87 + 91 + 102 + 112	147,638	0	0	128,154
87	B.I.	Reserves - sum (r.88 to 90)	30,600	0	0	15,787
90	3.	Short-term reserves (323)	30,600	0	0	15,787
91	B.II.	Long-term liabilities - sum (r.92 to 101)	2,320	0	0	2,709
99	8.	Social fund liabilities (472)	303	0	0	378
100	9.	Other long-term liabilities 474A,479A,372A,373A,377A)	264	0	0	2,331
101	10.	Deferred tax liability (481)	1,753	0	0	0
102	B.III.	Short-term liabilities - sum (r. 103 to 111)	96,851	0	0	69,608
103	B.III. 1.	Trade liabilities (321,...)	75,477	0	0	42,078
104	2.	Unbilled supplies (326, 476 A)	86	0	0	669
108	6.	Liabilities towards employees (331,333,479A)	9,892	0	0	11,078
109	7.	Social security liabilities (336A, 479A)	6,453	0	0	7,033
110	8.	Tax liabilities and subsidies (341 to 347, 34X)	1,784	0	0	5,740
111	9.	Other liabilities (372A,373A,377A,379A,474A,479A,47X)	3,159	0	0	3,010
112	B.IV.	Bank loans and assistance r.113 to 115	17,867	0	0	40,050
114	2.	Current bank loans (221 A, 231, 232, 23X, 461 A)	17,867	0	0	40,050
116	C.	Accruals / deferrals r. 117 and r.118	0	0	0	188
117	C.I. 1.	Costs of future periods (383)	0	0	0	188

PROFIT AND LOSS ACCOUNT

Row	Code	Row title	Reviewed period	Previous period
4	II.	Production r. 05+06+07	596,724	599,443
5	II. 1.	Revenues for own products and services (601, 602)	596,724	599,443
8	B.	Production consumption r. 09 + r. 10	363,264	373,942
9	B. 1.	Consumption of material and energy (501, 502, 503,505A)	135,797	141,581
10	2.	Services (acc. group 51)	227,467	232,361
11	+	Value added r. 03 + 04 - 08	233,460	225,501
12	C.	Personnel costs - sum (r. 13 to r. 16)	198,009	191,165
13	C. 1.	Payroll costs (521,522)	136,239	132,230
14	2.	Emoluments for the members of company/cooperative body members (523)	1,186	784
15	3.	Social security costs (524, 525, 526)	49,834	48,442
16	4.	Social costs (527, 528)	10,750	9,709
17	D.	Taxes and fees (acc. group 53)	844	557
18	E.	Depreciation and provisions for fixed intangibles and tangibles (551,3)	2,453	1,217
19	III.	Revenues from the sale of fixed assets and material (641,642)	95	62
20	F.	NBV of fixed assets and material sold (541,542)	39	59
21	VI.	Other revenues of core business (644,5,6,8,655,657)	847	811
22	G.	Other costs of core business (543-7,548,9,555)	22,353	23,448
25	*	Profit/loss of core business	10,704	9,928
37	X.	Interest revenue (662)	221	22
38	M.	Interest cost (562)	1,123	588
39	XI.	Exchange rate gains (663)	7	1
40	N.	Exchange rate losses (563)	68	53
42	O.	Other costs of financial activity (568,569)	245	3,185
45	*	Profit/loss of financial activity	-1,208	-3,803
46	R.	Income tax on core business r. 47 + r.48	2,457	259
47	R. 1.	- due (591,595)	1,697	1,581
48	2.	- deferred (+/- 592)	760	-1,322
49	**	Profit/loss of core business	7,039	5,866
57	***	Profit/loss for accounting period	7,039	5,866

CASH FLOW

CASH INFLOW FROM OPERATING ACTIVITIES			
Item	Description	Current period	Previous period
	Book profit/loss from regular activity before tax (+/-)	9,496	6,125
A. 1.	Non-cash operations adjustment of profit/loss from regular activity before tax (sum of A.1.1. to A.1.13.) (+/-)	19,434	12,927
A. 1.1.	Tangible and intangible fixed asset write-off (+)	2,453	1,217
A. 1.4.	Change in reserves (+/-)	14,813	6,842
A. 1.5.	Change in adjustments (+/-)	2,183	2,993
A. 1.6.	Change in accrued assets/liabilities accounts (+/-)	-875	1,256
A. 1.8.	Interest accounted in costs (paid interest) (+)	1,123	588
A. 1.9.	Interest accounted in profit (received interest) (-)	-221	-22
A. 1.11.	Foreign exchange profit on financial funds and cash equivalents as of the account statement date (-)	-7	-1
A. 1.12.	Foreign exchange loss on financial funds and cash equivalents as of the account statement date (+)		54
A. 1.13.	Profit/loss from sale of fixed assets, aside from cash equivalent assets (+/-)	-35	
A. 2.	Change in required working capital (meaning the difference between current assets and short-term payables, aside from current asset items belonging to financial funds and cash equivalents) (sum of A.2.1. to 2.4.)	1,641	-31,010
A. 2.1.	Change in receivables from operating activities (+/-)	1,399	-13,559
A. 2.2.	Change in short-term payables from operating activities (+/-)	522	-16,294
A. 2.3.	Change in inventories (+/-)	-280	-1,157
	Cash flows from operating activities, aside from income and costs specifically reported in other parts of the cash flow statement (+/-) (sum of Z/S+A.1.+A.2.)	30,571	-11,958
A. 3.	Received interest, aside from capital investment projects (+)	221	22
A. 4.	Cost of interest payment, aside from capital investment projects (-)	-1,123	-588
	Cash flow from operating activities (+/-), (sum of A.1. to A.6.)	29,669	-12,524
A. 7.	Paid income tax for regular activities, aside from capital investment projects (+/-)	-1,579	-8,790
	Net cash flow from operating activities (sum of A.1. to A.9.)	28,090	-21,314
B. 1.	Cost of intangible fixed assets (-)	0	-217
B. 2.	Cost of tangible fixed assets (-)	-7,684	-4,019
B. 5.	Income from sale tangible fixed assets (+)	35	
B.	Net cash flow from capital investment projects (sum of B.1. to B.20.)	-7,649	-4,236

CASH FLOW

CASH FLOW FROM FINANCIAL ACTIVITIES			
Item	Description	Current period	Previous period
C. 1.	Cash flows in shareholders' equity (sum of C.1.1 to C.1.8.)	0	0
C. 2.	Cash flow resulting from long-term payables and short-term payables from financial activities (sum of C.2.1. to C.2.10.)	-24,152	38,055
C. 2.3.	Income from loans from banks or branches of international banks, aside from loans for the main objects of the Company (+)	-22,183	40,050
C. 2.7.	Costs of payables from employment of assets under lease-purchase agreements (-)	-1,969	-1,995
C. 4.	Costs of dividends and other profit sharing, aside from those belonging to operating activities (-)		-10,200
C.	Net cash flow from financial activities (sum of C.1. to C.9.)	-24,152	27,855
D.	Net increase/decrease of cash	-3,711	2,305
E.	State of cash and cash equivalents at the beginning of the accounting period (+/-)	6,150	3,845
F.	State of cash and cash equivalents at the beginning of the financial year before adjustment for foreign exchange rate differences as of the accounting statement date (+/-)	2,432	6,151
G.	Foreign exchange rate differences relating to cash and cash equivalents as of the accounting statement date (+/-)	-7	-1
H.	Balance of cash and cash equivalents at the end of the financial year after adjustment for foreign exchange difference as of the accounting statement date (+/-)	2,439	6,150

Company's plans for 2008

- Improve the quality of the services provided to the customers, service effectiveness and the related quickness of addressing customer requests;
- Improve information for customers on all serious issues and decisions in the area of potable water supply and sewage services and wastewater treatment;
- Exert increased efforts to reduce water losses in the piping mains;
- Pay constant attention to operating activities and care for the technical condition of assets;
- Win more municipalities for operating their assets through comprehensive operations, financial performance and education;
- In order to secure a stable quality of potable water, introduce water disinfection using chlorine dioxide and subsequent monitoring of parameters;
- Cooperate with the Utilities Industries Regulation Authority in pricing;
- Prepare the conditions for a seamless transition of the company to the new currency, EURO

POSITION OF THE SUPERVISORY BOARD

POSITION OF THE SUPERVISORY BOARD

The Company's financial statements and annual report were audited by KPMG Slovensko, spol. s r. o., SKAU Licence No. 96, appointed by the Supervisory Board as the Company's auditor for 2007 (under Article XII (8) of Articles of Association).

The auditor states in its report to the Company's General Meeting that the financial statements truly reflect in all material aspects the Company's financial standing as of 31 December 2007 and the profit/loss for the year are in accordance with the Slovak Accounting Act.

The Supervisory Board examined the regular financial statements at its meeting pursuant to Section 198 of the Commercial Code and Article XII (4) of the Articles of Association.

Having examined the financial statements, and further to the auditor's position, the Supervisory Board states that the Company keeps its accounts in accordance with the Accounting Act and other related regulations. The audit of the formal and material correctness of the regular financial statements for 2007 did not discover any shortcomings.

The Company posted a net profit of SKK 7,039,000 for 2007.

The Supervisory Board proposes to approve the Company's annual financial statements and annual report.



Štefan Bielek
Chairman of the Supervisory Board

Customer centres

Customer centre Poprad

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fax: 052/772 95 48
e-mail: disppp@pvpsas.sk

Customer centre Stará Ľubovňa

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e-mail: disppl@pvpsas.sk

Customer centre Spišská Nová Ves

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