



**BUDAPEST  
WATERWORKS**



# Annual Report

## Budapest Waterworks

2015





05 CEO's greeting

## Budapest Waterworks

08 **Scope of activities**

09 **Service area**

10 **Key figures**

12 **Owners**

13 **Management**

14 **Our mission**

15 **Social engagement**

15 → Environmental protection

16 → Sponsorship

16 → Missionary activities

## Management of Budapest Waterworks in 2015

18 **Financial situation**

19 → Revenues

20 → Costs, expenditures

20 → Accounts receivable

21 **Financial position**

21 **Profit and loss**

22 → Profit and loss statement

23 → Balance sheet

25 **Audit Report**

## Activities of Budapest Waterworks in 2015

27 **Water sector**

27 → Water production capacities

28 → Drinking-, industrial water production and sales

29 → Non-revenue water

29 → Water quality

30 **Wastewater sector**

30 → Wastewater treatment, sewage services

32 → Wastewater quality

34 **Service charges**

34 → Drinking water and sewage service charges

34 → Wastewater treatment charges (BKSZTT)

35 **Additional services**

36 **International services**

38 **Investments**

38 **Maintenance, operation**

39 **Maintenance**

39 **Troubleshooting**

40 **Customer service activities**

43 **Human resource policy**

43 → Headcount

43 → Wage management

44 → Education, training

45 → Organizational changes





## CEO's greeting

I am convinced that the most successful companies are the ones able to combine decades or even centuries of traditions, the accumulated knowledge and experience with enthusiasm, dynamism and innovative intention. **The strength of Budapest Waterworks lies in the fact that it is able to provide very contemporary answers to today's challenges based on its nearly one and a half century old traditions.** While huge changes have taken place in the Hungarian water utility sector in the past years, the Company has been able to develop and grow in this transforming sector, despite the tighter regulations and the unfavorable economic environment.

In 2015 our management was basically determined by the earlier ten percent reduction of the residential utility service charges and the additional burden caused by the changing regulatory and economic environment, such as the supervisory fee and the new taxes (increase of utility-, public service provider and local taxes). In addition the repayment obligation of the shareholder loan which was received earlier from the Municipality of Budapest to buy back foreign-owned minority shares package also weighed heavily on the Company. **The most important goal and the greatest challenge was to be able to preserve all safety aspects of drinking water supply and the usual high standards expected by our customers in terms of continuous service, water quality and customer service** – with the coordination of a balanced management and cost-effective operation.

The need to expand the limits and opportunities defined by the resources available for achieving our objectives, required intense exploration and utilization of alternative revenue sources more than ever before. Our international awareness and recognition acquired in previous years created a solid basis for our foreign engagements – based either on intergovernmental or bilateral agreements.

We also further expanded our trade development activities. As a result of the brand name WaterPlus (VízPlusz) having become known – which provides services beyond our core activity – and the expansion of the earlier developed portfolio with newer elements, we are able to realize increasing revenues in this field also.

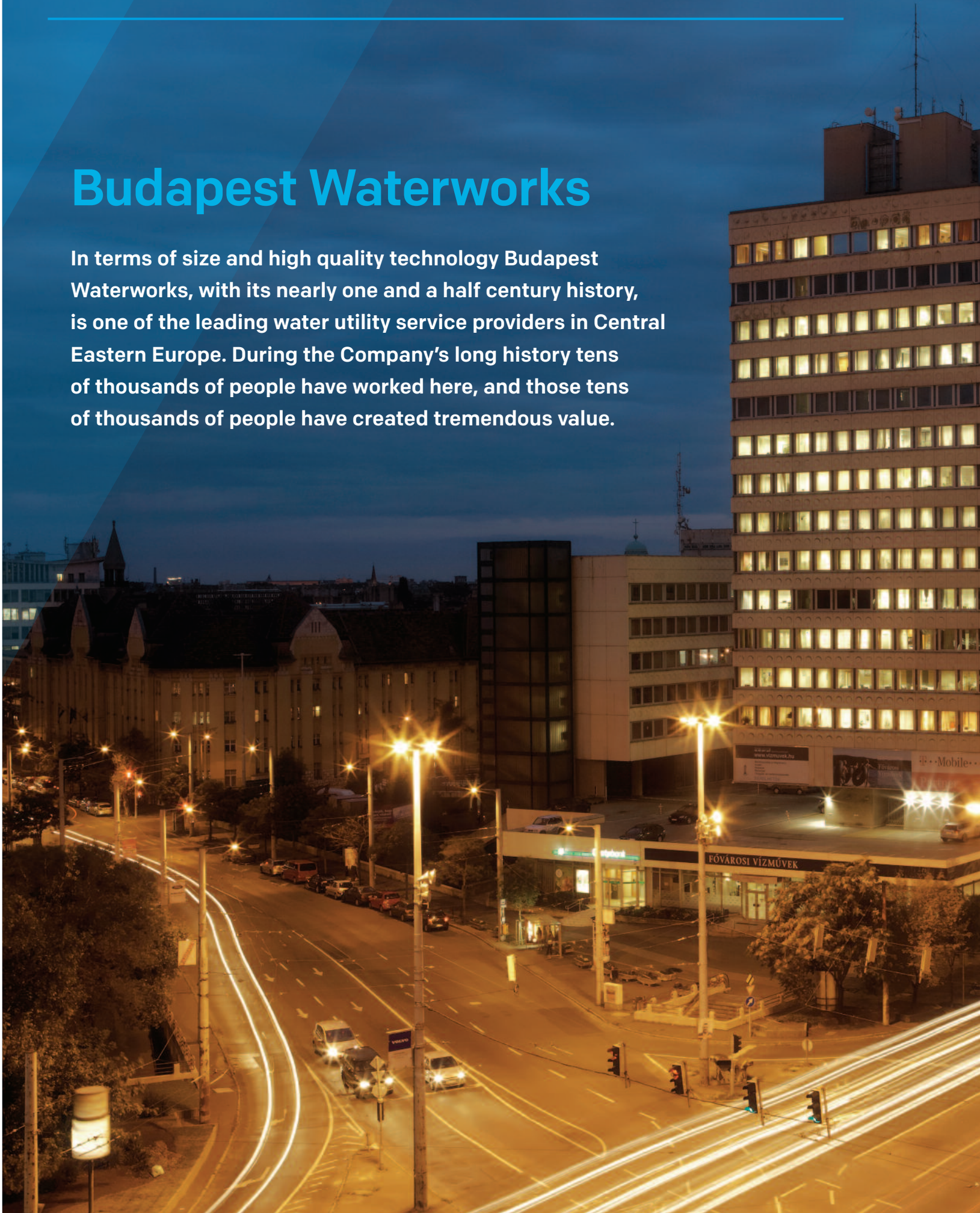
Looking back on 2015, we may consider it as a success that despite the decreased service fees, that still essentially define our revenues and the difficult business and economic environment, **the Company's after tax profit was positive, so we are able to continuously maintain the stability of our financial position and liquidity throughout the year, and we were able to fulfil our payment obligations in time.**

For all this, I would like to thank all of Budapest Waterworks' employees that they were partners of the company management with their professional knowledge, creativity, innovation and willingness to renew.

Csaba Haranghy  
CEO

# Budapest Waterworks

In terms of size and high quality technology Budapest Waterworks, with its nearly one and a half century history, is one of the leading water utility service providers in Central Eastern Europe. During the Company's long history tens of thousands of people have worked here, and those tens of thousands of people have created tremendous value.




 A logo consisting of a blue square with a white border. Inside the square, the word "FOUNDED" is at the top, "IN" is in the middle, and "1868" is at the bottom, all in white capital letters.

For nearly 150 years Budapest Waterworks has developed alongside the capital city and has come a long way. Over this nearly one and a half century many water towers, pumping stations, pipe networks have been built and wells have been restored to working order. Over 5,200 kilometers in length, our pipe network supplies the city and its conurbation. Water treatment, network management and water quality testing activities are supported by world-class technologies. Both drinking water production and the associated supply system are fully automated.

Professional, planning and construction knowledge based on nearly one and a half centuries of operating experience and outstanding engineering knowledge provide an excellent background for technical development projects. Among these, mobile water treatment equipment and investments implemented in facility and network management through use of internal resources are worth mentioning.

In the Company's internationally certified and accredited laboratory, the testing of almost 190,000 parameters is performed during more than 10,000 organic and inorganic chemical, microbiological, microscopic biological and toxicological tests annually.

Budapest's drinking water supply is entirely based on those 740 bank filtered horizontal-, tube and collector wells, the construction and maintenance of which the Company's subsidiary DUNA KÚT Kft. plays a key role. The more than seven hundred drinking water producing wells, which can be found on the Szentendre Island, the Csepel Island on the left bank of the Danube in Káposztásmegyér, on both sides of the Danube in

Budapest's downtown, and on the Margaret Island allow for the transmission of about 1 million cubic meters of drinking water.

Professional enquiries from various countries around the world indicate the desire of our partners to cooperate. Negotiations are underway in many European and Asian countries, and we have already signed agreements in the fields of consultation, technological development and prime contractor agreement. It is worth mentioning that besides the agreement on the reconstruction works of two water treatment facilities signed with the National Water Supply and Drainage Board of Sri Lanka's capital city Colombo which is already underway, that we are also working in several other countries and we have also worked on constructions and reconstructions of water supply facilities and on other efficiency improving and company modernization projects.

It is of special value to the region's decision makers that during the period since the regime change Budapest Waterworks has already experienced the phases of the market, technological, operational and economic development that the cities concerned have still yet to face. Regional cooperation serves the realization of the shareholders objectives by strengthening alternative, not directly water sales related revenues, creating value for the Company, and acquiring professional experience and expanding our know-how in the core activity.

## Scope of activities

In terms of main activity Budapest Waterworks is a water utility service provider company. In addition to the core activities that consist of drinking water production, network operation and drinking water supply, the Company – which currently supplies over 2 million people with healthy drinking water – also provides sewage and wastewater disposal as well as wastewater treatment services for its customers by relying on its world-class technological background.

From June 1, 2013 onwards Budapest Waterworks has carried out wastewater treatment services. Previously this activity used to be carried out by its subsidiary companies in Biatorbágy, Pilicsaba, and Pilisvörösvár. The Company then took over the operation of the Central Wastewater treatment Plant in Budapest with biological wastewater treatment capacity of 350,000 m<sup>3</sup>/day, equivalent to a population of 1.6 million, which uses revolutionary solutions with its environment friendly closed technology that combines physical, chemical, and biological treatment elements.

From June 2013 onwards the Company also carries out water utility services in Biatorbágy within the framework of its wastewater disposal and treatment activities, which were further expanded by taking over the water utility services (water and wastewater) of Szigetszentmiklós, Tököl, Budakeszi and Halásztelek

- Drinking water production
- Network operation
- Drinking water supply
- Wastewater disposal
- Wastewater treatment
- Customer service
- Property letting
- Technical activities
- Laboratory services
- International activities

during 2013 so it has six wastewater treatment plant operated by the company. From January 1, 2014 the list of the Company's water utility services further expanded with the sewer services of Kisoroszi, Szigetmonostor and Pócsmegyer.

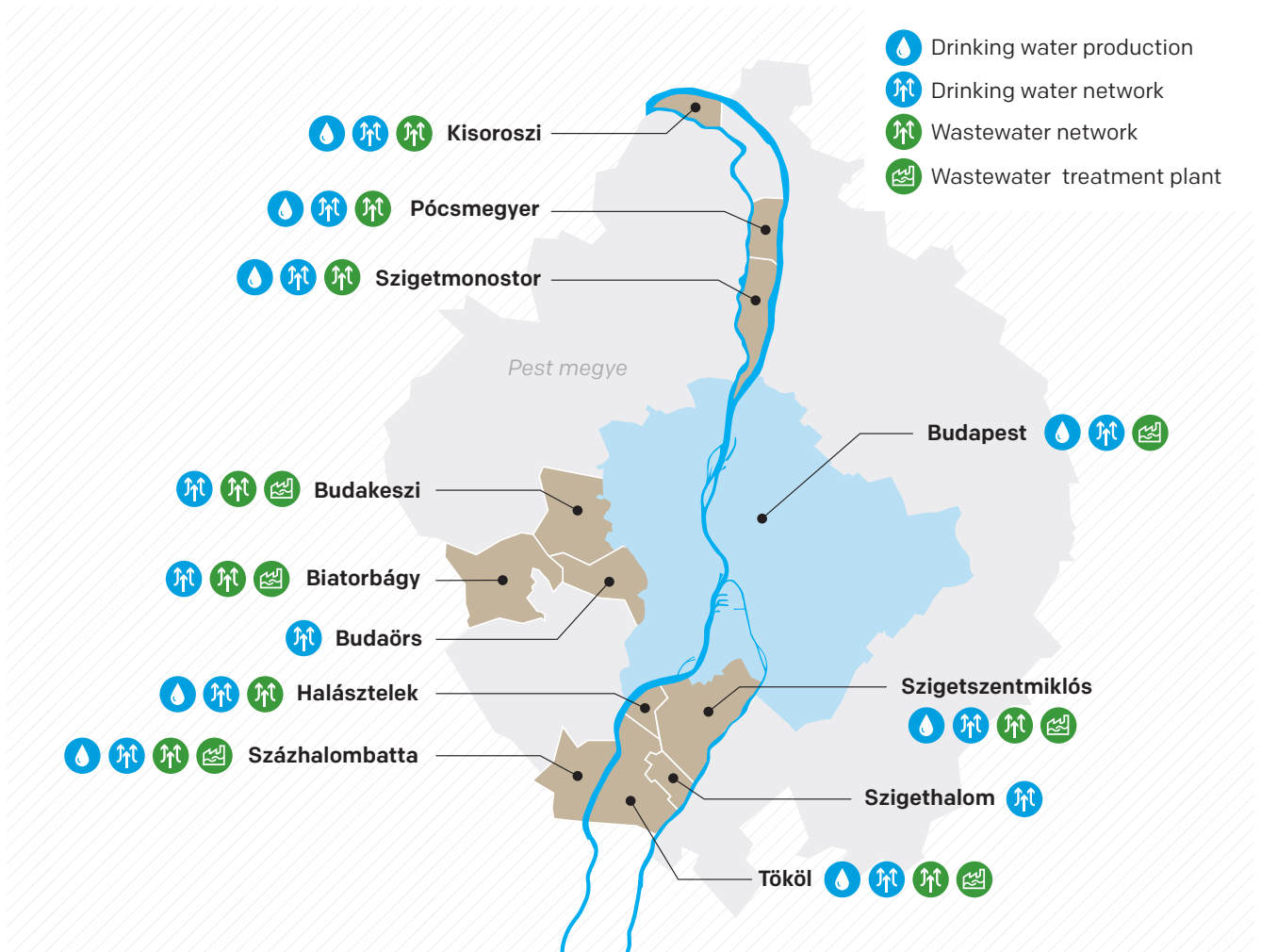
In order to compensate for the 10% decrease of water and sewage service fees and contin-

uously reducing water consumption, there is a growing emphasis on the increase of revenues from other sources. In addition to the core activity, customer service also provides an extra revenue source (data service, management activities, submeter services). The Company also earns income by letting properties such as offices, worker's hostels, and holiday homes, through technical activities (cartography geodesy), and by performing laboratory services (drinking- and bath water testing).

Since 2013 the Company's international activities has also increased. Budapest Waterworks plays an active role on the international market with its consulting and engineering services. Reconstruction of water treatment plant in Sri Lanka had provided significant revenue for the Company already in the first year. The multi-year project will continue in 2016. An opportunity for cooperation in Indonesia started to take shape in 2015 with issues for a number of municipality water supplies had to be solved by the Company, with the construction of the necessary facilities. The construction of these facilities will continue in 2017.



## Service area



Until 2003 our Company dealt only with drinking water production and supply. From 2004 onwards the scope of our activities expanded initially through our subsidiaries, then later directly into the realms of providing wastewater and sewage services as well as operating sewerage networks and wastewater treatment plants.

Since 2013 the Company has operated the Budapest Central Wastewater Treatment Plant (BKSZTT) constructed as the largest and most significant environmental investment of Central Europe.

Act CCIX of 2011 (Vksztv.) which laid new foundations for water utility services resulted insignificant changes within the Company's activity and service areas.

In 2013 both our drinking water and wastewater service activities expanded by taking over water utility services of further settlements.

The list of the Company's water utility services expanded in relation to the drinking water supply of Biatorbágy, Szigetszentmiklós, and Tököl, the wastewater services of Biatorbágy, Budakeszi, Halásztelek, Szigetszentmiklós-Lakihegy, Szigetszentmiklós and Tököl and from January 1, 2014 the sewage services of Kisoroszi, Pócsmegyer and Szigetmonostor.

As a result of these changes the Company now directly operates a 5,696 km long water network of which 5,234 km is drinking water, 45 km is industrial water, and a 417 km long wastewater network.



## Key Company Figures

**147** years

of operating experience in Budapest



Significant water utility service provider in Central Europe

technological developments

**19** patents



International professional experience



Excellent water quality by European standards



### Drinking water

- **5,200** km water network
- **163** millió m<sup>3</sup>/year production
- **1** million m<sup>3</sup> daily capacity
- **740** wells
- **2** treatment plants



### Wastewater

- **90** million m<sup>3</sup>/year treated wastewater
- **370,000** m<sup>3</sup> daily capacity
- **350** km wastewater network
- **5** treatment plants

**163 million m<sup>3</sup>**  
annual water production



**16.3%**  
non-revenue water

**1868**

**Foundation**

**1904**

Construction of the Káposztásmegyer waterworks

**1911**

Construction of the Margaret Island water tower, the symbol of our Company

**1945**

Continuous water supply in Budapest during WW II

**1963**

Construction of the first horizontal well on Margaret Island

**1997**

**Privatization**

## ↳ MOST IMPORTANT COMPETENCIES

### Management processes

- Work Force Management
- Operational center development
- SCADA system integration
- Contact Center
- Non-revenue water

### Construction activity

- Water treatment plant construction, reconstruction
- Mobile water treatment plant installation

### Engineering activity

- Pressure management
- Water loss analysis
- Water quality projects

[ CORPORATE DEVELOPMENT,  
MODERNIZATION ]



## Customers

→ **750,000**  
customers

→ **2,000,000**  
supplied population



## Revenues



**24** billion HUF  
→ **drinking water**

**8** billion HUF  
→ **wastewater**

**10** billion HUF  
→ **export/other**

2004

Appearance of  
the wastewater  
sector

2012

Repurchase

2013

BKSZTT  
take over



Residential water fee 2015

**172.4** HUF/m<sup>3</sup>+VAT  
in Budapest

## Owners

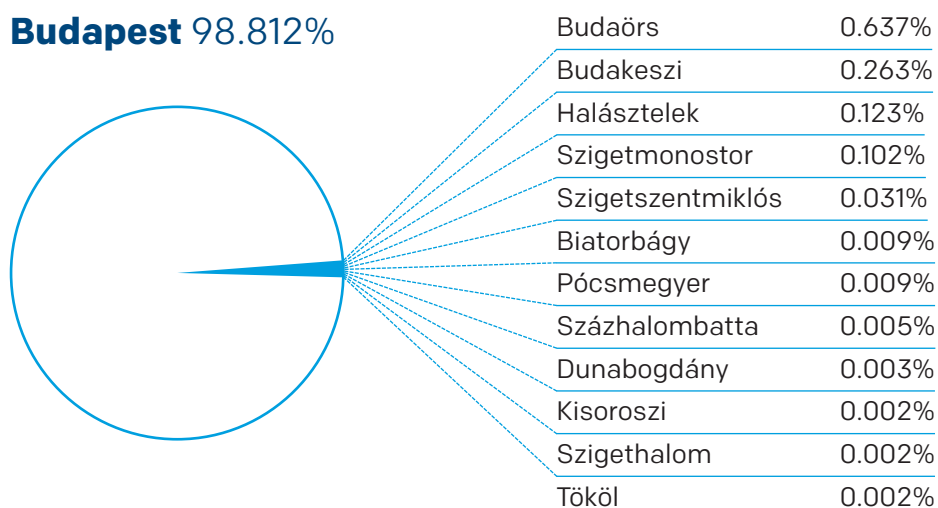
Budapest Waterworks operates as a joint stock company. After repurchasing the minority share package from foreign investors and thus changing the ownership structure of the Company in 2012, further changes took place with regards to the ownership in the last three years, while the Company continued to be in 100% ownership of the Municipality of Budapest.

As a result of Act CCIX of 2001 (Vksztv.) changes in the Company's activity and service area significantly transformed the structure of the municipal share-

holders as well: the service area expansion ensured that municipalities responsible for the service in the area also appeared as shareholders, thus by the end of the year 2015 the circle of owner municipalities increased to 13.

**The main shareholder of the Company with 98.812 % is the Municipality of Budapest.**

### Ownership structure on December 31, 2015



# Management

## Chairman of the Board

András Sármay

## Board

József Dámsa  
Dr. Csaba Górn  
Csaba Haranghy  
Béla Hegyeshalmi  
János Rimóczy  
Bálint Theisz

## Chairman of the Supervisory Board

Dr. Dénes Kosztolányi

## Supervisory Board

Sándor Katona  
András Kolozs  
Máté Kovács  
Gábor Pelcz  
Józsefné Stiffel

## Auditor

PricewaterhouseCoopers

## CEO

Csaba Haranghy

## CFO

Ferenc Keszler

## CTO

Péter Kraft

## MANAGERS

### Technical Investment Manager

Gábor Imre Pálffy

### International Business Development Manager

Tamás Miklós Bencze

### Wastewater Sector Operational Manager

Bence Rudolf Márialigeti

### Support Services Manager

Róbert Fritsch

### Customer Service Manager

Péter Bognár

### Water Sector Operational Manager

Géza Csörnyei



## Our mission

The mission of Budapest Waterworks as a water utility service provider – which supplies over 2 million people with healthy drinking water every day – is to ensure effective and safe drinking water supply and wastewater services at an affordable price.

**Our main goal is to maintain drinking water quality, drinking water safety, environmental protection and infrastructure security.**

Our aim is to preserve and strengthen our position as the best performing Hungarian water utility company by increasing our operational efficiency and achieving the best benchmark levels. In order to preserve financial stability of the Company and to maintain service changes that are exceptionally favorable in Hungary and on an international level we increase our revenues through non-core products and services.



## Social engagement

Budapest Waterworks as a responsibly operating large company aims to create consistency between achieving its business goals, its social responsibility especially environmental protection, sustainable development and supporting those in need. In addition to the high-level service activity we also pays special attention to acting in the best interest of the public.

### → Environmental protection

Environmental protection occupies a central position in the activities of Budapest Waterworks. In order to protect our drinking water resources we traditionally pay special attention to the treatment of environmental problems and prevention of environmental pollution.

Our Company's management is committed to the protection of the environment, the prevention of environmental pollution and the continuous strengthening of the Company's environmentally conscious activities. In accordance with the increasing expectations we traditionally pay special attention to the detection and treatment of environmental problems and the prevention of environmental pollution beyond our core activities. Environmental protection, drinking water production and water supply compose an integral unit in our activities and with this in mind we devote significant funds to the efficient protection of our water resources and the environment.

In order to continuously improve the quality of drinking water and our environmental performance based on our environmental policies, we introduced an environmental management system that encompasses the entire company, which is certified according to the MSZ EN ISO 14001: 2005 standard.

Environmental protection and the preservation of water resources played a prominent role in our plans for 2015, we spent almost seven times more for this purpose than in the previous year. The environmental program is determined by targets established under the environmental management system.

With the extension of Budapest Waterworks activities the focus on environmental protection has increased significantly. The BKSZTT operated since June 1, 2013 has also ISO 9001 and 14001 certifications.

With biogas production and technical optimizations, the BKSZTT's self-sufficiency level reached 57% in terms of energy demand in 2015, and 67% if we remove the energy consumption due to coverage (electricity, gas) which is considered to be highly efficient among the covered (using air purification) plants even internationally. Within the framework of the Plant's environmental program, noise and odor tests, as well as emission tests and other environmental analytical measurements are carried out regularly.

In 2015, water pollution fee reduction covered the establishment of the hydroelectric power plant installed on the run-off channel, which contributes to further improve the plant's self-efficiency ratio. With green energy production the plant's CO<sub>2</sub> emission can be reduced by almost 170,000 kilograms annually.

The plant constantly maintains its green areas, by planting trees and replanting vegetation, ensuring that the proportion of green areas remains 70%.

## → Sponsorship

We developed the sponsorship policy of Budapest Waterworks along reasonable and transparent principles. We endeavoured to define guidelines and objectives that reflect the Company's commitment to society and also meet the expectation of the consumers and society at large.

Our support principles determine the policies and issues which facilitate the strengthening of the Company's commitment to the society, reflect the direction of our progress, and are in accordance with the Company's objectives. The annual magnitude of the amount devoted to support is determined based on the joint assessment of the economic results and expected impact on our operating environment

The four cornerstones of our sponsorship policy are: responsibility for the environment, healthy lifestyle, commitment to cultivated free time opportunities for the disadvantaged and those living in our service area.

Therefore in 2015, we primarily helped organizations, institutes and events which are related to sports, healthy lifestyles, environmental protection, environmental awareness and charities. For the future of the water utility profession we attach outstanding importance to the support of the future generations' edu-

cation in the field of water management and water production, the activities of professional organizations in the mentioned fields, and events dedicated to the above.

## → Missionary activities

A main priority of Budapest Waterworks' strategy is to provide assistance to areas left without healthy drinking water after disasters. In cooperation with professional disaster management agencies, our Company has been engaged in the management of domestic disaster situations and emergency water supply since 1986. In 2009 in order to support this activity our experts created state of the art mobile water cleaning and packaging equipment that is modular, mounted on pallet and equipped with sand, ultra, reverse osmosis filters and UV disinfectant. It was then expanded with a saltwater module in 2014.

In December 2013 the team of Budapest Waterworks travelled with this equipment to the typhoon-ravaged Philippines in three shifts and in May 2014 they also carried out a similar mission in one of the worst hit towns in the Serbian Obrenovac after the Balkan floods. At the same time another waterworks team performed water cleaning and packaging activities in the Bosnian town of Zavidovic with two older pieces of equipment of smaller capacity. Budapest Waterworks maintains continuous contact with the local authorities and is ready to share its experience and expertise whenever countries that suffered a natural disaster need it. Beyond the humanitarian aims our cross-border relief efforts greatly contributed to the increase in the Company's international awareness and reputation.







### International Missions of Budapest Waterworks

- 2005 Sri Lanka
- 2010 Romania
- 2013 Philippines
- 2014 Serbia
- 2014 Bosnia and Herzegovina
- 2015 Albania



# Budapest Waterworks management in 2015

## → Financial situation

**The Company's 2015 financial situation and liquidity was stable, and it always fulfilled its payment obligations in time.**

The replacement of foreign investors' shares was realized by purchasing our own shares, for which the Company received a shareholder loan. Out of the remaining HUF 4.9 billion loan in 2015 the Company paid back a further HUF 700 million, so the debt by the end of the year was reduced to HUF 4.2 billion.

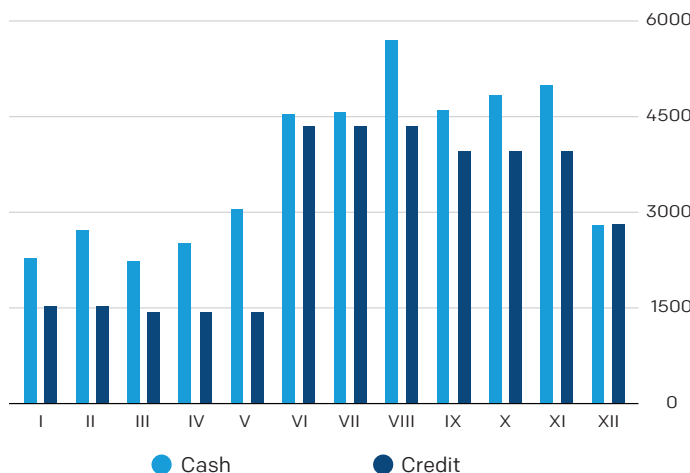


HUF 1.1 billion in overdraft taken in 2014 to reduce the financial risk has been modified to HUF 800 million in October of 2015.

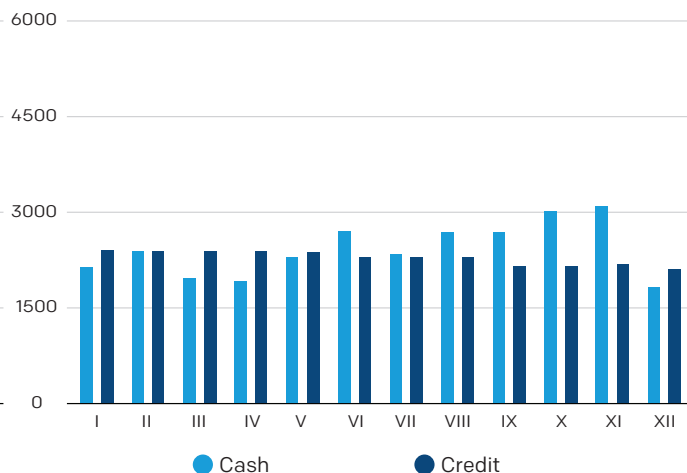
In 2015 the level of cash and cash equivalents was lower than in the previous year. The closing net cash

was HUF 2 176 million which is 21.9% less than in the year of 2014. The main reason for this is that in 2014 the Company paid back the total HUF 1 534 million investment loan which was borrowed in the previous years. As a result of this the Company's financial management in 2015 was more significant than usual.

Cash and credit 2014 (M HUF)



Cash and credit 2015 (M HUF)



## → Revenues

Total revenues of the Company amounted to HUF 42,143 million, which is 4,238 million (11.2%) more than in 2014. Net sales revenues increased by 13.4% which represents an increase of HUF 4,645 million.

The HUF 1,009 million increase in the drinking water revenue was due to the extremely favorable weather conditions in terms of water consumption. In the residential category, unlike in previous years, an increase occurred.

Revenues from other activities increased by 232%, which is HUF 483 million more than in the previous year. The increase was due to an increase in trading

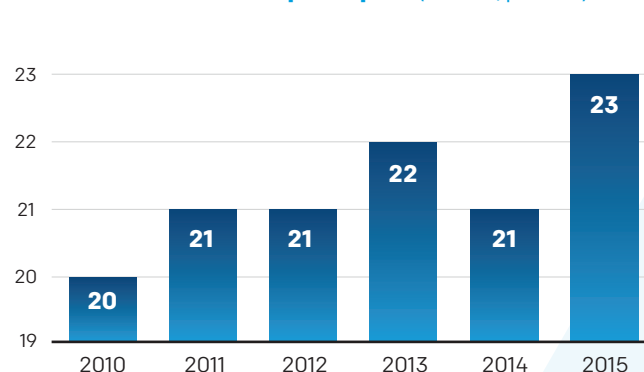
activity revenues and the revenues from technical activities were also higher. However due to the elimination of the workers' hostel facility service, revenues decreased.

The expansion of the Company's activities also contributed to the revenue growth significantly. In the revenues originating from exports a 3,137 million HUF increase occurred. The main reason is that the revenue from the Sri Lanka project was HUF 4,869 million compared to HUF 1,745 million in 2014.

**In 2015 the Company realized a significant growth and with that the highest revenue per capita ever.**

Revenues (M HUF)	2014	2015
Drinking water revenue	22,975	23,984
Sewage service revenue	1,096	1,155
Wastewater treatment revenue	6,694	6,651
Other activities	3,896	7,516
<b>Total net sales</b>	<b>34,661</b>	<b>39,306</b>
Other revenues	1,735	1,514
Own performance value	1,509	1,323
<b>Összesen</b>	<b>37,905</b>	<b>42,143</b>

Net sales revenue per capita (M HUF/person)



## → Costs, expenditures

Cost and expenditures increased by 11.8%. The main reason for the increase of expenditures is aside from the export activity expansion of Budapest Waterworks – mainly due to the state of the labor market – is the increase of personnel expenditures.

Total material expenses increased by 16.8%. Material costs were decreased by HUF 105 million, mainly due to the fact that chemical use of the BKSZTT was significantly less because of the operation of the third cleaning stage, 70–80% operational cleaning efficiency, and as a result of the newly concluded contracts.

Electricity costs increased by HUF 81 million which was mainly due to the increase of drinking water production. Beyond the water production, energy costs were greatly influenced by the fact that to meet the great energy demand of BKSZTT aside from simply purchased energy, the produced biogas also had to contribute to cover energy needs. In 2015 the plant produced a significant amount of biogas and self-sufficiency efficiency reached 57%. This value is particularly good even in comparison to international

competitors especially when considering that BKSZTT is not allowed to receive any external waste and reaches this efficiency level with only incoming suspended solids. Due to the biogas production in 2015 the estimated savings on electricity amounted to HUF 440 million.

Services used decreased by HUF 132 million, mainly due to the reorganization of the in-home sub-meter readings, which decreased the total amount paid to the Díjbeszedő Holding Zrt. by HUF 219 million. However due to legal regulations the number of recorded delivery letter mails increased significantly, which caused a significant increase in costs. In 2015 changes in the Collective Agreement and primarily the staff number increase which was the result of the return of the meter reading activities caused a HUF 725 million wage cost increase. The increase of other personnel type payments was mainly due to changes in travel expenses accounting (personnel expenses instead of material type expenses) and the cost increase in workers accommodation provided for the staff.

## → Accounts receivables

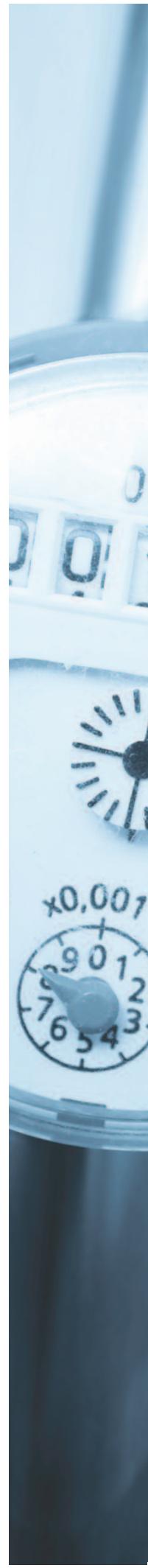
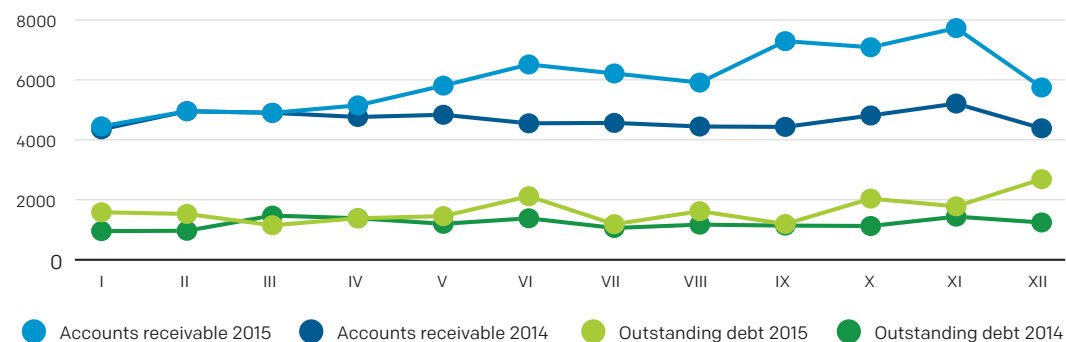
The gross value of trade receivables increased from HUF 4,381 million to HUF 5,733 million compared to 2014, the cumulative impairment loss was 15 million HUF, thus net trade receivables changed from HUF 3,795 million to HUF 5,162 million.

Receivables of our own invoiced clientele increased from 1,261 million HUF to 2,696 million HUF compared

to the last year, while the own water related – from drinking water and wastewater services – outstanding debt declined by HUF 44 million compared to the end of last year.

Out of the HUF 586 million impairment loss from trade receivables in 2014 the Company reinvested HUF 193 million in 2015.

Accounts receivable – outstanding debt (M HUF)



## → Financial position

The composition of the equity had been influenced by two factors: the HUF 803 million increasing effect of the 2015 balance sheet result and the fact that the Company placed the HUF 1,444 million balance sheet profit into retained earnings.

Equity (M HUF)	2013	2014	2015
<b>Equity</b>	<b>21,020</b>	<b>11,803</b>	<b>12,606</b>
Registered capital	58,600	7,978	7,978
Capital reserve	12,464	0	0
Profit reserve	-9,170	2,381	3,825
Tied-up reserve	11,938	0	0
<b>Balance sheet result</b>	<b>-52,812</b>	<b>1,444</b>	<b>803</b>

Based on the law on public utility services as a consequence of the water utility property transfer as of January 1, 2013 the Company's HUF 70.5 million assets were transferred to municipalities responsible for the service, thus the company's equity decreased significantly. Because from this time on the Company operates water utilities under an asset management contract, the amount which was part of the equity but now reduces the registered capital hereinafter appears in the Company's books as long-term liability.

## → Profit and loss

The Company's operational profit was HUF 1,490 million. The financial result of the Company was minus HUF 176 million, which means a 131 million HUF result improvement compared to the previous year. The Company's pre-tax profit was HUF 1,240 million.

Tax liability of Budapest Waterworks for 2015 is HUF 437 million – adjusted with tax base modifying items. Out of this HUF 43 million is corporate tax liability, and HUF 55 million must be paid in taxes abroad for international projects. From 2013 a further tax liability incurred in addition to the corporate tax liability for Budapest Waterworks: as a new tax form a 31% public utility provider tax must be paid, which amounts to HUF 339 million based on the results of 2015.

### **The profit after tax is HUF 803 million.**

The Company did not plan to pay dividends in 2015, thus the balance sheet result is identical with the profit after tax.

*The management of Budapest Waterworks is responsible for the compilation of the 2015 Annual Report. The 2015 Annual Balance Sheet and Profit and Loss Statement – which is part of the Annual Report – prepared pursuant to the Accounting Act presented in the following chapter. Sales figures in the Profit and loss Statement had been divided by activities. Auxiliary annex of the Annual Report will not be published in this Report.*

## → Profit and loss statement

	2013	2014	2015
	(M HUF)	(M HUF)	(M HUF)
<b>Revenues</b>			
Drinking water	24,167	22,975	23,984
Sewage service revenue	180	1,096	1,155
Wastewater treatment revenue*	3,908	6,694	6,651
Industrial water	184	176	194
Revenue of other activities*	1,856	1,895	2,360
Wastewater pumping revenues	2	15	15
Export revenue	838	1,810	4,947
Total net sales revenue	31,135	34,661	39,306
Other revenues	1,748	1,735	1,514
Own performance value	1,091	1,509	1,323
<b>Total revenues</b>	<b>33,974</b>	<b>37,905</b>	<b>42,143</b>
<b>Expenditures</b>			
Material costs	2,395	3,072	2,967
Electricity costs	2,421	2,460	2,541
Material-type services used	6,643	8,629	8,497
ELÁBÉ, mediated services	847	1,729	4,722
Other services	1,388	1,383	1,441
Total material expenses	13,694	17,273	20,168
Labor costs	5,976	6,491	7,216
Personnel costs	692	780	937
Wage contribution	1,815	1,974	2,180
Personnel expenses	8,483	9,245	10,333
Depreciation	4,626	5,081	5,417
Other expenditures	4,875	4,773	4,735
<b>Total expenditures</b>	<b>31,678</b>	<b>36,372</b>	<b>40,653</b>
<b>Operational profit or loss</b>	<b>2,296</b>	<b>1,533</b>	<b>1,490</b>
<b>Financial operations</b>			
Revenue from financial operations	165	213	126
Financial expenditures	721	520	302
<b>Financial profit or loss</b>	<b>-556</b>	<b>-307</b>	<b>-176</b>
<b>Ordinary profit or loss</b>	<b>1,740</b>	<b>1,226</b>	<b>1,314</b>
<b>Extraordinary operations</b>			
Extraordinary revenues	17,160	241	273
Extraordinary expenditures	70,908	417	347
<b>Extraordinary profit or loss</b>	<b>-53,748</b>	<b>-176</b>	<b>-74</b>
<b>Profit or loss before tax</b>	<b>-52,008</b>	<b>1,050</b>	<b>1,240</b>
<b>Tax liability</b>	<b>804</b>	<b>-394</b>	<b>437</b>
<b>Profit or loss after tax</b>	<b>-52,812</b>	<b>1,444</b>	<b>803</b>
<b>Balance sheet result</b>	<b>-52,812</b>	<b>1,444</b>	<b>803</b>

## → Balance sheet\*

	2013 (M HUF)	2014 (M HUF)	2015 (M HUF)
<b>A. Fixed assets</b>	<b>102,437</b>	<b>104,923</b>	<b>111,018</b>
I. Intangible assets	527	563	615
II. Tangible assets	101,304	104,045	110,106
Technical equipment, machinery, vehicles	100,802	103,059	109,384
Investments	502	986	722
III. Financial fixed assets	606	315	297
<b>B. Current assets</b>	<b>19,378</b>	<b>8,739</b>	<b>9,069</b>
I. Inventories	363	714	967
II. Receivables	4,480	5,239	5,926
Receivables from trade and services (customer)	3,075	3,795	5,162
Other receivables	1,405	1,444	764
III. Securities	11,938	0	0
Bonds purchased for sale	0	0	0
Own shares, business shares, shares purchased for sale	11,938	0	0
IV. Liquid assets	2,597	2,786	2,176
Cash and checks	2	2	2
Bank deposits	2,595	2,784	2,174
<b>C. Prepayments and accrued income</b>	<b>3,113</b>	<b>2,435</b>	<b>3,246</b>
<b>TOTAL ASSETS</b>	<b>124,928</b>	<b>116,097</b>	<b>123,333</b>
<b>D. Equity</b>	<b>21,020</b>	<b>11,803</b>	<b>12,606</b>
I. Registered capital	58,600	7,978	7,978
II. Capital reserve	12,464	0	0
III. Profit reserve	-9,170	2,381	3,825
IV. Tied-up reserve	11,938	0	0
V. Balance sheet result	-52,812	1,444	803
<b>E. Provisions</b>	<b>1,273</b>	<b>1,038</b>	<b>431</b>
<b>F. Liabilities</b>	<b>99,489</b>	<b>100,183</b>	<b>106,739</b>
I. Non-current liabilities	92,600	93,782	99,214
II. Current liabilities	6,889	6,401	7,525
Advance payments from customers	2,029	1,708	828
Liabilities (suppliers)	2,527	2,748	4,531
Short-term loans	369	375	375
Other current liabilities	1,964	1,570	1,791
<b>G. Accruals and deferred income</b>	<b>3,146</b>	<b>3,073</b>	<b>3,557</b>
<b>TOTAL LIABILITIES</b>	<b>124,928</b>	<b>116,097</b>	<b>123,333</b>

\* The balance sheet does not include the impacts of the realignment of balance sheet lines due to affiliated companies.

## → Audit Report







## **Report of the independent auditor on the summary financial statements (Free translation)**

### **To the shareholders of Fővárosi Vízművek Zrt.**

The accompanying summary financial statements, which comprise the summary balance sheet as at 31 December 2015, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of Fővárosi Vízművek Zrt. for the year ended 31 December 2015. We expressed an unmodified audit opinion on those financial statements in our report dated 30 May 2016. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by Act C of 2000 (the Accounting Act). Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Fővárosi Vízművek Zrt.

### **Management's Responsibility for the Summary Financial Statements**

Management is responsible for the preparation of a summary of the audited financial statements on the basis described on the page 21.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Hungarian Standards on Auditing 810, "Engagements to Report on Summary Financial Statements" and with applicable laws and regulations in force in Hungary.

### **Opinion**

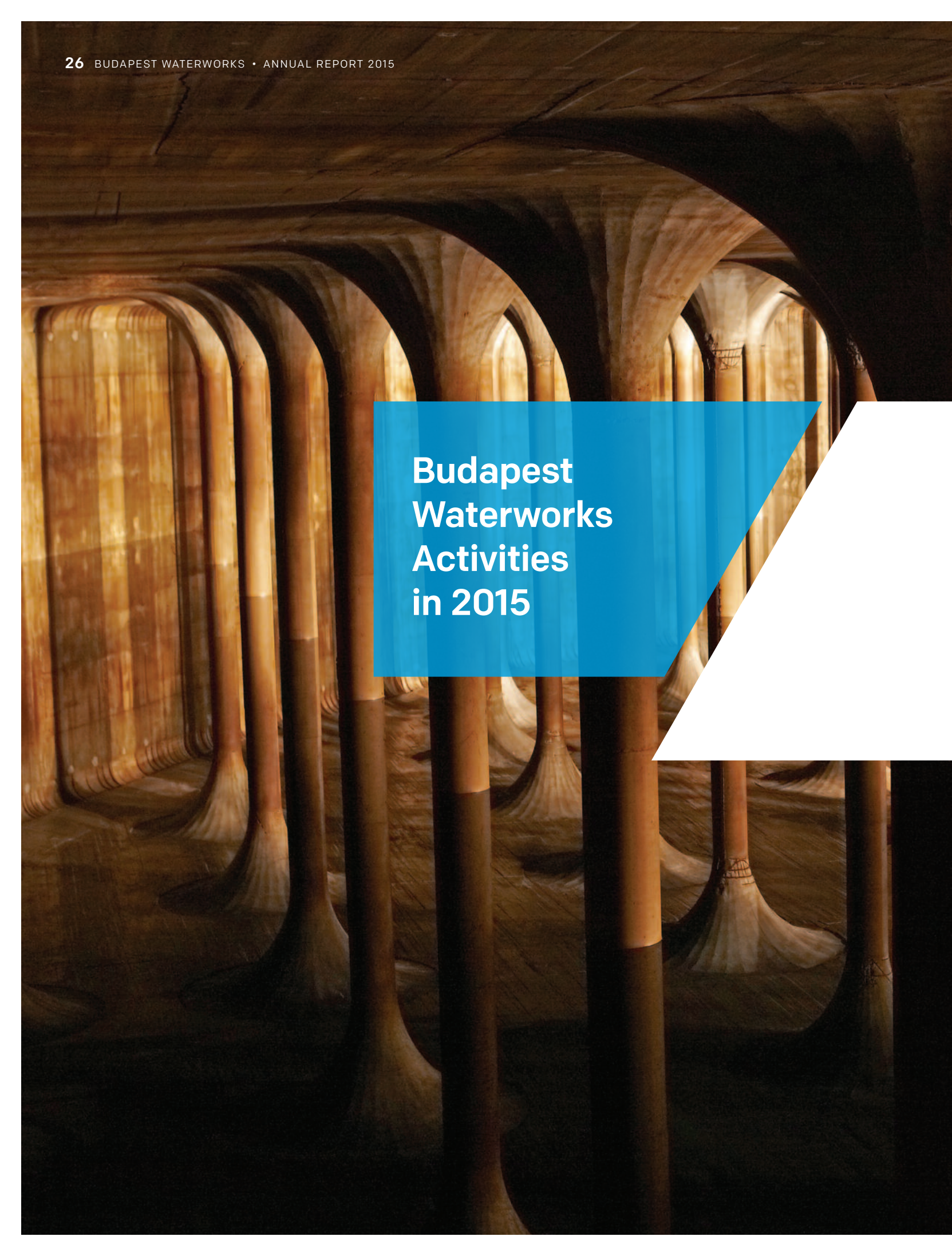
In our opinion, the summary financial statements derived from the audited financial statements of Fővárosi Vízművek Zrt. for the year ended 31 December 2015 are consistent, in all material respects, with those financial statements, on the basis described on page 21.

Budapest, 8 September 2016

Péter Biczó  
Partner  
Statutory auditor  
Licence number.: 004957  
PricewaterhouseCoopers Auditing Ltd.  
1055 Budapest, Bajcsy-Zsilinszky út 78.  
License Number :001464

### *Translation note:*

*Our report has been prepared in Hungarian and in English. In all matters of interpretation of information, views or opinions, the Hungarian version of our report takes precedence over the English version.*



**Budapest  
Waterworks  
Activities  
in 2015**

## Water sector

### → Water production capacities

The Danube's water level was favorable until the middle of August, after this the operation went on in accordance with the operational state of small hydroelectric plants. In October and November for 9 days the water level stayed under the critically low level (<70 cm). Flood control was not necessary. Water production and distribution facilities were operating throughout the year with proper capacity and operational readiness. The Company was able to fully satisfy water demands at any time.

## → Drinking, industrial water production and sales

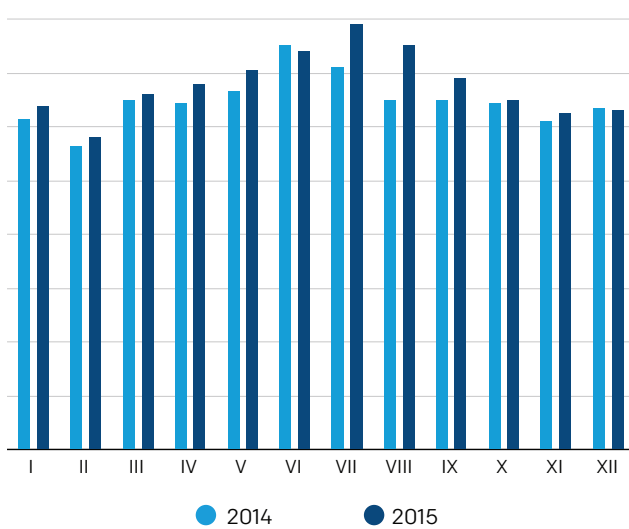
Drinking water production amounted to 162,802 thousand cubic meter In 2015, which is – due to favorable weather conditions – 4.5% more than in the previous year.

The highest daily production reached the 606 thousand m<sup>3</sup> in July that is 25 thousand m<sup>3</sup> more than the maximum in 2014. The 446 thousand m<sup>3</sup> daily average drinking water production is 19 thousand m<sup>3</sup> more than in the previous year.

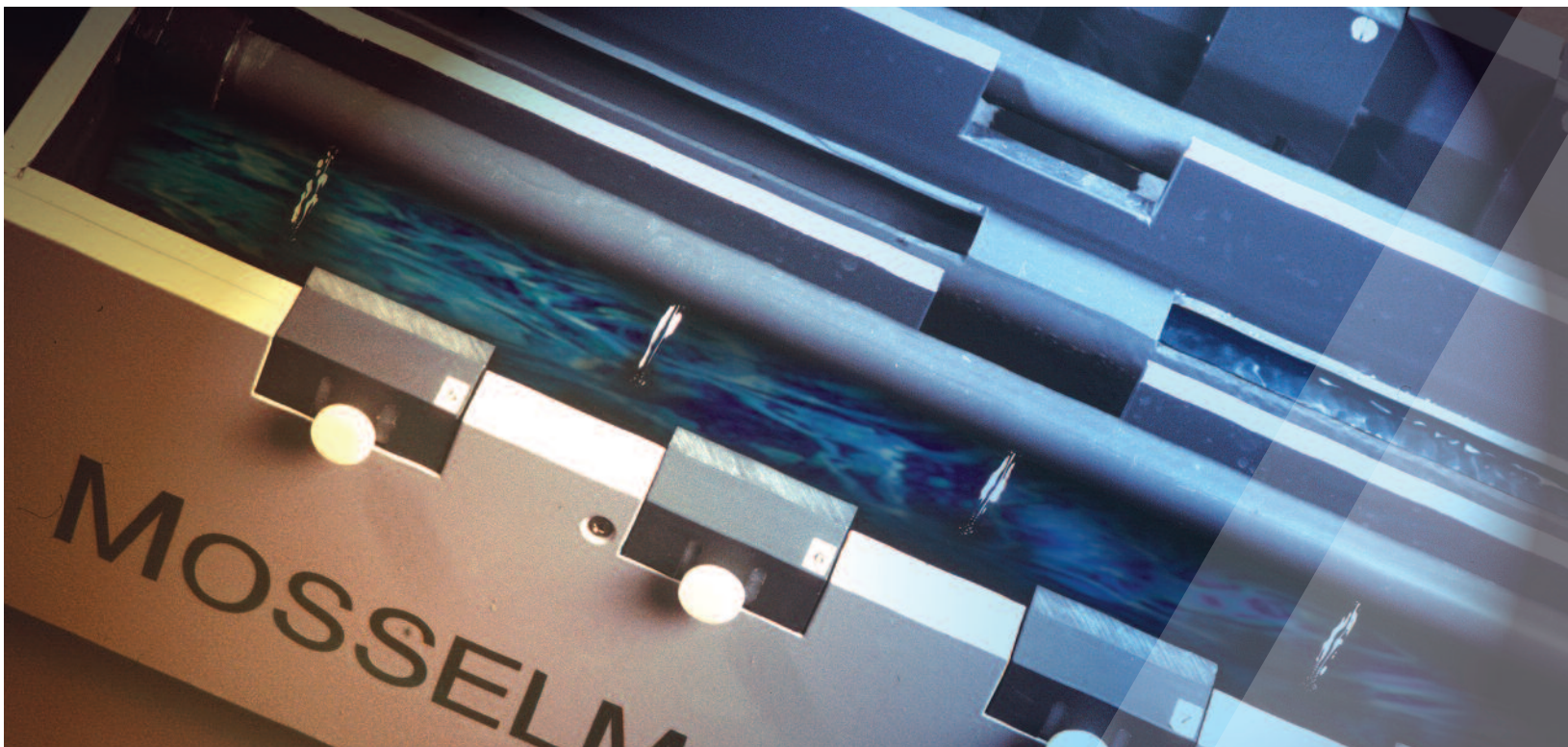
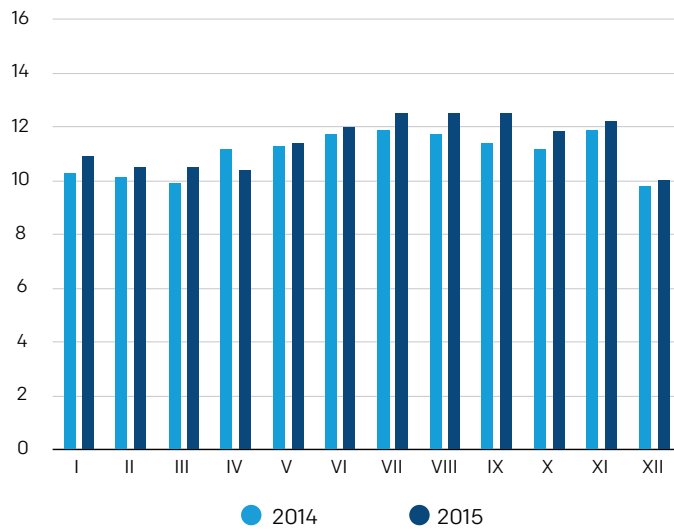
The industrial water production was fully provided by the South Pest Plant. The annual amount was 1,648 thousand m<sup>3</sup>, that is 3.4% more than in 2014.

In 2015 invoiced drinking water volume (without accruals) was 137,189 thousand m<sup>3</sup>. Compared to the sales of the previous year this represents an increase of 3.6%. Taking accruals into account the increase is 5.1% (131,336 thousand m<sup>3</sup> in 2014 and 138,001 thousand m<sup>3</sup> in 2015).

Monthly drinking water production (M m<sup>3</sup>)



Monthly drinking water sales (M m<sup>3</sup>)

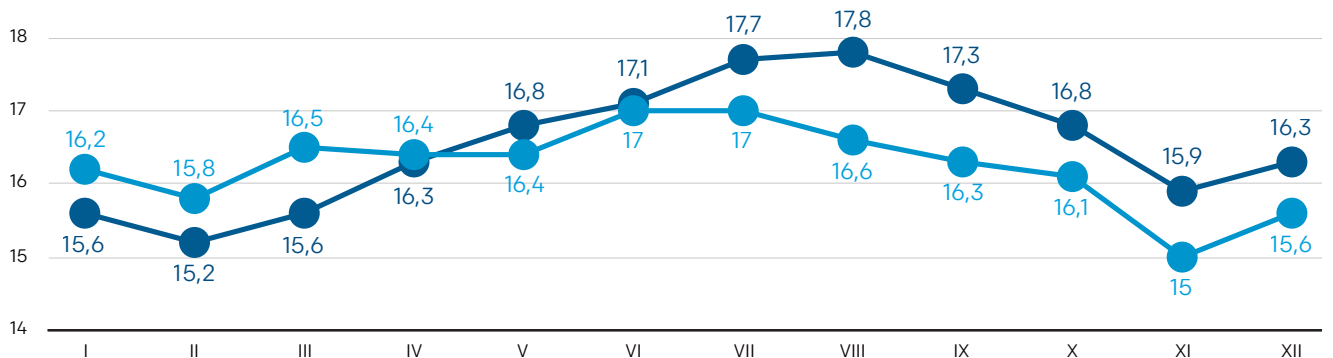


## → Non-revenue water

The value of non-revenue water – which is calculated, based on the cumulative production and sales data of the last 12 month up to the reference month – was 16.3% in 2015.

In 2015 programs launched earlier to reduce the amount of non-revenue water were continued, such as the use of devices qualified according to European test rules for large diameter and the reduction of meters with expired validity.

Non-revenue water 2014–2015 (%)



## → Water quality

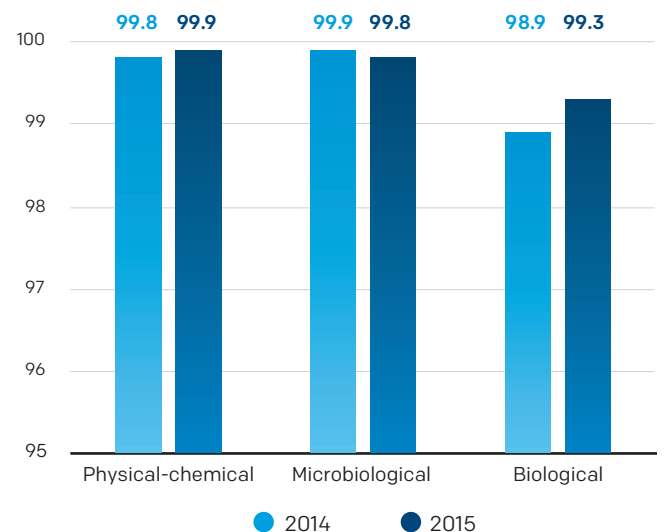
Budapest Waterworks carried out water services in strict compliance with the Hungarian and EU standards regarding water quality also in 2015, ensuring adequate water quality for the population, the industrial and communal users, and for related companies.

In 2014 further significant changes were introduced in the regulatory environment regarding water quality. From December 25, 2013 the 25µg/l lead limit was reduced to 10µg/l and water suppliers had to ensure that the supplied water is below this limit in 2014. Furthermore the number of required official investigations was increased from 5% to 10%.

The Company monitors drinking water quality according to the sampling plan approved by the Public Health Authority (Government Office of the Capital City Budapest, Policy Administration Services of Public Health formerly National Public Health and Medical Officer Service), based on the parameters and requirements laid down in the Government Decree No. 201 of 2001.X.25. on the quality standards and monitoring of drinking waters and related legislations.

The monitoring process of water quality covers all of the factors affecting the quality of the drinking water. In 2015 the Company conducted an analysis of 190,484 parameters in the course of 10,137 sampling. With regards to the supplied water (consumer points, reservoirs, pump houses, feed points) 70,963 parameters were analyzed on the basis of 3,238 samples from the total sample numbers. Compliance based on the parameter numbers was 99.8% and total compliance based on the sample numbers was 95.8%. Both values are higher than that of last year.

Provided water suitability according to parameters (%)



# Wastewater sector



## → Wastewater treatment, sewage services

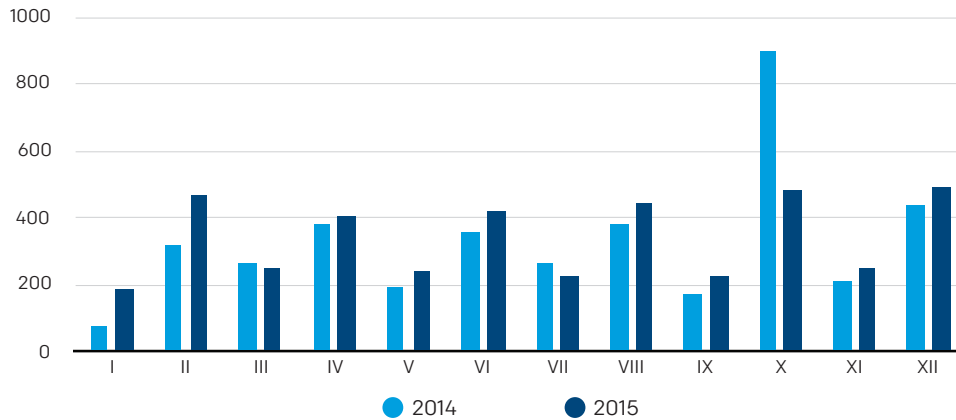
The Company took over the wastewater services of Budakeszi and Halásztelek and the water and wastewater services of Biatorbágy, Tököl, Szigetszentmiklós, Kisoroszi, Pócsmegyer and Szigetmonostor. As a result of this significant expansion the Company also took over the operation of four wastewater treatment plants – Biatorbágy, Budakeszi, Tököl, Szigetszentmiklós – thus a total of five wastewater treatment plants are operated by the Company.

In 2014 and 2015 as a result of the KEOP investments both the Tököl and Szigetszentmiklós wastewater treatment plants have been renewed and their technology extended, while in Budakeszi a modern wastewater treatment plant was built in a new location with MBR membrane filtration technology. With these improvements wastewater treatment capacity increased from 11,900 m<sup>3</sup>/day to 18,811 m<sup>3</sup>/day.

Budapest Waterworks took over the operation of 417 km long wastewater network with the plants, which

includes 81 pumping stations and bays. In 2015 KEOP developments concerning the wastewater network had also been realized. Under the Water Utility Service Law the maintenance of in-home pumping stations located on the network also became the Company's task. Throughout the year the Company began operating in a total of 170 in-home small pumping stations in the area of Biatorbágy, Tököl and Szigetszentmiklós.

In 2015 the plants received a total of 4,997 thousand m<sup>3</sup> wastewater, which is a daily average of 13,690 m<sup>3</sup> wastewater to be treated, which means 82.1% utilization. As a result of the KEOP developments the previous overload of the plants has been eliminated, Biatorbágy operated with 95.4%, Budakeszi 84.4%, Tököl 70%, and Szigetszentmiklós with 95% utilization. During the year drainage of 115 thousand m<sup>3</sup> wastewater and its transfer to the DMRV Zrt. was realized from the networks of Pócsmegyer, Kisoroszi and Szigetmonostor on the Szentendre Island.

**Sewage service (Thousand m<sup>3</sup>)**

In 2015 out of the total of 4,053 thousand m<sup>3</sup> (without accruals) wastewater 2,519 thousand m<sup>3</sup> was residential, 779 thousand m<sup>3</sup> non-residential, while the volume of the received wastewater amounted to 755 thousand m<sup>3</sup>.

With the accruals a total of HUF 1,155 million in revenue had been generated from channel services, out of that, revenues from base fees amounted to HUF 4 million, the consumption fee was HUF 1,026 million, revenues from the received wastewater amounted to HUF 53 million and finally an amount of HUF 72 million was generated from water pollution fee reduction.

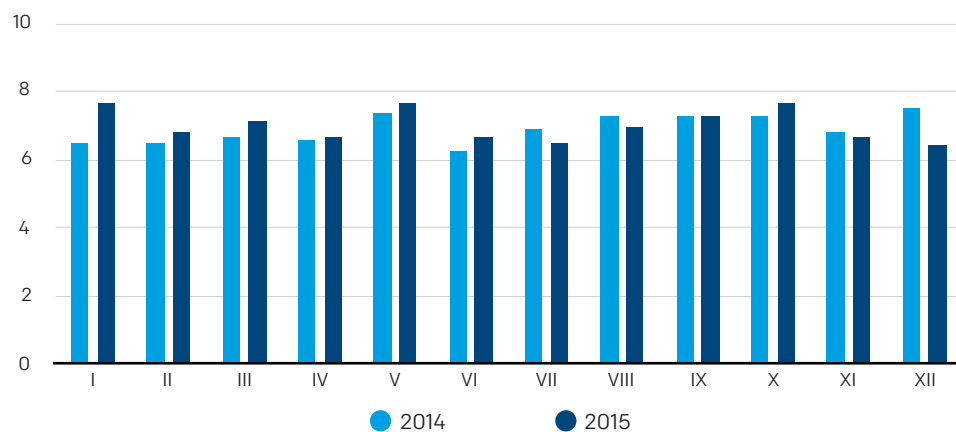
Budapest Waterworks operates BKSZTT since June 1, 2013. The corporate law merger of Budapest Waterworks and BKSZT Kft. took place in 2014 and the Court of Company Registration registered the merger of the BKSZT Kft. with effect from July 31, 2014.

In 2015 the amount of invoiced treated wastewater was 84.3 million m<sup>3</sup>, which is a 1.4 per cent increase

compared to last year. With the 350 thousand m<sup>3</sup>/day nominal capacity the average daily utilization of 231 thousand m<sup>3</sup> resulted in a 66% average capacity utilization of the treatment plant.

The HUF 6,651 million wastewater treatment service revenue was HUF 55 million higher than in the previous year. Out of the above, revenues from wastewater treatment amounted to HUF 2,472 million, revenues from water load charge were nearly HUF 435 million, revenues from rental was HUF 2,879 million, revenues from sludge treatment amounted to HUF 881 million, and the property insurance revenue was HUF 14 million.

Due to the extra costs of the level 3 cleaning stage the Company turned to the Hungarian Energy and Public Utility Regulatory Authority, rather than to the Ministry of National Development with a different fee-setting request. The claim was rejected in both places on the grounds that the additional costs can only be considered in the subsequent official charge statement.

**Monthly wastewater treatment (M m<sup>3</sup>)**

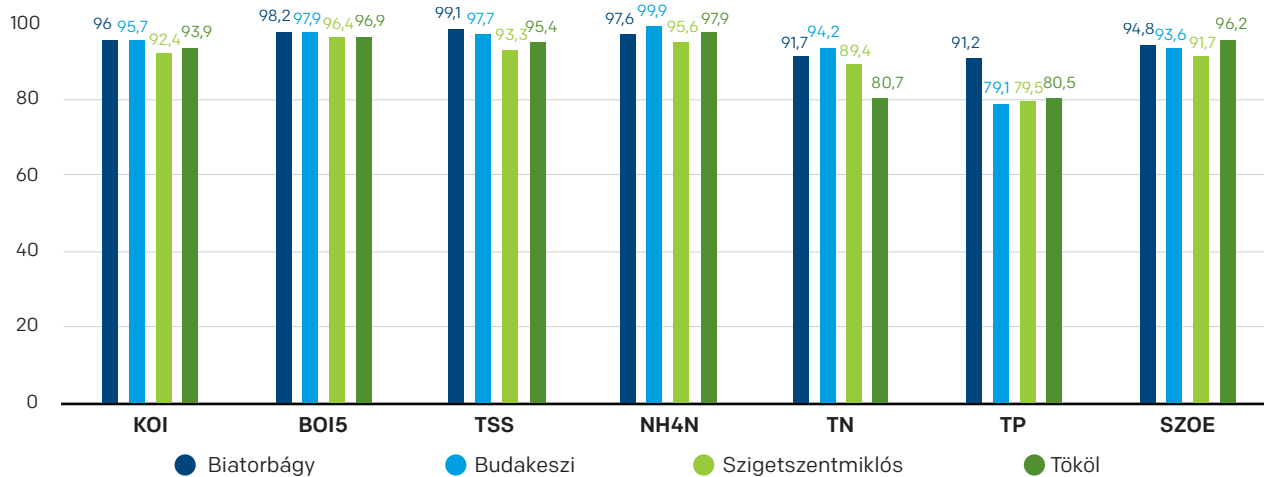
## → Wastewater quality

Accredited measurements are carried out monthly **in the agglomeration wastewater plants taken over by Budapest Waterworks**, where both the influent and effluent wastewater are analyzed based on 7 different parameters in the same way as in the BKSZTT.

In 2015 a total of 47 official measurements were carried out. Out of the 329 parameters of the 47 measurements the result of 11 parameters was above the limit: in Budakeszi 1, in Szigetszentmiklós 8, and

in Tököl 2 measurement results exceeded the limit. In case of two plants the exceedance was the result of the KEOP development and the trial operation. Since the Company announced the development to the authorities wastewater fines are not to be expected. In Tököl the two exceedances took place in different time period and two different parameters were affected, thus fine is not expected from there either. In case of Biatorbágy all measurement results were within the prescribed limits during the year.

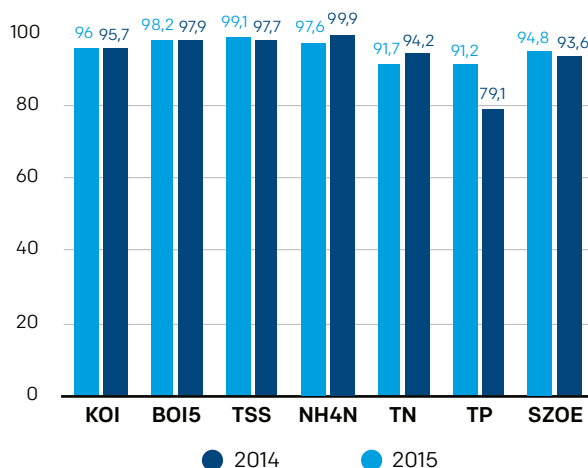
Average pollutant removal efficiency at the agglomeration wastewater plants (%)



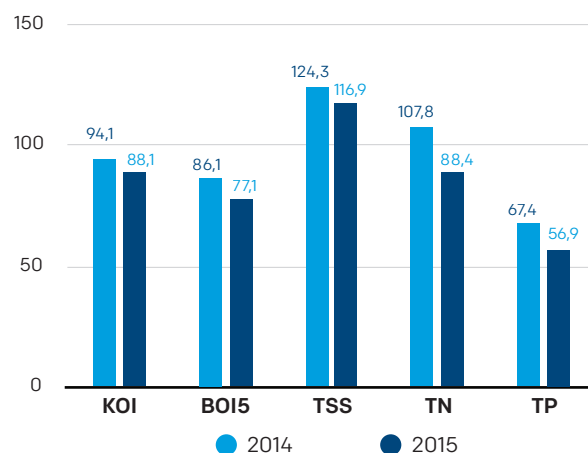
**At the Central Wastewater Treatment Plant** in Budapest 24 accredited measurements are carried out on the inlet, on the pre-settled, and on the effluent wastewater yearly, based on a pre-determined schedule.

In 2015 with one exception the measured values were within the specified limit. In addition technological measurements are also carried out daily in the wastewater laboratory of the plant.

Average pollutant removal efficiency (%)  
BKSZTT



Influent wastewater capacity utilization (%)  
BKSZTT



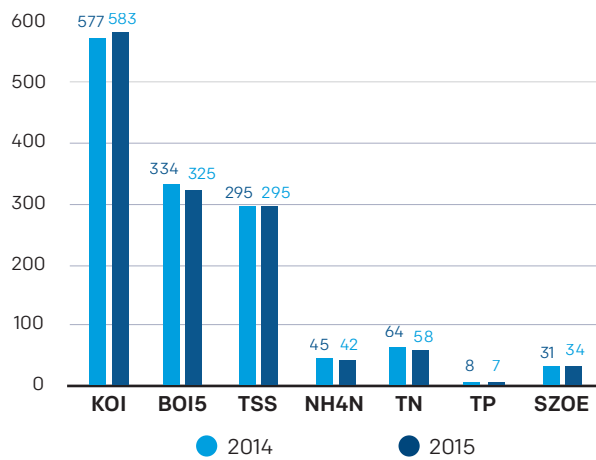


Quality of the effluent water (mixed with rain water) was excellent even in comparison to the limits regarding effluent water from the biological level (treated, not mixed with rain water). By examining the values of the influent water quality it can be clearly seen that the capacity utilization calculated from average values was typically above 85% in 2015 compared to the 95% in the previous year. Other than the total suspended solids, values of the influent water quality stayed under the planned limit (100%). This indicator is important because the amount of the incoming pollutant has an effect on the techno-

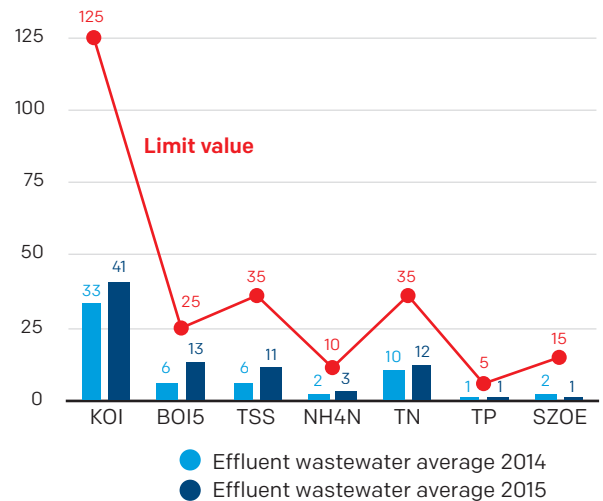
logical processes, and its increase also generates an increase in the operation and maintenance costs.

The total suspended solid load deserves special attention. Although capacity utilization improved by 7.3% for this parameter, it is still substantially above the 100%, meaning that more suspended solids arrive to the plant on daily average than the planned maximum. With careful operation the Company was able to handle the overload, however it required continuous and increased attention in the field of equipment maintenance.

**Influent wastewater quality – BKSZTT (mg/l)**



**Effluent wastewater quality – BKSZTT (mg/l)**



## Service charges

### → Drinking water and sewage service charges

Drinking water and wastewater service charges are determined by the Price Authority. After the Water Utility Service Act entered into effect in 2012, significant changes occurred in the role of the price authority. According to the provisions of the Act former municipality pricing is replaced with central price regulation.

Fees of utility drinking water supply, and utility wastewater drainage and treatment in the future will be determined – taking into account the proposal of the Hungarian Energy and Public Utility

Regulatory Authority – in a ministerial decree by the minister responsible for water utility services.

Since a price change has not occurred since the Act came into effect, in 2015 the Company had to charge the same fees that were effective in 2014.

After taking over the service activities of the agglomeration settlements, Budapest Waterworks charges the previously used water and wastewater service fees that are adjusted according to the decrease in public utility charges.

#### The most common water service charges in the Company's service area

	From July 1, 2013	2014	2015
Budapest residential water consumption fee (HUF/m <sup>3</sup> )	172.40	172.40	172.40
Budapest non-residential water consumption fee (HUF/m <sup>3</sup> )	198.90	198.90	198.90

### → Wastewater treatment charges (BKSZTT)

Under the Wastewater Treatment Service Agreement between the Municipality of Budapest, Budapest Sewage Works (FCSM) and Budapest Waterworks, the FCSM is obligated to pay water treatment service fee to the operator of the Central Wastewater Treatment Plant in Budapest since June 1, 2013.

The wastewater treatment service fee includes, in addition to the wastewater treatment, the water pollution and the sludge recycling fees, rental and

property insurance charges. The wastewater treatment fee is a charge proportional to the amount of treated volume (HUF/m<sup>3</sup>) that is invoiced by the Company based on the incoming wastewater volume. Determination of the water pollution charge is made on the basis of the existing legislation. According to the law the wastewater acceptance fee also falling under central price regulation, determination of the fee will be the competence of the minister responsible for water utility services.

## Additional services

Partly in order to satisfy customer needs more extensively and to utilize the accumulated professional experience and partly to compensate for the revenue loss caused by the ever decreasing water consumption we laid the foundations of new commercial and marketing activities at the end of 2009.

The WaterPlus (VízPlusz) brand created by Budapest Waterworks in 2010 is targeted mainly at the business segment. We developed it as an umbrella brand consisting of market based business and technical services. Its elements have become known services recently, which satisfy consumer needs beyond our basic services. Services under the WaterPlus brand including drinking water and bath water tests, water-loss recovery, and soil radar services, which can be ordered online from our Company's website.

Based on the results of the regular customer satisfaction surveys, we constantly incorporate feedback from our customers into our business development activity, striving to serve our customers on an even higher level and to increase their satisfaction.

The WaterPlus brand is continuously expanded with new service offers for the general public. Its most popular element is the WaterPlus card. With the free discount card WaterPlus offers customers a number

of services and products provided by our 26 different partners. The number of cardholders was almost 34 thousand in 2015.

In March 2014 we introduced our "Waterproof protection" insurance service, which offers a solution to the customers of Budapest Waterworks hoping to reduce the risks resulting from water leakages. The "Waterproof protection" provides assistance to individuals even in unexpected life situations such as unemployment or inability for work. As of December 31, 2015 the number of insured customers was close to 2,000, while the number of notices of loss was 46.

In 2013 we started the installation of network water feeder equipment in leasing arrangement. By the end of 2015 the resulting revenue was 44% higher, while the number of installed equipment increased by 60%.

By involving more channels our Company reorganized its data management and contribution collection activities in 2012. It resulted in a growth of available data management contributions from 8,503 (2011) to more than 150 thousand that we have today. This helps to establish and maintain customer relationships, enforce claims arising from the legal relationship. It also contributes to make customer service activities more cost effective and allows the storage of legally clean data according to the law. On top of that it represents a considerable support for the promotion of commercial activities, the sales of WaterPlus services and also makes customer-satisfaction surveys easier.

## International services

With the help of its nearly one and a half century of technical, operational and service experience and its well-trained professionals, Budapest Waterworks successfully participates in international projects that aim to modernize the drinking and wastewater service system of certain areas either within the framework of intergovernmental cooperation or through independent tenders.

Professional enquiries from various countries around the world indicate the desire of our partners to cooperate. Negotiations are underway in European and Asian countries, and we have already signed agreements in the fields of consultation, technological development and prime contractor investment.

Reconciliation with several cities have started recently in the area of consultancy, technology development and prime contracting. It is of special value to the region's decision makers that during the period since the regime change, Budapest Waterworks has already experienced the phase of the market, technological, operational and economic development that the cities concerned are yet to face.

Behind our domestic and increasingly growing international drinking water and sewage services, as well as our water and wastewater treatment results there are our well-trained professionals who regularly publish in Hungarian and foreign professional journals and are invited to conferences all over the world.

Within the framework of our cooperation we provide our partners with services that can help them raise their service standards and ensure security to a higher level, increase operational efficiency, reduce losses, and improve customer satisfaction. The background for all this is provided by our technological and management solutions taking into account the individual characteristics and adapting to them.

An example is the agreement on the reconstruction works of two water treatment facilities signed with the National Water Supply and Drainage Board of **Sri Lanka**'s capital city Colombo. The two wastewater treatment plants provide water supply of Sri Lanka's capital Colombo and the surrounding areas (about 1.5 million people). The current waterwork engineering structures need to be developed in terms of both capacity and the quality of the treated water.

Our Company signed two cooperation agreements with AZERSU, the national water utility company of **Azerbaijan** after completing a project on the introduction of a GIS based job management system. The two new commissions include the planning of two drinking water reservoirs and the professional supervision of the project's implementation as well as the quality assurance of a newly introduced IT project.

Negotiations continued to prepare the contract for constructing a water treatment plant on the Red River near Hanoi, **Vietnam**.


In 2015, the preparatory work for the project began, which under the framework of the program between the Hungarian and the **Indonesian** government and targeting the establishment of water treatment facilities. The public procurement announced by the Indonesian Public Works Ministry was won by the joint cooperation of Budapest Waterworks – Artha Enviro-mata Jo Joint Operation led by Budapest Waterworks. Within the framework of the project water treatment units will be constructed in a total of 34 settlements on three Island of Indonesia on Sumatra, Java and Sulawesi. The implementation period is 18 months, with 24 months warranty time.

According to the agreement in 2014 with the IWAD and the World Bank, in 2015 the Company with its domestic and international consortium partners helped as a consultant the water utility companies of the **Western Balkan** region to develop their business- and long-term development plans, mainly in the fields of customer service, recovery management and activities for the reduction of non-invoiced water.

### Export revenue ratio compared to the total net revenue

2012	2013	2014	2015
0.0%	2.7%	5.2%	12.6%

The international activity contributes to the increase of the Company's revenue in an increasingly bigger proportion. The main reason of the 3,137 million HUF export revenue increase is that the income from the Sri Lanka Project was 4,869 million HUF compared to the 1,745 million HUF in 2014.



Western Balkans

Baku, Azerbaijan

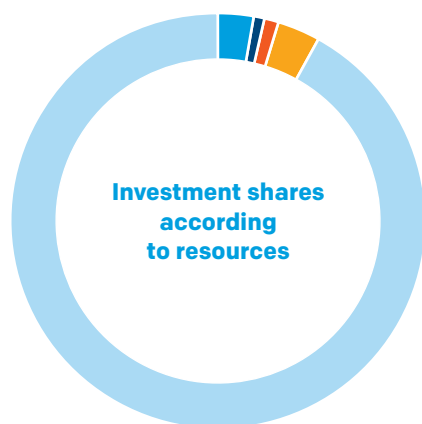
Hanoi, Vietnam

Colombo, Sri Lanka

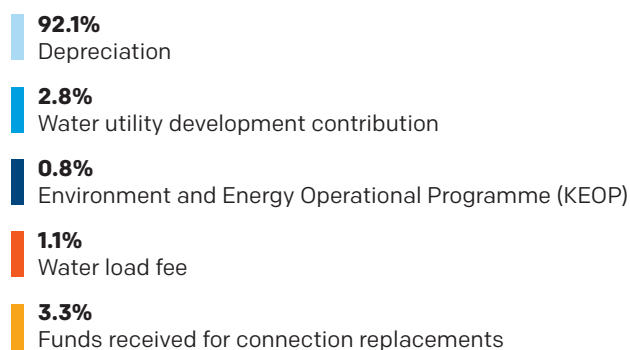
Indonesia

## Investments

In 2014 the Company's total investments amounted to a total of HUF 5,720 million, which is 7.4% more than the previous year's performance. The increase in funds was due to the overall investment reserve in 2014.



In 2015 the network pipes were renewed in a total length of 13.5 km of which 13 km was water network, and 0.5 km was wastewater network reconstruction. For the 1,045 connection replacements the Company spent a total of HUF 196 million.



## Maintenance and operation

In 2015 the Company spent HUF 524 million more on maintenance and operation than in 2013.

The reason of the increase on one hand is the increase in the number of water network failures, additionally, the increased operational and maintenance requirements of the wastewater sector due to the warranty period expiration of the BKSZTT and the large number of troubleshooting and maintenance works in the agglomeration.

Also the support area received additional funds above the plan to carry out extra tasks.

### Maintenance, operation (M HUF)

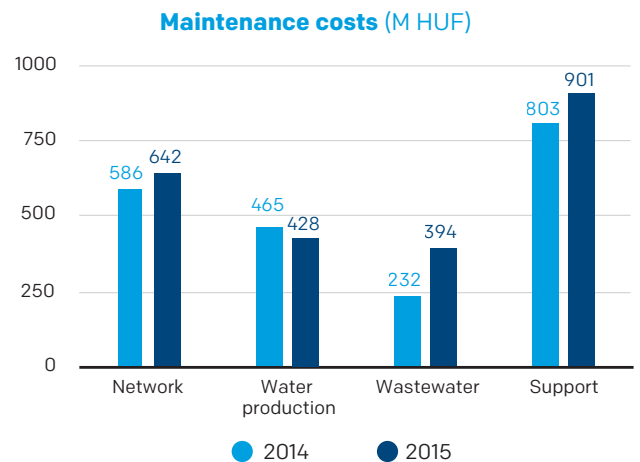
	2014	2015
<b>Troubleshooting</b>	<b>2,128</b>	<b>2,351</b>
Water network	1,474	1,594
Water production	218	183
Wastewater	268	418
Support area	168	156
<b>Maintenance</b>	<b>2,086</b>	<b>2,365</b>
Water network	586	642
Water production	465	428
Wastewater	232	394
Support area	803	901
<b>Operation</b>	<b>917</b>	<b>939</b>
Water network	431	441
Water production	486	498
<b>TOTAL</b>	<b>5,131</b>	<b>5,655</b>

## Maintenance

In 2015 the costs of preventive, scheduled maintenance exceeded that of the previous year by 13.4%. The Company devoted 9.6% more to network maintenance this year, mainly to closing valves and connection line maintenance. Although the water production area spent 8% less on maintenance compared to last year, thanks to the efficient cost management, 19 deferred and 14 pre-accomplished works had been realized, which were scheduled for 2016. Continuing the rationalization of the previous year's works not affecting the service level remained in deferred status.

In the wastewater sector a crucial portion of the HUF 209 million maintenance costs of the agglomeration settlements was spent on the maintenance of the wastewater treatment plants, the large pump stations, the presskan system in Tököl and the wastewater network.

In 2015 the HUF 185 million preventive maintenance costs of the BKSZTT means a more than 6% increase compared to the last year. The warranty period for most of the Plant expired in July, 2014, which resulted greater maintenance needs.

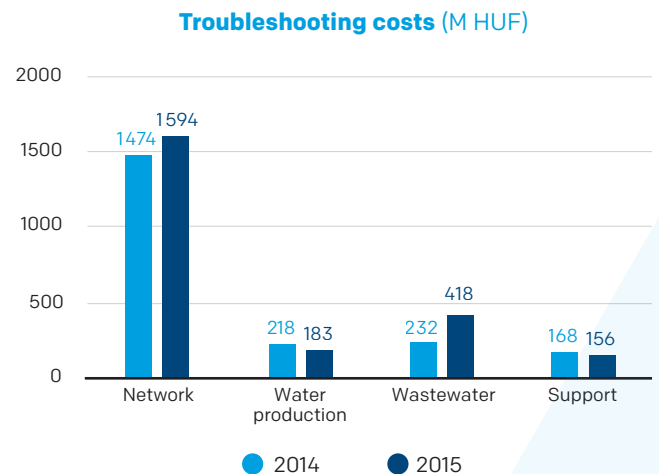


## Troubleshooting

The number of network failures increased by a total of 1.5% compared to 2014. As a consequence the network's troubleshooting costs were 120 million HUF more than in 2014.

The number of failures of the water production facilities decreased by 9.8% compared to 2014 and the amount spent on repairs decreased by 16.1%. A significant role was played by the fact that troubleshooting due to the flood in 2013 ended in 2014, so in 2015 it did not generate any cost.

The wastewater sector generated a total of HUF 261 million troubleshooting cost most of them caused by the presskan pumping station in Tököl, by the large pumping stations, and the repair works of the wastewater plants and the wastewater network. In case of the BKSZTT most of the repair works reported took place on the water line and sludge line also in 2015. Although compared to 2014 15% more repair work had to be done, costs were 2.1% less.



## Customer service activity

Budapest Waterworks considers one of its most important tasks to be the maintenance of as extensive contact with our customers as possible. Adapting to the requirements and lifestyle of the 21st century we constantly look for opportunities that may make administration even easier and more convenient for our customers. In our service palette everyone can find the most appropriate contact option for them.

The Company's customer service areas are certified according to the MSZ EN ISO 9001:2008 standard, which ensures and guarantees that our customers receive high quality service in terms of both corporate and customer requirements. The SAP's IS-U module provides IT background for this activity, which also handles the record-keeping of water meters, the organization of meter replacements, meter reading and invoicing, invoice management and collection as well as customer relations.

After a quick registration at the [www.ugyfelszolgalat.vizmuvek.hu](http://www.ugyfelszolgalat.vizmuvek.hu) website you can find information online on consumption, contract, open and paid invoices, your current account balance, meter position can be recorded, you can change the replacement date of the meter, and it is also possible to initiate a case without administrator's help. Menu items of our online customer service serve the quick and convenient administration. We also often receive requests from our customers via the [vizvonai@vizmuvek.hu](mailto:vizvonai@vizmuvek.hu) email address. Results of the customer satisfaction surveys conducted among the customers demonstrate that our customers are greatly satisfied with this administrative method.

The Company's environmentally conscious approach is reflected in the electronic treatment of the incoming requests all the incoming mails received by the Central Archives are forwarded to our customer service exclusively in an electric form. Due to the electronic document management, work is not only faster and more flexible but also paperless. As another element of the environmentally responsible operation the crediting process is also done in an electronic way, thus saving paper and printing costs.

At our customer service an English-speaking administrator is also available. With the help of our "Click to call" service you can now directly initiate a phone call to the Waterline (Vízvonal) directly through our website.

In our accelerated world information acquisition from the internet plays an increasingly important role. At the [www.vizmuvek.hu](http://www.vizmuvek.hu) website besides important Company information our customer service information materials and forms can be found. Our website is also available in mobile friendly version. Our customers have up to date access to the information on maintenances, announcements and administration through their smartphones. In 2014 we prepared the introduction of our Home+ (Otthon+) mobile application, which allows anyone to easily and quickly provide their consumption data no matter where they are. The application will be downloadable for free from the app stores of the Hungarian operational systems.

Our Company carries out customer service activities for other service providers as well both at our call center and at our customer service offices.

Beside the phone and online administration there are still many people visiting our customer service offices in person, where to help the more convenient and efficient administration the customer service of another service provider became available in 2015. So in addition to Budapest Waterworks the customer service of five other municipal service provider is available. In the joint customer area informational boards help the customer's orientation.

In order to fully satisfy the increased personal customer service needs which associated with the expansion of our service area, two additional customer service branch offices have opened in 2015.

In 2015 the "one stop" customer service was used by nearly 800,000 people, more than 325 thousand people reach out to us by phone, more than 140 thousand in person, more than 140 thousand in mail, more than 25 thousand in email and our online customer service was visited by over 110 thousand people.





In 2015 as the first utility provider we introduced the Home+ application. With this free application our customers can submit their consumption data easily and quickly no matter where they are at, they can take a picture of their meter position, they can review their previous meter readings, and they can also send a message to our Company, and the application notifies them about the upcoming dictation period. The application is available for Android, IOS and Windows smartphones. In 2015 almost 9 thousand people used this convenient service.

The 24 hour toll-free number which was launched to dictate meter position in August 2015 and can be called from landline also serves the faster and more convenient administration.

In 2015 significant changes took place in the management of the in-home sub-meters. As of March our Company took back and incorporated sub-meter readings among its activities. At the same time we switched to the more cost-effective annual reading and bimonthly invoicing, which is determined based on the average annual consumption before the last annual reading. Also a considerable change took place in the sub-meter installation, which also resulted an extra revenue to our Company. The changes on the field of sub-meter design, installation, replacement and invoicing were based on own resources and on a new entrepreneurial system. For faster administration we introduced an electronic worksheet.

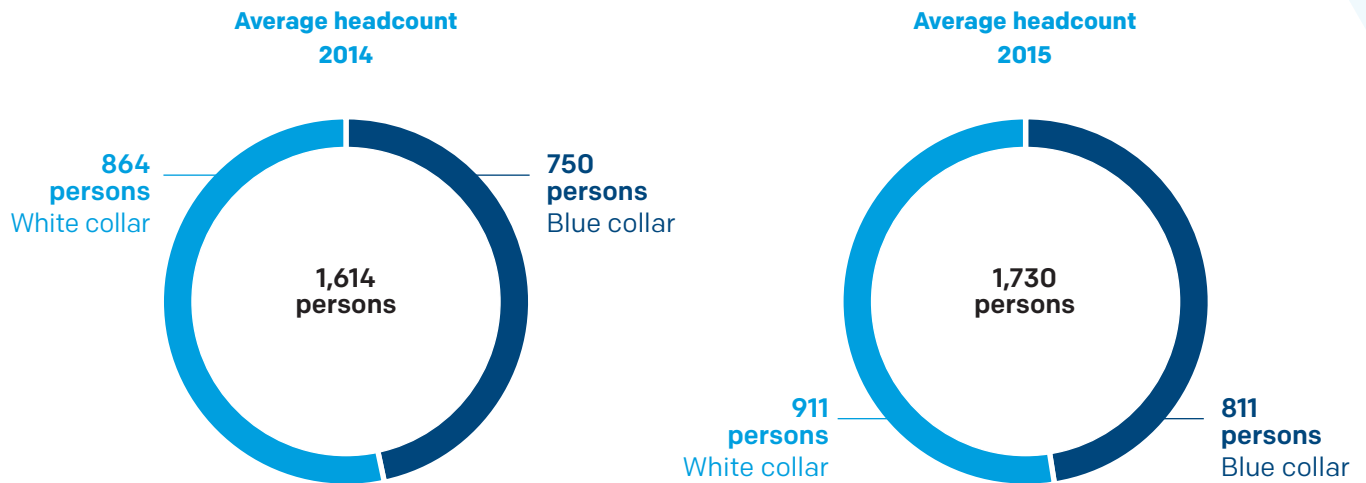
In response to changes in legislation from October, 2015 we introduced a certified entrepreneurial system. Those businesses which complied with the criteria of our Company's tender have been authorized to install sub-meters which are mounted by them. The installation is carried out by qualified contractors on behalf of Budapest Waterworks with sub-meters mounted and installed by them.

According to the decision of the Hungarian Energy and Public Utility Regulatory Authority we renewed our Business Policy in 2015, which is available on the company website.



## Human resources policy

In 2015 the annual average statistical headcount was a total of 1,730 people compared to 1,614 in 2014, the number of full time employees was 1,708 (1,596 people in 2014). The growth in headcount is primarily due to the effect of the water meter reading activities which we took back this year.



## Wage management

In 2015 the Company did not increase wages, but the premium set in the staff-performance evaluation system doubled from two week's base salary to one month base salary.

In 2015 the total amount of fringe benefits (Cafeteria) and its optional elements did not change, it remained 25,000 HUF/month.

## Education and training

In 2015 the Company spent a total of HUF 49 million on education, HUF 20 million more than in the last year, many employees got the chance to receive some kind of education. Thus the Company's employees attended altogether on 2,900 trainings. This also contributed to the satisfaction of increased training needs due to the higher headcount.

As in the previous years also in 2015 those trainings were given priority that helped to ensure that the

Company complies with its legal obligations, and employees are able to keep track of legislative changes and gain the professional knowledge necessary to fulfil their responsibilities. Great emphasis was put on internally organized developments and trainings in 2015 as well. The internally organized training program called Company School (Cégiskola), designed to help the integration of new employees, was utilized on multiple occasions due to the increased number of employees.

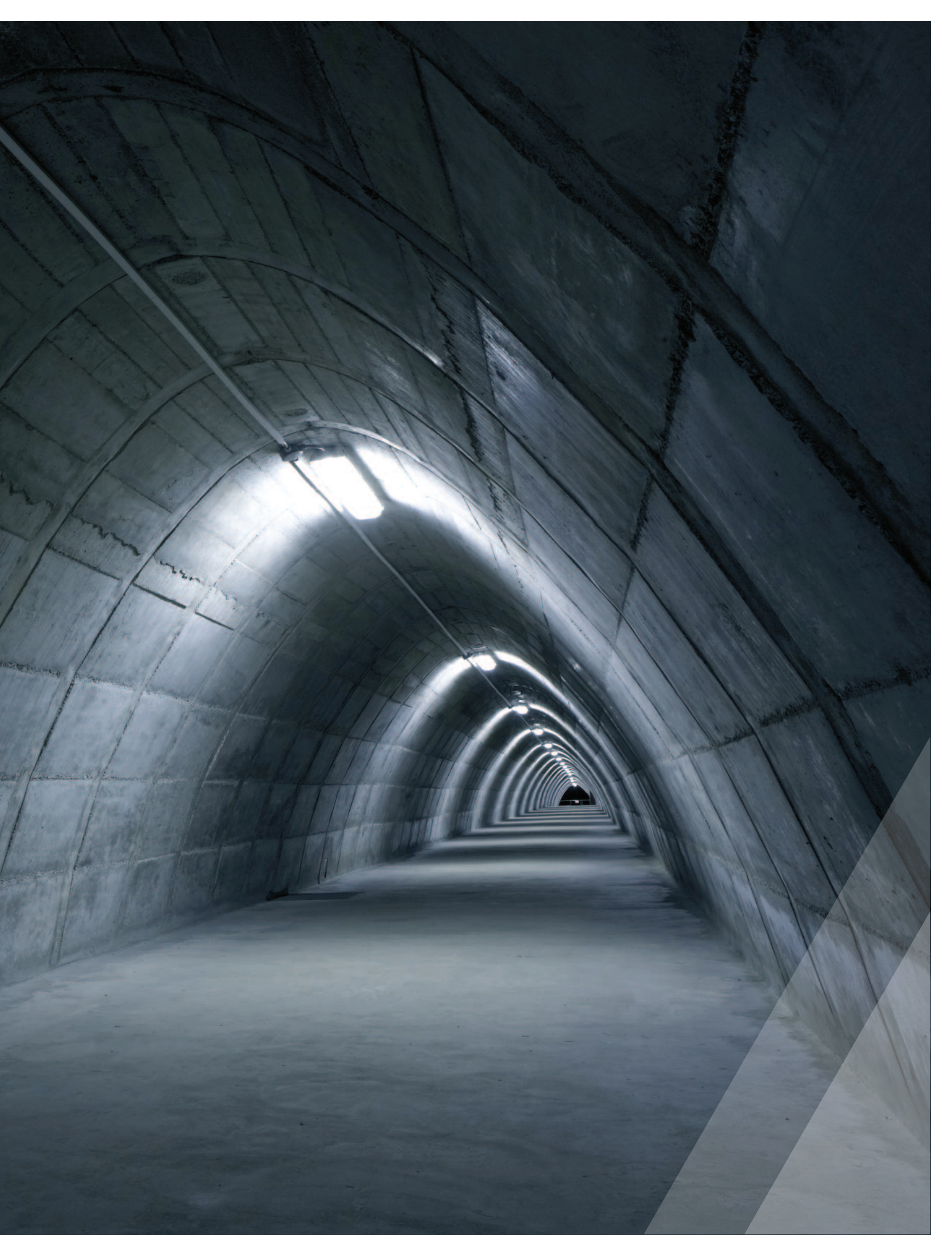






**BUDAPEST**  
**WATERWORKS**

Published by Budapest Waterworks  
CEO's office, 2016





**BUDAPEST  
WATERWORKS**

---

**Budapest Waterworks**

H-1134 Budapest, Váci út 23-27

PO Box: 1397 Budapest, Pf 512

E-mail: [vizvonal@vizmuvek.hu](mailto:vizvonal@vizmuvek.hu)

Phone: +36 1 465 2400

[www.waterworks.hu](http://www.waterworks.hu)