

**BKV Zrt.**

# **Annual Report 2011**

## Address by CEO

The year of 2011 was full of continuous changes and challenges which meant a hectic period of time in the life of BKV Zrt. as well. The long lasting economic crisis strongly influenced the company's financial position, despite the difficulties and the crisis becoming almost permanent the corporation providing the public transport services for the capital and its agglomeration overperformed its business plan by reducing its debt and achieved a positive operating income.

It occurred for the first time in the last 15 years that the fare prices remained the same on the first day of the year as the last month of the last year which means there was no fare increase. In parallel with this some enhancement arrived in the field of the fare dodgers by amending the law: public space inspectors involved in the ticket inspection as from 11 January 2011, thus the fare dodgers no longer can provide fictive data to the ticket inspectors. It clearly demonstrates the efficiency of the new system that the teams afforded with the public space inspectors surcharged 91% more fare evaders from 100 thousand inspections, subsequently on the basis of official documents or police data request. 97% less passengers left without any measure.

Budapest transport network with its various features of terrain offers an exciting and challenging testing opportunity for all vehicle manufacturers, thus several buses were running a number of times on the Budapest roads in 2011 and a special test took place for 9 months in the frame of the European Bus System of the Future (EBSF) project.

Not only test vehicles arrived to BKV this year but also some steps were taken in order to renew the aging fleet: 15 pieces MAN NGE 152 type low-floor, articulated, used trolleybuses from Eberswalde, Germany replaced the old ZIU trolleybuses, while BKV and BKK Centre for Budapest Transport purchased 30 pieces Mercedes Benz Citaro O530 type low-floor, air-conditioned solo buses instead of renovating the oldest Ikarus buses. On the other hand the unique methuselah trams inviting for time-travelling offer a heart-warming amusement in the whole year: beyond the traditional Christmas Tram, the Santa Claus Tram was launched in 2011 as well, with the Finnish Joulupukki on board.

In the spirit of corporate social responsibility a number of initiatives have been launched, the Millennium Underground Museum at Deák Ferenc tér hosted an anomalous exhibition which presented the forgetful and inattentive passengers' items left on BKV services. Clear evidence of its success is that the originally planned opening time had to be extended by one month.

This year brought a solution in the matter of the Alstom metro cars for metro lines 2 and 4, thus the licensing of the vehicles can be continued by involving the National Transport Authority. In the meanwhile the oldest Soviet metro cars reviewed by independent experts were withdrawn from the traffic because of the increasingly common technical failures.

Dr. István Kocsis CEO left BKV by mutual agreement in September. Dr Gyula Várszegi, President of the Executive Board of BKV took over his position and continued the work already started, however he was forced to terminate the Collective Agreement for the order of the owner, the Municipality of Budapest due to liquidity problems. The goal is to sign a new state of the art Collective Agreement, which not only makes the company competitive in the price competition among the public suppliers but ensures favourable conditions even for the employees. Due to Dr Gyula Várszegi's resignation this task falls on me, as the new CEO appointed in February 2012.

Tibor Bolla

CEO

# Economy of BKV Zrt in 2011

## Transport

The rubber-tyred vehicles (buses and trolleybuses) represent the largest proportion of the company's fleet. Out of the 1,365 buses, the number of modern type Volvo 7700A buses amounts to 150 pieces, there are 32 articulated and 13 single Van Hool buses made in Belgium and the rest of the bus fleet is Ikarus. The bus branch heads the list in other aspects as well. 192 bus service lines transported 556.7 million passengers in 2011, which represents 40% of the total number of passengers. 48.4% of the vehicles used in traffic are buses.

Trams come in second place in traffic volume. 21.7% of the vehicles used in traffic are trams serving 31 lines. The 612 trams (including 40 modern Siemens Combinos, the older German DÜVAG, Tatra and Ganz trains and the cogwheel trams made in Austria) carry 393.4 million passengers a year which is 25% of the total number of passengers.

The third largest division is the metro, including the Millennium underground railway. The total length of the three lines is 31.4 km. The 368 carriages operating on these lines carried 302.4 million passengers in 2011; however the metro represents only 13% of the vehicles put into circulation. Russian metro cars run on lines M2 and M3, Ganz articulated vehicles operate on the M1 underground railway line.

The proportion of transport in Budapest performed by trolleybuses is relatively modest, given that the 157 trolleybuses running on a 73 km long network and on 15 lines merely amount to 5.6% of the vehicles put into traffic. This vehicle type represents the same proportion in terms of the number of passengers: 68.7 million passengers used trolleybuses in 2011.

Some lines are still served by old, Russian ZIU type trolleybuses, beside them the fleet is composed by Ikarus, Ganz and Skoda modern vehicles.

The total length of our five suburban railway (HÉV) lines is 103 km. HÉV trains were manufactured in the German Democratic Republic; apart from a few Hungarian MIXA trains

running on the Csepel line. The suburban railway represents 10.4% of the vehicles put into circulation. 70.4 million passengers used the 'green' trains in 2011.

# Major traffic events in 2011

## Serving programs

Similar to the previous years numerous programs were organized in the capital in 2011 as well which needed the contribution of BKV to arrange the required traffic diversions and to ensure the travel of the participants.

Night of the Museums was held in Hungary on the night of 18-19 June 2011, this time we operated one bus route to Szentendre. Later, on 24-25 June, at the Night of Budapest Museums we ran five bus routes in the course of the programs on the basis of previous orders. Circular bus lines operated similar to the previous year but on a modified route because of the significant reconstruction of Deák Ferenc tér and the experiences from the last years.

The programs of Sziget Festival lasted from 10 to 15 August, however some programs were organized even on 8 August. During the Festival there were traffic changes in more service lines, furthermore, our company served the passengers with contractual service lines between Hajógyári sziget and Liszt Ferenc International Airport, respectively between Hajógyári sziget and the railway stations in Budapest. We organized and managed the exceeding passenger traffic with help of the vehicle technicians and traffic staff as well as the security services.

Also the event of Formula One Hungarian Grand Prix led to increased passenger traffic. During this event we provided our service with reinforced workmanship and security. No accidents or traffic disorders happened during these major programs.

We served the events relating to 20 August (national commemoration day, inauguration ceremony of officers, Festival of Folk Arts, events near Kossuth tér and the festive late night fireworks) at high quality as usual, with route changes, more frequented services and longer operating hours.

The event of Cultural Heritage Days was organized on 17-18 September. In the frame of this program our company opened the doors for the visitors of the Baross, Ferencváros and

Cogwheel railway depots, the Ferenc transformer and our museums: the Millennium Underground Museum at Deák Ferenc tér and the Urban Public Transport Museum in Szentendre. In the course of the open days in the Ferencváros and Baross depots we operated nostalgic tram lines.

In November 2011 we celebrated the 100th anniversary of the Gödöllő HÉV (suburban railway) transport together with the district 16 of Budapest and the municipality of Gödöllő.

We also successfully contributed in the events of the city festival of the district 19 and the Connection Day.

## **Denominations of HÉV lines have been modified**

From July 2011 a new notation has been introduced on the HÉV lines, accommodating to the numbering system of lines of BKK (Centre for Budapest Transport). Numbering of the HÉV lines was necessary because of the requirement to create the integrated public transport in Budapest. The numbering was an elementary requirement to difference HÉV from the metro squarely due to the absence of the fare community. The solution – as outline of the subsequent integration and acting on international examples – follows the numbering of the metro lines in line number and in image as well. As continuation of the existing metro lines M1, M2, M3 and M4 being under construction, the HÉV lines have now the following numbers: HÉV line H5 runs to Szentendre, H6 to Ráckeve, H7 to Csepel, H8 to Gödöllő and H9 to Csömör.

## **Traffic safety**

Due to traffic safety campaigns and measures, according to national and metropolitan indicators, the number of accidents, where BKV vehicles have been affected, decreased by 7% (from 2250 to 2089) and the number of our own fault accidents decreased by 12% (from 778 to 687).

The number of accidents with passengers' injury decreased more significantly, by 24% in 2011 (from 442 to 334).

## **Investments and developments**

### **Tendency of the investment activity**

In recent years the Company's economic conditions did not allow the provision of own financial resources for investments any longer, except for some minor vehicle renewals and procurement of small value assets or work clothing and uniform.

Similar to the practice of the past years, the Municipality of Budapest directly financed the public transport-related priority investments in 2011, while the corporate investments and the added value renewals required for the operation of BKV Zrt. were funded by target subsidy compensating the depreciation.

The Municipality handed over HUF 10.98 billion to our Company, as a target subsidy for the year of 2011, compensating the depreciation, within the framework of a so called money instrument transfer agreement, subject to a subsequent accounting.

### **Priority investments**

#### **Construction of metro line 4**

By the end of 2011 on the first phase of metro line 4 the structural engineering work of all ten stations was concluded, so the internal installation and the system construction works could be started on all locations. Respecting the internal installation the completion level of the stations in Buda is between 50-95%, and in Pest – where the tunnel boring shields passed later, therefore the internal installation could began later – the completion level was between 20 and 50% depending the location by the end of 2011.

The completion level of electrical supply equipment and system is approximately 30-35% on the whole line. Mechanical construction, sub-contractor's work and electric cabling are going on at the stations of Kelenföldi pályaudvar and Szent Gellért tér. The internal installation at Tétényi út station is 90% ready, the completion level of the stations Bocskai út and Móricz Zsigmond were 70-75% at the end of the year. The commissioning of the whole 10 kV and 0,4 kV auxiliaries power system took place and also the trial run was successful at Tétényi út

station. Energy supply is provided by the new equipments. The commissioning of the equipments at the station Bocskai út is under preparation.

Escalators with a less than 14 metres rise were delivered to the stations of Kelenföldi pályaudvar, Tétényi út and Bocskai út, they are set and prepared at the moment for the trial run. Supplying the escalators to the stations Kálvin tér and Szent Gellért tér is continuous.

The construction of the not bearing structures at the stations in the Pest side was finished; the subcontractor's works, mechanical mountings and electric cabling are in progress here.

The tunnel construction finished in 2010, all connecting works – the station and the structural engineering works of the track connection at Szent Gellért tér – were finished in autumn 2011, the surface and the road have been set back to the original state on the square. With a temporary traffic solution, Múgyetem rakpart was opened to the traffic on 2x1 lanes.

The construction of the vehicle depot terminated by the end of 2011 as well, at the moment the authority procedures are under way, connected to the technical handover.

In the frame of the track construction the track network and the tunnel runoff system were built, furthermore the cable bracket system installed to the tunnel wall and the escape route were built as well. The track construction reached the Fővám tér station in the Pest side in the left side tunnel, in line with the placement of cable carriers on the tunnel wall.

The delivery slots above the stations were covered – after significant supplying of appliances – so the landscaping works can go on almost on every location. These works will be finalized by the second half in 2012 or in 2013 depending on the location. The completion level of the whole project is at the moment approximately 70%. The financial completion level is proportional: HUF 238.7 billion was paid until now from the complete budget which is HUF 373.4 billion.

## **The change of the vehicle fleet on metro line 2**

BKV and the company Alstom delivering the new vehicles agreed on 21 July 2011 on the delivery contracts abrogated on 19 October 2010 to put again in force. Consequently, the contracts have to be considered valid from 30 May 2006. At the same time some commercial and cover terms were modified favourably for BKV Zrt.

The AM5-M2 type metro received the final type permission (on 4th June 2012) whereas the producer certified for the National Transport Authority that the metro carriages are able to fulfil the Hungarian regulations after the modification of the brake system.

## **FUTÁR Project**

FUTÁR project (the Hungarian acronym stands for Traffic Control and Passenger Information System) is an integrated public transport-related IT system which will come into existence with a funding from the European Union.

The project will implement state-of-the-art GPS-based vehicle tracking and positioning, standardised traffic control, troubleshooting and real-time passenger information in the bus, trolleybus and tram branches, on 2,295 vehicles, at 257 stops and traffic junctions, on mobile devices (SMS) and on the web. The system will give priority to the public transport vehicles in 30 junctions with traffic lights, shortening the travel time for our passengers and enabling significant savings for our Company as well. In addition, the project will comprise the establishment of a communication system, which has to be set up by BKV Zrt. in any case due to the relevant European Union regulations.

In 2011 the renewal of the dispatcher centre in Szabó Ervin tér was finished, the IT appliances have been installed as well.

The wireless data link (wi-fi) network was established and the linking test tasks were successful at 14+1 sites. The 3G+HSDPA connection came into existence which ensures the data communication between the vehicles and the centre outside the site. The comprehensive implementation of the server centre to the FUTÁR system was also completed.

The six base stations of the radio system for the audio communication between vehicles and the centre and the micro-wave station located at the dispatcher centre in Szabó Ervin tér are in working order. The infrastructure of the base stations will be complete after the repairs and supplying missing information, during the handover-acceptance process.

The system plans for the installations into the vehicles are ready; the final construction plans will be completed taking the repeated vehicle measurements into account. BKV Zrt. has received the positions of the National Transport Authority: the vehicles will be equipped with new devices in 3 steps (pilot installation and tests, installation of prototype vehicles, then

serial installation). Because of the contractor's delay the installation of the prototype vehicles could be realized only in autumn 2011. All the 16 Volvo buses running on the line 86 were supplied with the FUTÁR on-board unit, the compliance of the installed devices was monitored in real traffic situations.

The developing of the interface has begun which makes possible the transfer of the planning data from ForTe system still in use for BKV traffic management to the FUTÁR system. During the year the planning was continuous for the vehicle on-board equipments, for the traffic control administrative surface and for the decision support system together with CTI (Computer Telephony Integration) development which enables the connection between radio communication system and the traffic control software system.

The passenger counting task was completed as required by work part on the traffic sign intervention. The functional specification of the central software intervening in the traffic signs was accepted. The planning for 24 junctions was finished and the simulation for these junctions is ready as well.

The matching of FOK-GYEM, Vultron and Autocom on-board passenger information systems and the ticket validation machines used by BKV and its subcontractors was completed. We started to use the version 0 of the on-board information editor software and to test the FUTÁR onboard passenger information system on the 16 Volvo buses running on service line 86.

On 63 locations 247 receivers were installed according to the final construction plan entirely approved in the public space subproject.

At the end of 2011 the main contractor asked for modifying the final deadline due to reasons beyond his control. The reason for delay was the elaboration of the justification which matches the regulations of the public procurement law. The appropriate justification was completed so the Board of Directors can authorize the CEO to conduct the necessary negotiations in order to postpone the deadline of the technical completion of the FUTÁR project and respectively to modify the service contract and the support agreement.

## **Corporate investments and developments**

### **Renewal of the suburban railway (HÉV) lines**

Refurbishment works in reference to further operation licence of HÉV lines have begun in 2011. The technical tasks and traffic restrictions required to use replacement buses more times than in the last years. The regular thefts of supply cables required numerous prompt measures in traffic organisation and in the driving techniques.

### **Vehicle renewal, vehicle procurement and modernization**

The renewal of buses and trolleybuses was realized according to the schedule. The so called added value renewal was completed on the frames of 11 buses and 12 trolleybuses. The tramcar fleet was renewed according to the prescribed cyclic order technology. Added value renewal works were performed on 28 trams, 38 metro cars and 1 Millennium Underground train, 39 suburban railway (HÉV) trains and 2 cogwheel vehicles too.

After some partial renewals we put 16 pieces used TW6000 trams into circulation. We made a contract for purchasing 10 pieces TW6100 used trams. Out of the 10 trams 4 pieces already arrived to Hungary until the end of 2011.

Our ambition is to gradually increase the number of low-floor trolleybuses, in order to raise the service standards and to meet the equal opportunity criteria. The performance of the procurement of 15 pieces MAN used low floor articulated trolleybuses is proceeding, 11 out of them arrived to Hungary in 2011.

We purchased 13 pieces low floor used Van Hool A300 buses from the Netherlands. The performance of the contract about purchasing 30 pieces low floor used Mercedes O530 Citaro single buses started, until the end of the year 3 vehicles were delivered to Hungary. The BKV-specific modification of the vehicles is under way.

At the end of 2011 we started a new procedure for procuring 30 pieces (+50%) used low-floor solo city buses, Volvo 7700 or another type with equivalent technical criteria. As the result of this procurement we will be able to transport our passengers on 30 further vehicles which are much more modern than our present fleet.

15 pieces Van Hool buses got climate control equipments. We prepared 5 pieces Van Hool buses for building in the passenger counting system.

We kept on the safety transformation of the vehicles on the North-South metro line with new bogie frames built in. We introduced visual doorbell equipment on the vehicles of the Millennium Underground and the North-South metro lines towards ensuring the equal opportunity.

## **Track reconstruction**

The first stage of the construction related to the further operation licence of Ráckeve, Gödöllő and Szentendre suburban railway lines were finalized in April 2011. The construction works of the second stage started in August 2011 and were implemented at weekends and in the periods of school breaks.

From the demolished elements of the temporary tracks of Margarete bridge we realized the track reconstruction of large-panel filled-section rail on 1,752 track metres on the tram lines 21 and 62-69.

On the line of tram 37 at Salgótarjáni street – which is on the way of the Combino trams to the depot at the same time – a new, Vg S49 system modern track was built with ballast stone and reinforced concrete sleeper. Thanks to this, speed limit at this section was discontinued. Due to the continual cable thefts earth cables were laid down instead of air cables, the energy supply will be coming through these in the future.

The reconstruction of the tramline 37 proceeded between Fiumei út and Asztalos Sándor út and between Órház and Élessarok in 2011. Between the stops Fiumei út and MÁV X kapu a new track was built with ballast stone instead of the built-in track which meets more the tram demands and it is now fully separated from the road. A track bond was

built in which can be used with raised speed as well. 2138 metres of track were renewed between Órház and Élessarok: during the track reconstruction the bed under the track was replaced, a longitudinal catch-water drain was built, thus we got a modern dewatering solution. On the concerned section six station platforms were reconstructed where the conditions of the barrier-free transport were realized as well. The traffic speed is 50 km/h on the rebuilt track, which resulted 5 minutes decrease in the total journey time of the given line.

On the service line of tram 18 a new track was built instead of the run-down large-panel which satisfies the criteria of the modern times. Between Szent Gellért tér and Döbrentei tér the new, CDM-type track was built with resilient bedding and basalt fitting. Therefore the new track can serve the tram and the bus traffic on the long run. For the same purpose we set up a new lane separated with a physical bar, during the reconstruction of the connecting public road. Simultaneously with the tram line reconstruction we laid the cables as planned and replaced 7 cables in Döbrentei utca transformer.

On tram line 2 at Boráros tér the curves were considerably worn out due to the significant traffic. So we rebuilt the tracks, removed the simple intersection at the junction Soroksári út - Ipar utca thus we achieved a further decrease in journey time. On the rebuilt section we also renewed two bridges, one for the road traffic, the other one for walking.

The decades-old, run-down track was partially renewed between Apor Vilmos tér and Márton Áron tér on the tram line 59. In the course of these works we renewed the run-down road crossings and some elements of the overhead wire, furthermore we changed sections of the track and the bedding. The pair of platforms by Süveg utca was also rebuilt and we made some minor platform amendments as well. Thanks to the completion of these works we could terminate the previously introduced 20 km/h speed limit, therefore we managed to cut down the journey time.

The level crossings on the tram line 50 were in bad technical conditions due to the strong road traffic, specially the conditions of the crossings with very heavy traffic are crucial. The municipalities of the concerned districts continually indicate their claims to renew the level crossings. The reconstruction of the level crossings by Üllői út (Lakatos utca, Honvéd utca, Haladás utca, Bajcsy Zsilinszky utca) was finished during extended weekend shifts in autumn 2011.

On the cogwheel railway line we continued to change the wooden sleepers and crossings. Totally, 3300 sleepers and crossings were changed on the planned section and 900 running metres of standard ditches and sustaining wall were amended. Thanks to the track improvements the journey time significantly decreased on the renewed sections and the traffic safety got better.

We managed to decrease the length of the sections with speed limits through the change of the run-down panels on the tram lines 51 and 69 on Erzsébet királyné út and Gubacsi út. We can clearly perceive the decrease in the journey time on tram line 51 where trams may run with a speed of 50 km/h instead of the previous 10-15 km/h.

On the tram line of Great Boulevard at Blaha Lujza tér we had to introduce a speed limit of 5 km/h because of the run-down curves. We managed to release this speed limit by changing the track curves during one weekend.

On the tram line 1 between Erzsébet királyné útja and Ajtósi Dürer sor the conditions of the track declined more rapidly after some strong rainfalls. We solved this problem with an extraordinary track correction on some subsequent nights after 9 pm. We ceased the 1.5 minute increase of journey time caused by the speed limit and the operation of traffic lights.

## **Reconstruction of Margaret Bridge**

The reconstruction of Margaret Bridge was completed in November 2011. The traffic opened in November 2010 already; however, we have been able to use the stops of Margaret island only since August 2011 just like the track connection to tram line 2. In 2012 we plan to complete some connecting works missed in 2011 (rebuild of the tram track on Buda side, asphalt reconstruction in Margit körút, park landscaping and new crosswalks on Jászai Mari tér).

After the reconstruction of the bridge we started a traffic management project aiming the coordination and balancing of the tram traffic on the Grand Boulevard. As a result of this the journey time between the 2 termini decreased by 2 minutes. The tunnel insulation correction was also completed at Margit híd HÉV station.

## **Heart of Budapest, bridgehead squares and representative gate area, phase I.**

The Heart of Budapest project was divided into 2 phases regarding the implementation: in 2011 Károly körút was fully rebuilt ‘from wall to wall’ from Anker köz to Astoria. The aim of the project was to improve the passenger and biking traffic in the downtown, so we can highlight the improvement of sidewalks and the construction of cycle lanes in entire length in the given area. The existing tram terminus was rebuilt, the drivers received a new rest room in the nearby underpass. While the road construction was still proceeding trams were running again to Deák Ferenc tér as from 1 May instead of the temporary terminus at Astoria. The technical handover of the terminus followed in November.

## **Construction of KÖKI Terminal**

The construction of KÖKI Terminal Shopping Centre and the bus termini have been an on-going project for years. Related to the construction a new metro platform and a new pedestrian bridge were built. In order to speed up the construction works in the metro area we agreed with the investor in spring 2011 that the metro will only run until Határ út metro station temporarily (expectedly for 2 months). BKV Zrt. decided to relocate the bus termini to Határ út temporarily, as well. The relocated bus termini proved good, after the first days the passengers get used to the traffic order. The bus terminal and the metro station opened in September then the shopping centre was inaugurated in early October. The transfer between the metro and the buses is clearly solved, the bus terminal is mostly roofed and passengers are able to reach the vehicles easily, also from the shopping centre. After the handover we kept the system that most express services arrive from the speedway, so the transfer is possible to the metro with the shortest walk in the mornings.

In this area the renovation of the pedestrian bridge on Sibrik Miklós út begins expectedly in 2012 which will cause some inconvenience again in public transport, but after that the Kőbánya-Kispest metro and bus termini will be a good intermodal interchange for decades.

The construction works of the shopping centre built by Kőbánya-Kispest metro terminus included the renewal of the metro terminus too. These works made necessary the adaptation of new technologies in the both fields of passenger and train traffic, regarding metro operation. In more cases we adopted continuous and partial track closures when Határ út metro station served as temporary terminus. The shopping centre and the new terminus opened in October 2011. The fully comprehensive and documented handover followed in 2012.

## **Escalator renewal**

The renewal of 7 high-rise and 2 low-rise escalators was completed by the end of the year in accordance with the schedule.

### *Other investments realized in the field of infrastructure*

- Tunnel insulation on the planned section of metro line 3
- Transfer of the overhead wire on the trolleybus line 74
- Extension and reconstruction of the station Kamaraerdő
- Investments in order to improve the working conditions of traffic and technical staff
- Tunnel insulation correction at Margit híd HÉV station.

## **Test operations**

Our company tested several types of buses in 2011:

- NABI Sirius type bus on the routes of 178 and 178A
- Long-lasting test of MAN Lion's City GL in the frame of EBSF project
- CREDO CITADELL 12 on bus line 22
- CREDO CITADELL 19 on bus line 32
- Mercedes-Benz Sprinter 77 on bus line 16
- S91 on bus line 16
- Hybrid Volvo bus on line 8
- SOR EBN 10,5 electric bus on line 26.

## **EU Projects**

Because of the reform of the traffic institution system, BKK Zrt. is going to realize the EU-funded development projects (further development of tram lines 1 and 3, phase I; acquisition of low-floor tramcars and trolleybuses; establishment of an interconnecting tram network in Buda, phase I).

Our company is the project manager of the establishment of public transport boat services on the Budapest section of the river Danube. The aim of the project is to set up a traffic route on the Danube with forming 8 stops. The construction is under way, four establishments on the banks are completed.

We contributed to the realization of the European Bus System of the Future (EBSF) project together with numerous other European cities. The vehicle test operation finished in 2011, the evaluation of the project is proceeding.

The extension of tram line 42 is under preparation. The purpose of this project is to improve and to extend the line by 2.4 km to the Gloriett residential area across Havanna residential area.

## Operations

The Special Directorate for Technical Operations is the largest unit of the Technical Directorate. Its main task is to ensure the economical and safe operation of the vehicles and infrastructure assets owned by BKV Zrt. and to support the necessary technical and technological background.

The condition of the operated fleet represents the biggest professional challenge among the technical operation tasks.

The fleet and infrastructure of BKV Zrt. have reached their limits and usability. Naturally, this status did not occur suddenly at any given moment, but it developed in the course of an observable process. This status is the result of a decades long process and BKV Zrt. could still handle for a long time. Earlier the technical conditions could be managed in a way that impacts on the traffic were not relevant. Unexpected technical incidents attracting major public attention only appeared recently.

The problem is complicated, a significant proportion of the fleet and the infrastructure are already over their planned lifetime, therefore purchasing and/or upgrading became undoubtedly necessary. The financial framework for the operations did not change by the actual inflation rate in the recent years, so the real terms of the operation sources decreased constantly.

These technical conditions involve high operational risks. The most important principle in risk management is that a vehicle cannot be put in traffic and an infrastructure device cannot be in operation if it involves traffic safety risk. Therefore all decisions made during technical operations have been based on risk analysis for many years. The operation's main and continuous task is to solve the inconsistencies between the technical needs and the available resources by task prioritization.

Regarding the fact that the outdated fleet and infrastructure are still needed to operate for a long time, we have elaborated the scheme of criteria which determines the useful lifetime of our assets, as a result of a comprehensive and complex professional work, backed by scientific and risk analysis (2008-2011) with a status quo presentation. On the basis of this study, the further operation of the vehicles and the infrastructure will be possible only under definite professional circumstances.

According to the decision of the owner, metro cars over 40 years had to be temporarily withdrawn from the traffic and as a result of the measure new schedules had to be introduced with less performance. In order to manage this some metro cars were rearranged between metro lines 2 and 3. We succeeded in performing the needs of passenger traffic by the use of available vehicles. Then the withdrawn carriages were put back into traffic gradually, following their full examination.

## **Operation support**

Operation support is a centralised activity at our company and covers environmental management, fire protection, labour safety, internal vehicle fleet and connected HR services, preparation of technical procurements and maintenance of non-operational buildings.

The vehicles used for internal services are operated in a unified approach system. The fleet covered 273 pieces of vehicles in 2011, which ensure mainly freight, technical, traffic disturbance relief, recovery and maintenance tasks.

The maintenance and operation of the stores, central office buildings and other facilities – not related to the technical operation – as well as the fuel station located at the bus garages, also belong to the scope of the operational support area.

## **Quality management**

The Technical Directorate applied the quality management system based on the standard of MSZ EN ISO 9001:2008 on two special areas in 2011:

- Technical Directorate, Testing Stations of the Road Vehicle Chief Engineer's Office: environmental revision of vehicles, preliminary vehicle maintenance examination and periodic technical inspection;
- Technical Directorate, Special Directorate for Operation Support: preparation of public procurement procedures concerning the Technical Directorate of BKV Zrt, preparation of conducting competitive tendering procedures, contracting preparations, supply of material and storage.

Beyond the operation of the previously developed systems the quality management system certified by the standard of MSZ EN ISO 9001:2008 has been extended on new fields:

- The certification of the developed quality management system – compliant with the standard of MSZ EN 9001:2008 – regarding the processes of the Special Directorate for Investment happened successfully (without recording any differences) on 16 December 2011.

As a result of introducing the quality management system the Special Directorate for Investment meets the expectations of the management formulated beforehand. The

operation of the system contributes to improve effectiveness of the investment processes, the regularity and transparency of the related activities.

- The certification of the developed quality management system – compliant with the standard of MSZ EN 9001:2008 – regarding the processes of the Human Resources Directorate, Training Department happened successfully (without recording any differences) on 19 December 2011.

As a result of introducing the quality management system the Education Department of the Human Resources Directorate – in terms of the quality management system – meets the standard of the decree 19/2011 (V.10.) NFM.

Given that the management of our company is committed to broaden the quality management processes, extension and further operation of the quality management system are expected in 2012 on other areas as well.

## **Energy activities**

The basic task of the competent department is to optimize the energy consumption necessary to the operation of our company, to control the legitimacy of the incoming energy invoices on the basis of the record of the used quantity and to manage the invoice complaints if necessary. Full administration is also our task in connection with the changes of the consumption places in the course of the 'one-window' contact with the suppliers. Among them, the management of the consumption places of Metro 4 and FUTÁR project is highlighted.

Our company provides the energy transfer to enterprises renting our real estates on the basis of leasing relationship, thus energy transfer took place in 2011 to 216 partners with monthly invoicing.

Our company's total energy cost was HUF ~21.5 billion in 2011. In particular, the increase of the diesel fuel cost resulted in an additional expenditure of HUF ~1.734 billion compared to the previous year (which is mainly due to the world price change). In case of the other energy sources we managed to compensate the growth of the expenses by local energy savings.

Our savings can be quantified basically with reducing the electricity costs. Per scheduling the electricity consumption we realized more than HUF 220 million of 'well-performing premium'. The optimization of performance subscriptions, revision of the measuring locations, reducing the barren energy consumption and modification of our tariff annually resulted in HUF 74 million savings.

The heat pump using the geothermal heat of the operating area under the platform at Nagyvárad tér metro station provided an annual saving of HUF 1.4 million on electricity (with a COP ratio 3.5).

## **Communications**

All PR professional knows: it is not enough to work accurately and well, news should be given about it in such a way that the message has a positive content both to its employees of the company and to its macro environment. Public Relations Department is responsible for press relations as well as generating positive messages and taking care of the company's good reputation. Heritage vehicles attracting thousands of tourists and transport friends each year

and many people are interested in where the trams sleep and the buses relax, how the damaged vehicles are repaired and what kind of secrets are hidden in the garages. Our experts welcome them with open doors on the open days. These occasions offer a great opportunity to show that BKV staff includes lots of well-prepared and great professionals.

The Night of Museums event is unimaginable without BKV. We not only provided the travelling service for the visitors but also we had the wooden frame heritage car run and the Millennium Underground Museum at Deák Ferenc tér welcomed the visitors with longer opening times, moreover, with a special exhibition on what forgetful passengers lost on the vehicles. Beyond the standard keys and books strange things took place such a spinal brace, a complete woman's dress, a baby buggy or a bicycle; it was the Exhibition of Lost Properties.

2011 was the European Year of Volunteering. Several non-profit organizations approached BKV with the aim of joining to recondition some stops and stations. We welcomed and supported all this kind of initiatives. Thus Pöttyös utca metro station on M3 received a funny look and the passenger shelter has been painted with art graffiti at Kaszásdűlő and Aquincum stops on line H5 (HÉV line to Szentendre). An NGO and a private company jointly agreed to paint the waiting pavilions of the tram line of Hűvösvölgy at their own expense, while the team of a foundation cleaned the region of Hűvösvölgy termini, so following the exemplary initiative these stops become free of doodle, posters and rubbish.

In the first half of 2011 Hungary acted as the president of the European Union. As the final accord of the events an EU-tram was running on tram line No. 2 with flags of the 27 Member States and the European Union flag for a month, and the EU-HÉV were in service on the HÉV line to Gödöllő.

From early spring the worthily popular nostalgic routes ran; wooden trams and UV-trams crossed the capital several times. As the closing program of the event series we organized the traditional Tram Day in Kamaraerdő in September with great success.

Our company celebrated the 100-year old Gödöllő HÉV line and the 115-year old Millennium Underground. The museums of BKV, the Urban Public Transport Museum in Szentendre and the Millennium Underground Museum at Deák Ferenc tér in Budapest beyond their unique collections welcomed visitors with metropolitan transport history competition and interactive museum pedagogical workshops.

In addition, these BKV institutions participated in the May Day of Museums, the Night of Museums, the Days of Cultural Heritage and the Autumn Festival of Museums with great success. In the eventful year some of our historic vehicles could be seen in different public

spaces of Budapest, thus remembering the articulation of the bus in Budapest in the summer, we furnished an unprecedented moving bus-historical exhibition in the unique museum piece articulated bus of the country. Hungarian Song Day was held in 2011 as well, on this occasion the Melodic Tram ran again on two frequented routes. A Music Lyrics Book also preserves the event, including the songs of the participating artists.

In accordance with the traditions, we attended the programs of European Mobility Week and Car-free Day, together with other public utility companies.

In the frame of Earth Day our staff participated in the cleaning of Gellért Hill. During the summer heat alert we organized a water-distribution at major junctions. Our competition of 'Concrete and Paint' advertised in collaboration with Múcsarnok found great response and school kids decorated one of the buses on line No. 5.

In the spirit of preparations for Christmas BKV Zrt. offered two special programs for its passengers. Santa Claus tram started to run on 4 December where Joulupukki himself, the true Father Christmas from the Finnish Lapland also travelled and our Christmas tram was also launched.

We renewed the e-newsletter and intranet portal in line with the image of the website and modernized the content.

Not only BKV was supported, but the collective of BKV helped a lot. Having seen the amount of PET bottles become rubbish we organized to collect them in the interest of helping the non-profit organizations' work dealing with environment protection. The empty bottles filled all available stock room and space. We did not remain neutral towards the orphans of our driver who died tragically or the very ill colleague. The warm-hearted and cohesive team of BKV was willing to help the people in trouble not only with donations of money but also they took actions.

## **International relations**

The scope of international relations in 2011 was determined by the purchases of used buses, trolleybuses and tram vehicles from the European markets, ranging from the preliminary market research, over the realization to the follow-up activities. Foreign travels were carried out mainly due to contractual relations, which typically meant the reception of the vehicles or part of units in case of the metro.

Our professionals had a few opportunities to visit international exhibitions, factories and to join the events of UITP, the international association of urban public transport. The exchange of experiences covered e.g. traffic control, the possibilities of how to renew the bus fleet, the practice of how to apply the European legal framework on the public transport services as well as many areas of marketing or technical operations.

During the year we welcomed Chinese, Italian, Dutch, Slovenian and Czech professional delegations.

## Profit and loss account

**The total income from operations** is 100.7 % of the planned amount. The income is higher than the base due to increase in total income from passenger transport services and to the additional subsidy from the state.

**The income from fares** out of the total income from passenger transport services is 3.2 % higher than the base and HUF 1,018 million higher than the plan.

Fares did not increase in 2011. The main reason for the rise in the fare incomes is the increase of fuel prices, which is a decisive factor for car users (it was influenced by the decrease in the rate of Forint and the change in the global price of oil), thus more passengers chose the public transport services. The extension of cooperation with the public space inspectors did contribute to the increase in demand too, through the decrease in fare evasion. Our company managed to exploit the advantageous macro-economic conditions more effectively through the modernisation of cash desks, enabling more fluent services to customers at ticket sales. Additionally, we managed to conclude bilateral agreements in 2011 ensuring significant extra incomes (for example with Sziget Kft).

The **price supplement** is 2.7 % higher than the base because of the reasons mentioned above and 1.0 % higher than the plan.

The **incomes from regional and district public transport** are lower than the base because of the decrease in service orders. The reason for the default to the plan is the shortfall of the income from the Municipality of Budakeszi.

**The income from contracted and other services** is higher than the base and the plan as well, because the chairlift is operated by BKV Zrt. again and the funicular brought a higher income as well, even higher than the plan.

The **income from other activities** is higher than the plan and than the base. The value of sale of materials, reinvoiced services and the rental of tangible assets are higher.

The **other incomes from operations** lag behind of the base because of the lower support for the metro 4 project and the lower sum of the utilization of provisions. The planned sale of real estates failed so we realised only HUF 12 million incomes instead of the planned HUF 110 million. The utilization of provisions is much less than the previous year but at the same time higher than the planned, and totally amounted to HUF 180 million.

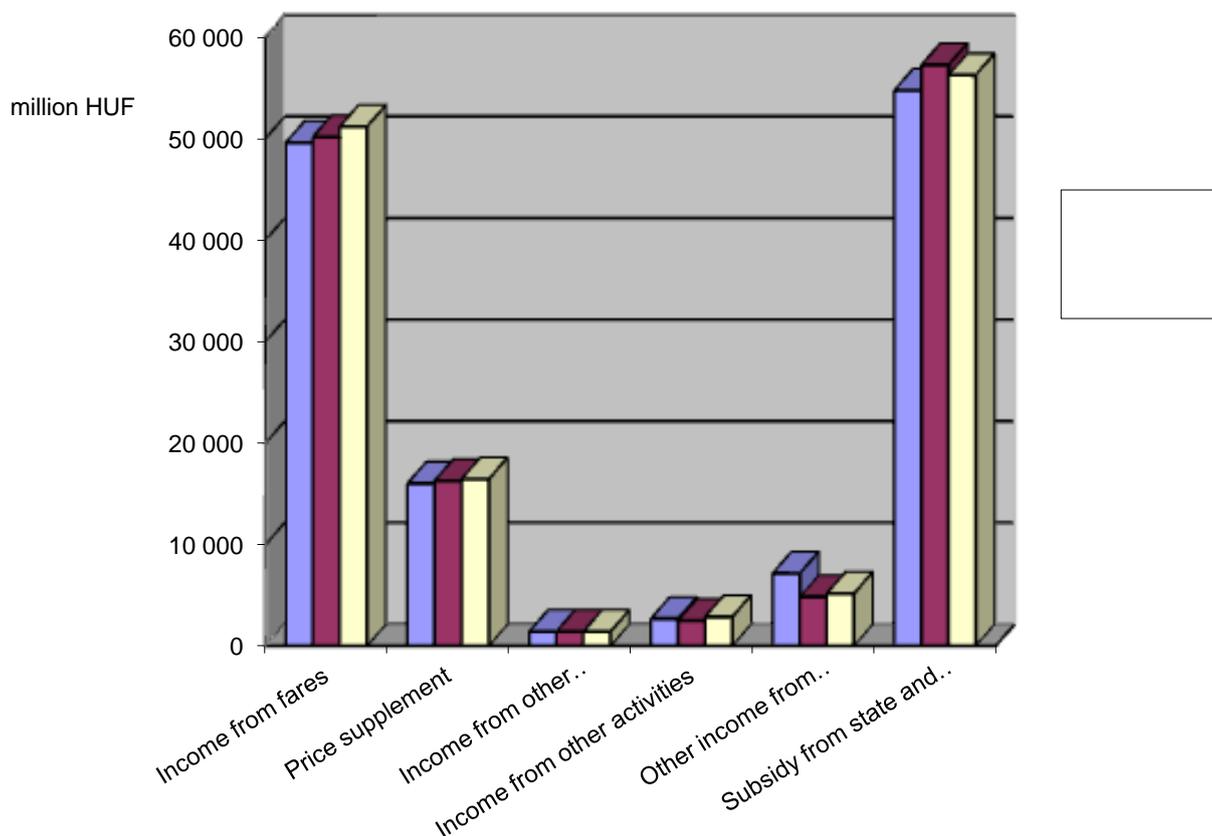
The distribution of the **utilization of special provisions**:

- environmental rehabilitation HUF 4 million
- law cases, compensations HUF 137 million
- early retirement HUF 39 million.

Our company **did not receive any subsidy from the municipality for operations** and the **subsidy from the state** was less than the plan, amounted to HUF 24,000 million.

We received HUF 32,198 million **normative state subsidy** which meets the base and the plan as well.

**BKV Zrt's total income from operations in 2011**



The **operating expenses** are 4.9 % higher than the base but we achieved 1 % (HUF 1,326 million) savings compared to the plan.

The **material-type costs** are higher than the base, but they do not reach the planned amount.

The **material costs** are a bit higher than the base. The main reason is some extra installations of vehicle spare parts. The prices of vehicle spare parts rose more than the rate of inflation. The procurement costs of tyre increased because of price increase due to type change in the market. The repair of vehicles became more expensive due to the costly parts from imports. The technical examination of Volvo buses has been implemented in-house since 2010, so the application of spare parts increased. New bus types have been involved to fire security inspection which meant extra claim for spare parts too.

National Transport Authority (NKH) conducted strict supervisions in numerous cases which caused an obligation for technical exams earlier than planned and it meant extra claim for spare parts as well.

The delay in change of vehicles led to the necessity that some buses already kept out from traffic had to be put in service again, which caused remarkable additional expenses.

The costs of engine repairs by the bus types IK 400 are higher than those at the older types and the same is true for the gear-boxes. Additional costs emerged at metro and tram too: installation of metro bogie frames, Combino tram bogie and more added value renewals in trams increased the costs as well.

The **energy costs** are 8.8 % higher than the base but we reached 2.1 % savings compared to the plan.

The costs of diesel oil became 19% higher than the base but we realized 1.8 % savings compared to the plan. The unit price of diesel oil increased by 20.4 % on average, compared to 2010, this is the main reason for the cost increase. The law changes as from 2011 significantly rose the excise tax of diesel oil in two steps, but on the other hand the refund became possible. BKV Zrt. applied for a refund of HUF 226 million, so the costs of traction diesel oil decreased. The quantity of used diesel oil slightly declined compared to the base and to the plan.

We achieved 2.4 % savings in the traction power, compared to the base. Both the used quantity and the average purchase price slightly decreased, thanks to the favourable change in the compulsory rate of energy to be transmitted which is a component in the turnover charge of electricity.

The company received HUF 221 million performance premium thanks to the adherence of the schedule, pursuant to the full service supply contract for the year 2011.

The substantive price was equal to the planned price, the quantity of the used energy slightly dropped compared to the plan. The other energy costs increased compared to the base and to

the plan as well, influenced by the lower price of electric energy, the higher average price of remote heating, hot water and steam, gas, diesel oil and petrol.

By **the value of services used** the performance was moderate, a little higher than the base but lower than the plan. The technical fees paid for other organizations came to HUF 167 million which is lower than the base and is only half of the amount of HUF 340 million planned for the year. Out of that, HUF 38 million connected to the construction of metro line 4. We paid HUF 92 million for technical and investment tasks; HUF 31 million for consultancy in the field of management, tax, accounting and HUF 6 million for communications. External experts were involved only in well-founded cases.

Our company spent less money in 2011 than the previous year on repair of tangible assets, phone costs, commission on fares, medical services, rentals, education, quality monitoring, vehicle examinations, costs of public procurement processes, press and marketing activity, temporary staffing, information services, environmental protection services and passenger information.

The main reasons for the cost fall of the tangible assets' repair compared to the base data are the overhaul of Volvo buses and the maintenance of Combino trams in our own workshop. These maintenance and repair works had been making by a supplier before, under guarantee. The costs of our own maintenance appeared typically as material costs and staff remuneration in 2011 rather than services used. We spent on software operations much more (HUF 403 million) than the previous year and than the plan, linked to software licences. Out of this, HUF 263 million appeared in the books as transfer of software licences from the investments. The retainer increased to HUF 322 million. 235 million from this amount was paid to legal services connected to the Alstom cases, among others, HUF 57 million was paid to the retainer of arbitration court. The costs of property custody increased compared to the base as well, because the hourly rates increased by 3.9% pursuant to a contract modification effective from 1 June and 1 July 2011.

In case of reproduction costs, the biggest item was to prepare the 'Smoking is forbidden' tables into stops, i.e. HUF 27 million (in connection with the placement of the tables, HUF 1.7 million material costs incurred as well).

HUF 30 million costs emerged due to rename of public places. The passenger information materials costed HUF 7.7 million linked to the reconstructions of Kőbánya-Kispest terminal and its surroundings.

The Board of the company instructed to review the services used and to look for potential cost savings. The results of these measures are expected mainly in 2012.

According to the plans, we paid HUF 24 million supporting membership fee to BKV Előre Sport Club, furthermore HUF 169.3 million operational and sport support were paid as extraordinary expenses.

The **value of other services** was on the level of the base, slightly below the planned amount. The operative insurance contracts of BKV Zrt have been in force since 1st January 2010, concluded for an indefinite period. These contain options for duration allowances which can be obtained if BKV Zrt. does not abrogate the contracts in 3 years after the date of signature. The amount was 20% of the total fee in 2010 and an additional 10% in 2011, namely HUF 340 million altogether. BKV Zrt. did not abrogate the contracts within the mentioned 3-year period, so we realized the available fee reduction.

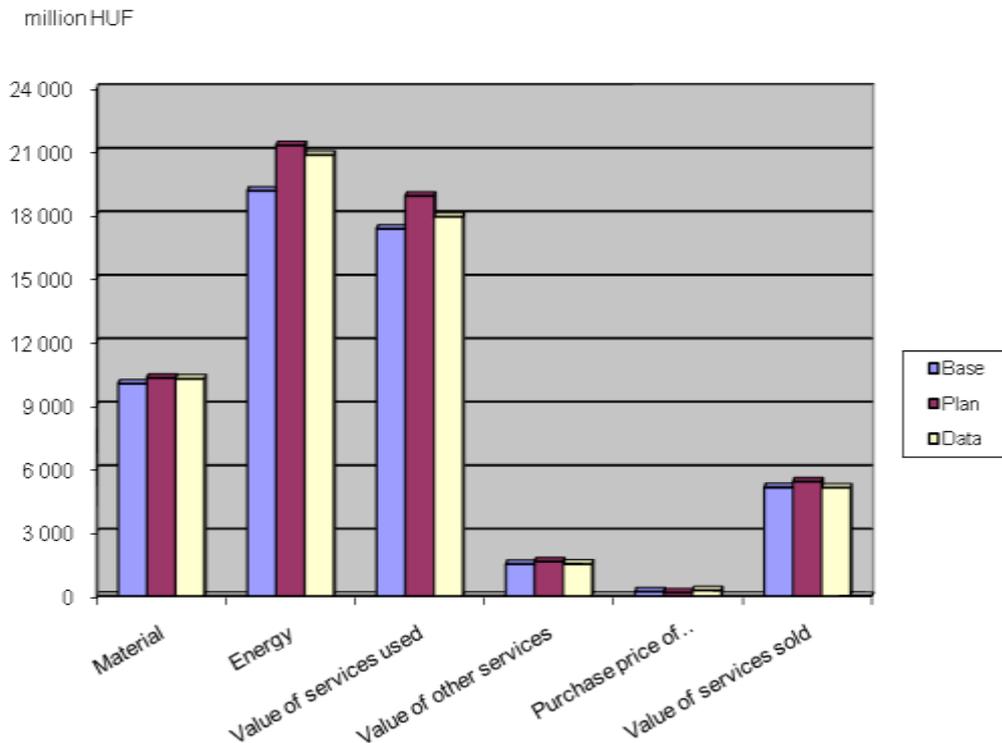
The insurance on passenger accidents did not contain the option for a duration allowance and it was abrogated on 31th December 2011.

Similar to earlier practice, BKV Zrt. initiated negotiations with insurance companies in order to keep the insurance fees of the previous year. During the conducted negotiations BKV Zrt. achieved that the insurance companies do not raise their fees for 2012, moreover, some fees are reduced.

The **purchase price of goods sold** is higher than the base and than the plan because of the sale of diesel oil.

The sum of **value of services sold** (sold as an intermediary) is on the level of the base, slightly below the planned amount.

### BKV Zrt's material-type costs in 2011



Total **staff remuneration** is 4% higher than the base – due also to the base being low as a result of the strike – but they were 2.4% below the planned amount.

Wages and salaries exceed the base by 3.4% and do not reach the planned amount (98.2%), thus savings of HUF 764 million were achieved. On the basis of the wage agreement a non-retroactive net wage increase of 1-5.5% was performed as of 1 March 2011 with the purpose of compensating for the net wage loss resulting from the tax law and with the consideration of the fact that the Business Plan stipulates that no more than 3.5% of the corporate gross payroll may be expended on wage increase.

Other employee benefits slightly exceed the base. The growth is fundamentally due to the increase in voluntary pension fund contributions (the number of members increased as well as the rate of contribution due to the compensatory wage increase), to the increase in the amount paid for fuel savings as well as the raising of the value of the monthly food vouchers pursuant to the provisions of the Wage Agreement. Commencing on 1 March 2011 the employees received vouchers in the value of HUF 7,000/person/month instead of the previous HUF/6,000/person/month. HUF 51 million was expended on severance pay and HUF 72 million on early retirement benefits.

Both items are lower than the base. The sum of other staff remuneration did not change compared to the previous year.

The growth of the contributions on wages and salaries in relation to the base is primarily due to increasing the early retirement contribution of drivers in compliance with the law, as well as to the growth of social security contributions resulting from the wage increase. As a result of the self-revision performed in respect of the travel pass contributions to widows and orphans in the years 2007-2010, HUF 79 million as personal income tax on contribution in kind and HUF 26 million as health care contribution were recorded in the accounts.

Contents of **special provisions**:

- early retirement                      HUF 10 million
- law cases                                HUF 2,295 million
- environmental protection        HUF 11 million
- VAT obligation                        HUF 13 million

The **capitalised value of own performance** is higher than the planned amount due to installing additional H-shaped frames and bogie frames, and it is less than the base. The result of **operating (business) activities** (which has been positive for the second year) is HUF 824 million, which is HUF 2,302 million more than the planned amount.

The digression from the plan is caused by the rise of the own incomes, furthermore by the savings in material-type costs and staff remuneration. The reason for being lower than the base is that the increase of operating expenses was higher than the increase of revenue.

The balance of **financial transactions** is typically negative but it is much more favourable than in the plan. The reason for this is that interest expense remained below the plan. The reduction of the loan volume led to savings regarding the interests paid (repaid loans were not renewed), the average loan interest is lower than planned and therefore the interest expense is HUF 5,257 million instead of the planned HUF 6,054 million. The foreign exchange gain deriving from the year-end valuation of the foreign exchange items is HUF 751 million; the financially settled foreign exchange gain is HUF 11 million. The financially settled foreign exchange loss is HUF 1,562 million, of which HUF 1,533 million derived from the settlement concerning the termination of the Alstom agreement. The following amounts were recorded

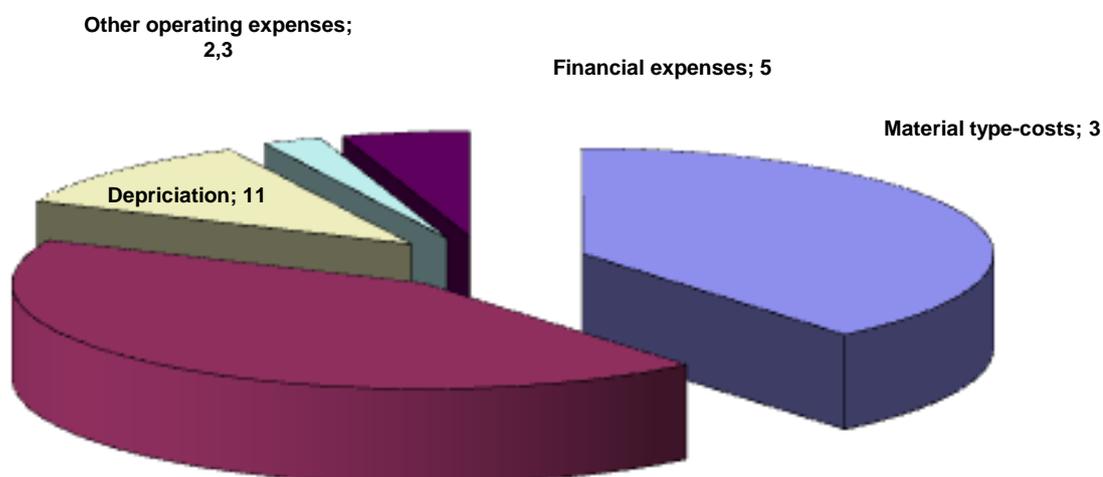
in the accounts as losses on participations: HUF 412 million due to the negative result achieved by VJSZ Kft. in 2011 (the subscribed capital is recorded in the accounts, with regard to this the participation has to be decreased by the change in equity), as well as HUF 1 million in connection with BKV Trade Kft and HUF 0.4 million in connection with BKV Panoráma Kft.

The net financial loss is HUF 6,455 million altogether.

The plan comprised the transfer of DBR Metro Project in the **extraordinary incomes and expenses** with a value of HUF 8,019 million but it was not implemented. The extraordinary loss is HUF 262 million.

The **profit before tax** in 2011 was HUF -5,893 million (loss) which is 2,914 million better than the loss planned for the year. The reasons for this are the increase of incomes, the restrained cost management and the lower interest expenses.

#### Distribution of BKV Zrt's financial and operational expenses in 2011



**PROFIT AND LOSS ACCOUNT OF BKV ZRT**

(million HUF)

Description	2010 fact	2011 plan	2011 fact	Differen ce to plan	Index	
					to base	to plan
Income from fares	49 541	50 110	51 128	1 018	103.2 %	102.0%
Price supplement	15 983	16 246	16 410	164	102.7 %	101.0%
Contribution from municipality	0	0	0	0	-	-
Income from regional and district public transport	518	528	478	-50	92.3 %	90.5%
Income from contracted and other services	874	860	914	54	104.6 %	106.3%
<b>Total income from passenger transport services</b>	<b>66 916</b>	<b>67 744</b>	<b>68 930</b>	<b>1 186</b>	<b>103.0 %</b>	<b>101.8 %</b>
Income from other activities	2 670	2 469	2 838	369	106.3 %	114.9%
Other income from operations	7 133	4 814	5 235	421	73.4 %	108.7%
Subsidy from municipality for operations	5 000	25 000	0	-25 000	-	0.0%
Non-repayable state subsidy	17 500		24 000	24 000	-	-
Normative state subsidy	32 198	32 198	32 198	0	100.0 %	100.0%
<b>Total income from operations</b>	<b>131 417</b>	<b>132 225</b>	<b>133 201</b>	<b>976</b>	<b>101.4 %</b>	<b>100.7 %</b>
Material costs	10 033	10 305	10 267	-38	102.3 %	99.6%
Diesel fuel for operation	9 098	11 031	10 834	-197	119.1 %	98.2%
Traction power	6 783	7 025	6 618	-407	97.6 %	94.2%
Other energy	3 271	3 237	3 389	152	103.6 %	104.7%
Value of services used	17 352	18 912	17 925	-987	103.3 %	94.8%
Value of other services	1 504	1 624	1 515	-109	100.7 %	93.3%

Purchase price of goods sold	210	166	263	97	125.2 %	158.4%
Value of services sold (sold as an intermediary)	5 130	5 408	5 121	-287	99.8 %	94.7%
<b>Material-type costs</b>	<b>53 381</b>	<b>57 708</b>	<b>55 932</b>	<b>-1 776</b>	<b>104.8 %</b>	<b>96.9%</b>
Wage costs	39 320	41 414	40 650	-764	103.4 %	98.2%
Other staff costs	6 173	6 585	6 215	-370	100.7 %	94.4%
Wage contribution	13 496	14 826	14 467	-359	107.2 %	97.6%
<b>Staff remuneration</b>	<b>58 989</b>	<b>62 825</b>	<b>61 332</b>	<b>-1 493</b>	<b>104.0 %</b>	<b>97.6%</b>
Depreciation and amortisation	15 587	15 950	15 717	-233	100.8 %	98.5%
Other operating expenses	2 427	830	3 324	2 494	137.0 %	400.5%
Own work capitalised	-4 167	-3 610	-3 928	-318	94.3 %	108.8%
<b>Total operating expenses</b>	<b>126 217</b>	<b>133 703</b>	<b>132 377</b>	<b>-1 326</b>	<b>104.9 %</b>	<b>99.0%</b>
<b><i>Income from operations</i></b>	<b>5 200</b>	<b>-1 478</b>	<b>824</b>	<b>2 302</b>	<b>15.8 %</b>	<b>-</b>
Financial income	1 080	5	777	772	71.9 %	15,540.0%
Financial costs	5 008	7 066	7 232	166	144.4 %	102.3%
<b><i>Net financial costs</i></b>	<b>-3 928</b>	<b>-7 061</b>	<b>-6 455</b>	<b>606</b>	<b>164.3 %</b>	<b>91.4%</b>
<b>Profit on regular activities</b>	<b>1 272</b>	<b>-8 539</b>	<b>-5 631</b>	<b>2 908</b>	<b>-</b>	<b>65.9%</b>
Extraordinary income	2 383	8 019	9	-8 010	0.4%	0.1%
Extraordinary expenses	2 637	8 287	271	-8 016	10.3 %	3.3%
<b><i>Extraordinary profit</i></b>	<b>-254</b>	<b>-268</b>	<b>-262</b>	<b>6</b>	<b>103.1 %</b>	<b>97.8%</b>
<b>Profit before tax</b>	<b>1 018</b>	<b>-8 807</b>	<b>-5 893</b>	<b>2 914</b>	<b>-</b>	<b>66.9%</b>

# Balance sheet

## Assets

The **intangible assets of BKV Zrt. are HUF 1,295 million**, which is slightly lower than the base and the plan.

**The tangible assets were HUF 532,865 million** in 2011. The value of investments and renovations increased compared to the base; however it is behind from the plan which is occurred primarily at the projects funded by the municipality. Due to the failure of the change of metro cars (M2 and M4) the advances given for the project decreased. Because of the termination of the contract the advances of HUF 30,067 million had been kept out from the books but the advances of HUF 6,712 million were paid pursuant to the re-signed contract.

The **financial investments amount to HUF 1,219 million**. The closing value of the Company's long term interest in affiliated company is HUF 979 million, which is 415 million lower than the opening value of the period. The decrease is mainly due to the accounting of the value decrease resulting from the loss produced by BKV VJSZ Kft. in 2011, which amounted to HUF 412 million (the issued capital appears in the books, but the change of equity must be deducted from the long term interest).

The other long-term loans decreased because the instalments due in 2012 of the employees' loans were reclassified as short-term receivables. At the end of 2011 the inventories were HUF 2,869 million which is lower than the plan and the opening value. The closing value of receivables was HUF 6,038 million. The receivables against customers are HUF 1,564 million which is lower than the base and the plan. The reason of the decrease is that significant amount of yearly passes sold at the end of 2010 were paid only in January 2011. At the end of 2011 we did not sell considerable amount of passes because of tax changes and most of them were paid before 31 December, i.e. before the closing date of the balance sheet.

The closing sum of the receivables against the affiliated companies is HUF 399 million, it is higher than the base and the plan, due to higher advance payment. The other receivables decreased compared to the plan and amount to HUF 4,073 million. The reason of the decrease is the amount of the refundable VAT.

BKV does not have any securities.

The liquid assets are HUF 1,623 million, it became higher than the base and the plan. This increase is due to the growing bank deposits in connection with the financing of Metro 4.

The prepaid expenses are HUF 327 million, more than the base and the plan.

## **Liabilities**

**The equity was HUF 101,370 million at the end of 2011** which is lower than the base and the plan. The retained profit declined compared to the base, but improved compared to the plan. A reason of the decrease was that we had to repay HUF 18,421 million of development support to the Municipality of Budapest from the revenue reserve.

The special provisions amount to HUF 3,104 million altogether, including the unutilized reserve from the previous year and the HUF 2,329 million raised in 2011.

**The liabilities were HUF 117,747 million**, this sum is lower compared to the base and the plan. In the proportion of the long-term and short-term liabilities a significant change occurred since a loan payment of HUF 35,790 million shall be due in the following year. The closing value of the long-term liabilities is HUF 6,568 million. The loan instalments due in 2012, the long-term and short-term loans of HUF 32,790 million and the liability of HUF 783 million financial lease were reclassified, the other loans were short-term, thus they did not have to be reallocated. The short-term liabilities increased compared to the base and the plan, primarily due to the increase of loans, deposits paid by customers and suppliers' liabilities.

The accruals amount to HUF 324,015 million, this is higher than the base but lower than the plan because we could realize less delayed incomes than we planned.

**The closing value of total assets and total liabilities of BKV Zrt. is HUF 546,236 million** which is higher than the base but lower than the planned amount.

**BALANCE SHEET OF BKV ZRT. FOR THE YEAR 2011**

(million  
n  
HUF)

**ASSETS**

Number	Description	2010.12.3 1	2011. Plan	2011.12.3 1	Difference	
					to base	to plan
<b>A.</b>	<b>Long term assets</b>	<b>527 512</b>	<b>618 051</b>	<b>535 379</b>	<b>7 867</b>	<b>-82 672</b>
<b>I.</b>	<b>Intangible assets</b>	<b>1 367</b>	<b>1 367</b>	<b>1 295</b>	<b>-72</b>	<b>-72</b>
1.	Property rights	1 307	1 307	1 267	-40	-40
2.	Goodwill	60	60	28	-32	-32
<b>II.</b>	<b>Tangible assets</b>	<b>524 499</b>	<b>615 038</b>	<b>532 865</b>	<b>8 366</b>	<b>-82 173</b>
1.	Real estates and connecting property rights	147 695	301 749	148 910	1 215	-152 839
2.	Technical machinery, equipments, vehicles	127 011		123 031	-3 980	123 031
3.	Other machinery, equipments, vehicles	2 938		2 731	-207	2 731
4.	Investments, renovations	204 789	290 635	242 487	37 698	-48 148
5.	Advances given for investments	42 066	22 654	15 706	-26 360	-6 948
<b>III.</b>	<b>Financial investments</b>	<b>1 646</b>	<b>1 646</b>	<b>1 219</b>	<b>-427</b>	<b>-427</b>
1.	Long-term interest in affiliated company	1 375	1 375	960	-415	-415
2.	Other long-term interest	19	19	19	0	0
3.	Othe long-term loans	252	252	240	-12	-12
<b>B.</b>	<b>Current assets</b>	<b>11 643</b>	<b>13 499</b>	<b>10 530</b>	<b>-1 113</b>	<b>-2 969</b>
<b>I.</b>	<b>Inventories</b>	<b>2 916</b>	<b>3 177</b>	<b>2 869</b>	<b>-47</b>	<b>-308</b>
1.	Materials	2 838	3 094	2 674	-164	-420
2.	Incomplete production and semi-finished products	15	9	10	-5	1
3.	Goods	63	74	185	122	111
<b>II.</b>	<b>Recievables</b>	<b>8 404</b>	<b>9 969</b>	<b>6 038</b>	<b>-2 366</b>	<b>-3 931</b>
1.	Recievables from goods transport and services (customers)	4 158	4 196	1 564	-2 594	-2 632
2.	Receivables against affiliated companies	170	189	399	229	210
3.	Receivables against other shared companies	1	3	2	1	-1
4.	Other recievables	4 075	5 581	4 073	-2	-1 508
<b>III.</b>	<b>Securities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>IV.</b>	<b>Liquid assets</b>	<b>323</b>	<b>353</b>	<b>1 623</b>	<b>1 300</b>	<b>1 270</b>
1.	Cash, checks	81	78	108	27	30

2.	Bank deposit	242	275	1 515	1 273	1 240
<b>C.</b>	<b>Prepaid expenses</b>	<b>182</b>	<b>189</b>	<b>327</b>	<b>145</b>	<b>138</b>
1.	Prepaid expenses of incomes	112	113	108	-4	-5
2.	Prepaid expenses of costs	70	76	219	149	143
<b>TOTAL ASSETS</b>		<b>539 337</b>	<b>631 739</b>	<b>546 236</b>	<b>6 899</b>	<b>-85</b> <b>503</b>

(million  
HUF)

### LIABILITIES

Number	Description	2010.12.31	2011. Plan	2011.12.31	Difference	
					to base	to plan
<b>D.</b>	<b>Equity</b>	<b>114 706</b>	<b>134 433</b>	<b>101 370</b>	<b>-13 336</b>	<b>-33 063</b>
<b>I.</b>	<b>Issued capital</b>	<b>127 000</b>	<b>127 000</b>	<b>127 000</b>	<b>0</b>	<b>0</b>
	of which: repurchased ownership share at face value	0	0	0	0	0
<b>II.</b>	<b>Subscribed but unpaid capital (-)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>III.</b>	<b>Capital reserve</b>	<b>148 311</b>	<b>176 845</b>	<b>140 870</b>	<b>-7 441</b>	<b>-35 975</b>
<b>IV.</b>	<b>Revenue reserve</b>	<b>-161 623</b>	<b>-160 605</b>	<b>-160 607</b>	<b>1 016</b>	<b>-2</b>
<b>V.</b>	<b>Earmarked reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>VI.</b>	<b>Valuation reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>VII.</b>	<b>Retained profit</b>	<b>1 018</b>	<b>-8 807</b>	<b>-5 893</b>	<b>-6 911</b>	<b>2 914</b>
<b>E.</b>	<b>Special provisions</b>	<b>955</b>	<b>940</b>	<b>3 104</b>	<b>2 149</b>	<b>2 164</b>
1.	Special provisions for expected liabilities	955	940	3 104	2 149	2 164
<b>F.</b>	<b>Liabilities</b>	<b>118 261</b>	<b>121 372</b>	<b>117 747</b>	<b>-514</b>	<b>-3 625</b>
<b>I.</b>	<b>Subordinated liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>II.</b>	<b>Long-term liabilities</b>	<b>39 641</b>	<b>22 338</b>	<b>6 568</b>	<b>-33 073</b>	<b>-15 770</b>
1.	Investment and development loans	0	0	0	0	0
2.	Other long-term loans	36 290	19 770	4 000	-32 290	-15 770
3.	Other long-term liabilities	3 351	2 568	2 568	-783	0
<b>III.</b>	<b>Short-term liabilities</b>	<b>78 620</b>	<b>99 034</b>	<b>111 179</b>	<b>32 559</b>	<b>12 145</b>
1.	Short-term loans	27 520	48 492	52 250	24 730	3 758
2.	Deposits paid by customers	0	0	106	106	106
3.	Liabilities from goods transport and services (suppliers)	39 772	38 681	49 895	10 123	11 214
4.	Short term liabilities against affiliated companies	2 240	1 470	1 437	-803	-33

5.	Short term liabilities against other shared companies	531	495	556	25	61
6.	Other short-term liabilities	8 557	9 896	6 935	-1 622	-2 961
<b>G.</b>	<b>Accruals</b>	<b>305 415</b>	<b>374 994</b>	<b>324 015</b>	<b>18 600</b>	<b>-50 979</b>
1.	Accruals of incomes	8 046	8 119	6 919	-1 127	-1 200
2.	Accruals of costs, expenses	946	1 031	1 054	108	23
3.	Delayed incomes	296 423	365 844	316 042	19 619	802
<b>TOTAL LIABILITIES</b>		<b>539 337</b>	<b>631 739</b>	<b>546 236</b>	<b>6 899</b>	<b>-85 503</b>

## Cash Flow

The operational cash flow of the company was HUF 9,946 million in 2011, it is HUF 524 million lower than in the base period. The biggest difference can be found at the pre-tax profit (without dividend), because we had HUF 6,911 million decrease compared to year 2010. Write-out value of long-term assets decreased HUF 2,594 million, changes in short-term liabilities fell by HUF 2,912 million, compared to the previous year. Difference between provisions created and used increased by HUF 3,526 million, changes in accruals were 3,861 million higher, changes in trade receivables increased by HUF 3,800 million difference. The operational cash flow was HUF 8,795 million higher than planned. Pre-tax profit is HUF 2,914 million higher than planned (because of the higher incomes, cost savings and lower interest payment). Changes in trade payables are HUF 3,940 million higher compared to the plan, changes in accruals are HUF 6,255 million higher, changes in trade receivables are also HUF 2,653 million higher and changes in current assets brought a 1,599 million HUF positive effect as well. Write-out value of long-term assets shows HUF 8,016 million lag behind the plan, due to the failure to sell some real estates and the metro cars.

Acquisition of invested assets shows a significant difference compared to the base and the plan as well, due to changes in advance payment to investments.

On the whole, the cash flow of investments is HUF -16,950 million.

As far as the incomes from financial activities are concerned, drawing of credits is realized in a less amount compared to the base and the plan as well.

Non-repayable assets received are less than planned, because first of all, we had to repay the subsidy of HUF 28,533 million to Budapest Municipality, received previously for vehicle procurement. Non-repayable assets transferred are linked to this transaction too. Loan repayment realized in a higher value than in the base year but equal to the plan. Cash flow from financial activities is HUF 8,304 million.

Changes in financial assets amounted to HUF 1,300 million in 2011.

The next table shows the data in details.

## CASH FLOW STATEMENT

(million  
HUF)

Number	Description	2010 Fact	2011 Plan	2011 Fact	Difference	
					to base	to plan
1.	Profit before taxation (without dividend)	1 018	-8 807	-5 893	-6 911	2 914
2.	Depreciation and amortisation	15 587	15 950	15 717	130	-233
3.	Loss of value and write-back	-333	75	475	808	400
4.	Difference between provisions created and used	-1 377	-15	2 149	3 526	2 164
5.	Income from the sale of invested assets	17	-36	47	30	83
6.	Write-out value of long-term assets	2 758	8 180	164	-2 594	-8 016
7.	Changes in trade payables	1 539	-1 091	2 849	1 310	3 940
8.	Changes in other short-term liabilities	631	546	-2 281	-2 912	-2 827
9.	Changes in accruals	-9 350	-11 744	-5 489	3 861	6 255
10.	Changes in trade receivables and promissory note receivables	-1 245	-99	2 555	3 800	2 654
11.	Changes in current assets (without trade receivables and liquid assets)	1 253	-1 801	-202	-1 455	1 599
12.	Changes in prepaid expenses	-28	-7	-145	-117	-138
<b>I.</b>	<b>Operating cash flow</b>	<b>10 470</b>	<b>1 151</b>	<b>9 946</b>	<b>-524</b>	<b>8 795</b>
13.	Acquisition of invested assets	-44 948	-114 743	-16 962	27 986	97 781
14.	Sale of invested assets	27	110	12	-15	-98
<b>II.</b>	<b>Cash flow of investments</b>	<b>-44 921</b>	<b>-114 633</b>	<b>-16 950</b>	<b>27 971</b>	<b>97 683</b>
15.	Taking out loans and credits from banks	10 000	16 200	8 640	-1 360	-7 560
16.	Other loans and credits drawn	0	4 452	0	0	-4 452
17.	Loans and credits repayment	-19 719	-16 200	-16 200	3 519	0
18.	Finance lease repayments	-801	-797	-796	5	1
19.	Long-term loans prepayment and repayment	84		83	-1	
20.	Long-term loans	-107		-69	38	
21.	Non-repayable assets received	44 968	109 857	45 179	211	-64 678
22.	Non-repayable assets transferred	-4		-28 533	-28 529	-28 533
<b>III.</b>	<b>Cash flow from financial activities</b>	<b>34 421</b>	<b>113 512</b>	<b>8 304</b>	<b>-26 117</b>	<b>-105 208</b>
<b>IV.</b>	<b>Changes in financial assets</b>	<b>-30</b>	<b>30</b>	<b>1 300</b>	<b>1 330</b>	<b>1 270</b>
23.	Financial assets opening stock	353	323	323	-30	0
24.	Financial assets closing stock	323	353	1623	1 300	1 270

## Priority events

Purchase of metro vehicles: according to conception of the previous years the reconstruction of the metro line 2 has been completed by changing the outdated fleet on the East-West metro line and putting the new trains into service.

Supply contract was signed with the Budapest Metropolis Consortium led by the Alstom Transport S.A. on 30 May 2006 covering the procurement of 22 metro cars for line M2 and 15 trains for the line M4 under construction. Two trains arrived in January 2009 instead of May 2008 and the testing started. National Transport Authority raised series of technical objections and ordered new tests and a running-test again, then refused to issue the authorisation. The contract was terminated on 20 October 2010 as the supplier could not keep the delivery deadline without the final type licence of the vehicles so it failed to comply with the agreed deadlines. The required investments before the vehicles' arrival took place in the depot of Fehér út.

In 2011 the decision of the appeal court in BKV Zrt - Alstom case declared the legality of the bank guarantee thus BKV Zrt. called in the performance bond and the repayment guarantee to its bank account in June and transferred it to the Municipality of Budapest. The capital reserve was reduced by the amount of the advance payment for the M2 metro cars, since the Municipality of Budapest gave it to BKV Zrt. in 2006 to place it into capital reserve.

In the interest of the project's success as a result of the negotiations with the supplier, on 20 July 2011 BKV Zrt. and BMC signed an agreement with the key conditions of the previous contract, new deadlines and financial schedules. After correcting the failures National Transport Authority gave the final type approval to the trains on 11<sup>th</sup> November 2011. The vehicles will be delivered in 2012 pursuant to the contract.

After the establishment of the Centre for Budapest Transport (BKK) in 2010, the following changes affected BKV Zrt. in 2011:

BKK Zrt. took over 5 employees from the Office for major projects by succession on 6 June 2011.

In the case of project 'Development of the interconnecting tram network in Buda' BKK Zrt. became the project owner, the handover agreement was signed on 21 September 2011 and BKK started to reform the project.

‘Development of tram lines 1 and 3’ and “Fleet development” projects were handed over to BKK and the adaption of the documentation ‘Development of tram lines 1 and 3, phase 1’ was adapted in May 2011.

The negotiation of handover agreement of the ‘Low-floor tram and trolleybus vehicle development’ project was completed and the agreement was signed.

BKK came to an agreement with the districts 18 and 19 in the project of ‘Reconstruction and extension of Tram line 42’ on the alignment to go under the railway line of Lajosmizse.

The decision has been made on the further planning, both districts accepted the alignment, thus the planning continues (according to Plan version C3).

On the basis of the owner’s order and the Board of Directors’ decision the General Manager of BKV Zrt. terminated the Collective Agreement on 30 November 2011, considering the uncertain financial situation of the company.

## Statistical data

### DATA OF BKV NETWORK on 31 December 2011

#### ENTIRE NETWORK

	bus	tram	trolleybus	HÉV (suburban railway)	metro	boat
Number of lines (pieces)	237	32	15	8	3	1
Length of all lines (km)	2610,75	250,50	73,60	145,50	30,80	0,15
Traffic network length (km)	998,35	156,85	56,70	97,90	34,60	0,15
Number of stops (pieces)	3816	627	275	73	83	2

#### IN BUDAPEST

	bus	tram	trolleybus	HÉV (suburban railway)	metro	boat
Number of lines (pieces)	236	32	15	8	3	1
Length of all lines (km)	2409,25	250,50	73,60	76,00	30,80	0,15
Traffic network length (km)	869,35	156,85	56,70	41,30	34,60	0,15
Number of stops (pieces)	3506	627*	275*	73*	83*	2

**OUTSIDE OF BUDAPEST (AGGLOMERATION)**

	bus	tram	trolleybus	HÉV (suburban railway)	metro	boat
Number of lines (pieces)	45			5		
Length of all lines (km)	201,50			69,50		
Traffic network length (km)	129,00			56,60		
Number of stops (pieces)	310			64		

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