



ANNUAL REPORT 2021

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FOREWORD



In 2021, BKV was available in every situation, serving the travelling public of the capital city, although this year was not easy at all: the situation caused by the coronavirus presented us with even more challenges than usual.

One of our top priorities continued to be to ensure the safest possible travel conditions to protect our passengers and colleagues during the pandemic. Therefore, as part of our protection protocol, we introduced an increased cleaning and disinfection regime and we also cordoned off the seats behind the driver's cabin.

The refurbishment of the M3 metro line continued, reaching an important milestone in 2021 with the construction of the first inclined lift, a curiosity in Budapest. The complex task of replacing the metro lines, which is an integral part of the M3 refurbishment, was solved excellently by our colleagues, who made their best to replace the missing metro sections as smoothly as possible.

There were also improvements in the bus sector in 2021: the most important result was the arrival of new buses to BKV. Thanks to these new acquisitions, the proportion of air-conditioned buses in the BKV fleet increased steadily over the last 5 years: the share of vehicles equipped with air conditioning in the passenger compartment increased from 49.6% to 88% of the total fleet.

Refurbishment work was ongoing throughout the year. One of the most spectacular and high-profile events was the overhaul of the Buda Castle Hill Funicular. On 1 September, the two cars of the Funicular – called Margaret and Gellért - were removed by crane from their place, renovated at the BKV Vasúti Járműjavító Kft's (VJSZ, Railway Vehicle Repair Workshop) site, and after three and a half months they were returned to their original place. In addition to the two wagons, the Funicular railway track was also completely renewed in this period.

We can also be proud of the fact that BKV regularly wins the Energy Conscious Company Award, thanks to the energy efficiency measures.

In 2021, our Company celebrated several anniversaries, too: 125 years of the Millennium Underground (M1), the world's first electrified underground railway, which is living history itself. 35 years ago, on 4 June, the rebuilt Buda Castle Hill Funicular was inaugurated: the today 151-year-old Buda Castle Hill Funicular Railway, which offers a magnificent panorama, was so badly damaged in the Second World War that it was suspended until its complete reconstruction in 1985, and passengers have been able to use it again since 4 June 1986.

After the lockdown caused by the virus, in 2021, perhaps even more than ever, we put more emphasis on connecting cultural or artistic initiatives that make everyday life more beautiful, more liveable, more lovable. We opened the doors of our Head Office to the 'Budapest 100' event, we were a partner of the 'Night of Literature', we joined the 'Poem on the Platform' initiative, and we participated in the Sustainability Week event organised by the EMMI to promote the Earth Day message of sustainability at schools.

The above are just a few examples of the work my colleagues did throughout the year to make BKV a reliable and good alternative for urban transport. I thank all my colleagues for their dedicated work for sustainable and evolving public transport.

I am pleased that, despite the challenges of 2021, together we have shown that BKV is a trustworthy service provider, providing a fair job and a living for its employees even under extraordinary circumstances.

Tibor Bolla
CEO



PUBLIC SERVICE CONTRACT

The Company provides scheduled public passenger transport services on the basis of the Public Service Contract concluded on 1 January 2021 between BKV Zrt. and BKK Zrt.

Under the Public Service Contract, BKK Zrt. (Transport Organizer) orders the scheduled transport service specified by sector, setting the quantity and quality requirements and the detailed rules for the public service, including the rules for the compensation of the costs of the public service.

The Transport Organizer's requirements for a given year and the associated financing conditions are set out in the Annual Agreement, which forms part of the Public Service Contract.

The provision of an adequate service quality is encouraged by the application of quality requirements and related motivational/sanctioning instruments set by BKK Zrt. These include the Bonus/Malus applied in the SLA system (SLA = Service Level Agreement, quality level measurement system) and penalties for non-compliant performance with certain legal claims.

The SLA system includes the outage indicator, the traffic safety (accident) indicator, the punctuality indicator, the regularity indicator, the technical, aesthetic and passenger comfort indicators for vehicles and stations, and the passenger information adequacy indicator. The penalty system consists of 57 penalty points, which can be sanctioned under different titles.

The trolleybus and tram sectors saw the introduction of more stringent classification range limits for their outage indicator. For the traffic safety indicator, the Transport Organizer slightly loosened the requirements for the bus and trolleybus sectors, but tightened up the requirements for the tram sector.

For the punctuality and timetable observation indicators, new ranges were added, with a multiplier of 0.02 on both the Bonus and Malus sides, which also resulted in a revision of the range limits. For the vehicle and station technical, aesthetic and passenger comfort (MEU) conformity indicator and the passenger information conformity indicator, no changes were made to the

range limits, only the multiplier for the ranges was increased from 0.01 to 0.03 and 0.02 respectively (the multipliers indicate the percentage of the annual Public Service charge for the sector that the Bonus and Malus rates represent).

In several cases, the penalty rules were changed and made stricter. A new penalty point was introduced, most of the penalty rates were increased and the possibility of imposing a penalty for passenger complaints deemed justified was introduced, which had no precedent before. After the entry into force of the passenger complaint handling procedure, BKK Zrt. became entitled to impose penalties for defective performance on the basis of substantiated passenger complaints.

Compared to the previous year, BKV Zrt's payment obligations in terms of SLA indicators decreased slightly in the value of the co-payment bonus (HUF 534,128 thousand after a bonus of HUF 468,699 thousand), while there was no material change in the result in terms of the penalty scheme (HUF 34,780 thousand after a bonus of HUF 34,663 thousand). As a result of the above, in 2021 BKV Zrt. had a total receivable of HUF 434 million from BKK Zrt.

Our Company fulfilled its reporting obligations as stipulated in the Public Service Contract. By preparing monthly, quarterly and annual public service reports and by answering regular questions from its Customers, BKV Zrt. provided an account of the provision of the public service ordered and its economic aspects.



BUS AND TROLLEYBUS OPERATION DIRECTORATE *

The management of the Bus and Trolleybus Operation Directorate's staffing required the handling of a number of interacting factors in order to fully meet its responsibilities in a changing operational and labour market environment. The following factors in particular had a major impact on staffing and employment in 2021:

- The coronavirus pandemic continued in several waves in 2021, while its spectacular receding and gradual subsiding in the summer, with the recovery of international transport and tourism, resulted in a large outflow of drivers.
- The reconstruction of the M3 metro line and the related replacement works, which entail a systemic increase in vehicle expenditure in the capital (in order of magnitude +100 vehicles) and thus (mainly) an increase in driver demand.
- The lack of the 2021 salary increase put ATÜI at a competitive disadvantage, which accelerated the exodus of colleagues who joined the company in the pandemic period due to the need for greater job security.

As a result, the driver staffing situation, which improved considerably in 2020, started to weaken again in 2021.

- Our recruitment campaign and driver training (after a minor break) continued in 2021, but the number of drivers recruited through refreshed awareness-raising did not replace the number of drivers who left our Company.
- The age structure of drivers continues to show a negative picture, with an over-representation of those approaching retirement, which can only be addressed in the media to long term through well-designed training and recruitment programmes.

Despite this, overall, the year 2021 showed sufficient capacity to perform the core tasks of the bus and trolleybus sectors and the M3 replacement, which required less overtime work than in previous years.

* Hungarian abbreviation: ATÜI

The situation of the vehicle maintenance staff and its replenishment are still fundamentally hampered by the heterogeneous composition of the fleet. The fleet includes both modern vehicles, typically operating with electronic, chip-controlled technical solutions and a larger number of 'conventional' vehicles. The skills and experience required of the maintenance staff are therefore very diverse and, as a result, there are currently few professionals in the labour market who fully meet these requirements. In 2021, as the pandemic eased, the number of these professionals within the Directorate also decreased, as the 'secure job' designation, which provided stability during an emergency, became a lower priority in the job selection process.

In 2021, the number of intellectual staff increased: the filling of vacant intellectual posts, which were temporarily not filled in 2020, started. The possibility of working remotely (from home) for our white-collar colleagues where the job description allowed it helped to fill the vacancies.

Trainings:

- In 2021, due to the pandemic situation, training with personal presence was suspended for approximately 1.5 months, but from the second half of April all D, TR, CCI and other official training courses started and ran as planned.
- The OFA 'Driver training for employed drivers II.' for those starting their studies at the end of 2020, also continued in 2021 in line with pandemic requirements.

Vehicle purchases and vehicle rentals

BKV Zrt. was able to draw down the optional quantity of the existing framework contract TB-372/18. In the first quarter of 2021, 10 solo vehicles were delivered to the South Pest Division and 22 vehicles to the Trolleybus Division. The Mercedes-Benz Conecto NG buses play an important role in the renewal of BKV Zrt's vehicle fleet, but in terms of quantity, this purchase is not yet sufficient to reduce the average age of the fleet. In addition, in November, the Trolleybus Division received 2 new Solaris-Skoda Trollino 18 articulated trolleybuses.

In order to increase the number of low-floor vehicles and to ensure the smooth metro replacement operation of our Company, the rental of MAN Lion's City GL low-floor articulated buses

continued, of which 5 were delivered by HOMM Kft. and 6 by Truck Trailers & Parts Kft. The rental of 7 more Modulo M168d articulated buses from HI Systems Kft. at Kelenföldi Division started.

Thanks to the above-mentioned vehicle procurement and rental opportunities, the number of modern, environmentally friendly buses in the capital city increased, which, by operating low-floor buses, make the daily travel of passengers with reduced mobility or mothers with baby carriages easier, and the air conditioning systems installed in the vehicles also contribute to increasing travel comfort.

In addition to the existing minibus fleet, the Company expanded its popular demand-driven service at the depot of Óbuda Division by renting 2 additional Mercedes-Benz 515 Sprinter minibuses.

In order to meet the supplier's obligation for the warranty repair of the previously purchased Mercedes-Benz Conecto buses, two Mercedes-Benz Citaro C2 type modern low-floor solo 'replacement' buses were also operated by our Company in 2021: one at the Cinkota depot and another one at South Pest Division from October 2021.

Refurbishment of vehicles

According to international experience and practice, the predictable optimal lifetime is 8 years for buses and 10 years for trolleybuses. After this period, significant refurbishment is required or vehicle replacement will occur. The chassis and the body of the buses are subject to increased stress under urban operating conditions, resulting in an expected maximum life expectancy of 10-12 years, which can be partially extended by targeted interventions or general overhaul, depending on the type. The extra mileage, uptime and utilisation stress due to the metro replacement lead to an increased deterioration of the technical condition of the vehicles.

The backbone of the BKV Zrt. fleet, as well as some groups of buses recently acquired second-hand, have reached an age and mileage when the number of breakdowns without costly comprehensive repairs increases significantly, posing increased economic and technical challenges to the operating divisions. This trend will continue in the future, i.e. successive used vehicle families will wait for a series

As a continuation of the reconstruction of the M3 metro, the bus sector was again faced with a of overhauls to increase their service life and provide more predictable operation.

In 2021, the Bus and Trolleybus Operation Directorate has initiated general overhaul and as-needed repairs for a total of 29 buses and trolleybuses with external partners. The works were performed with the following technical content:

Division	Vehicle type	Frame repair as required	Guaranteed frame repair	Aesthetic refurbishment, frame repair	Increasing fire safety	Frame repair, pulling device replacement as required	Maintenance of bodywork and other components	Total
Cinkota Division	Volvo 7700A						3	3
Southern Pest Division	IK 412	2	1					3
	Van Hool NEW AG300					7		7
	IKARUS 405			1				1
Kelenföld Division	Volvo 7000/7700				4			4
	Volvo 7700A				1			1
Óbuda Division	Mercedes-Benz O530 Citaro						2	2
Trolleybus Division	IK 280T (GVM)	3						3
	IK 412T	1						1
	Volvo 7000/7700	2			2			4
Összesen		8	1	1	7	7	5	29

Table - General overhaul type services provided by an external partner for the ATÜI fleet in 2021

Metro replacement

The replacement of the metro service in the central section between Nagyvárad Square and Lehel Square was ongoing from 7 November 2020. On working days, a load-reduction replacement bus service with the 'M14' sign was also operated between Lehel Square M and Nyugati Railway Station M. The two services together required 71 vehicles and 154 drivers on weekdays, 62 vehicles and 124 drivers on Saturdays and 55 vehicles and 108 drivers on Sundays. In addition to the metro replacement buses, there were also a number of alternative services. The alternative bus services that have been in place since the southern section continued to operate. The 23E bus ran the route Határ Road - Török Flóris Street - Topánka Street - Baross Street in Pestszébet residential area during the whole operating time. The trolleybus 72 was also running with a number 72M on an extended route on weekdays from Zugló Railway Station to Orczy Square, with 3 extra vehicles and 9 extra drivers. The 73 trolleybus was operated with the sign 73M on a route extended to Deák Ferenc Square. The trolleybus 79 transported the passengers under number 79M along an extended route, via Népfürdő Street to the Dagály Street housing estate. These services were operated by the sector without any change to the previous vehicle numbers and driver numbers. The route of bus 254M was modified, running between Boráros Square H - Alacskai Road housing estate.

During the summer period, ATÜI had its biggest ever replacement task for four weeks, i.e. the replacement M3 buses running between Göncz Árpád City Centre and Kőbánya-Kispest M between 24 July and 22 August, supplemented by a Határ Road - Göncz Árpád City Centre insert service. During the summer holiday period, the massive metro replacement task, which required 109 vehicles and 209 drivers during the working days of the summer holidays, posed a major organisational challenge for the rubber-tyre sector. On Saturdays, 62 vehicles and 128 drivers were on duty on this section, while 55 vehicles and 118 drivers were needed on Sundays. At the same time, the trams to and from Hűvösvölgy also had to be replaced, with 12 buses and 22 drivers.

Also, in connection with the summer M3 replacement, the replacement of tram 50 on school days, at base-rate performance, was performed in September and October, with 15 vehicles per cycle, then 14 vehicles and 24 and 21 drivers respectively, supplemented by small track-bound replacements concentrated on the autumn holidays.

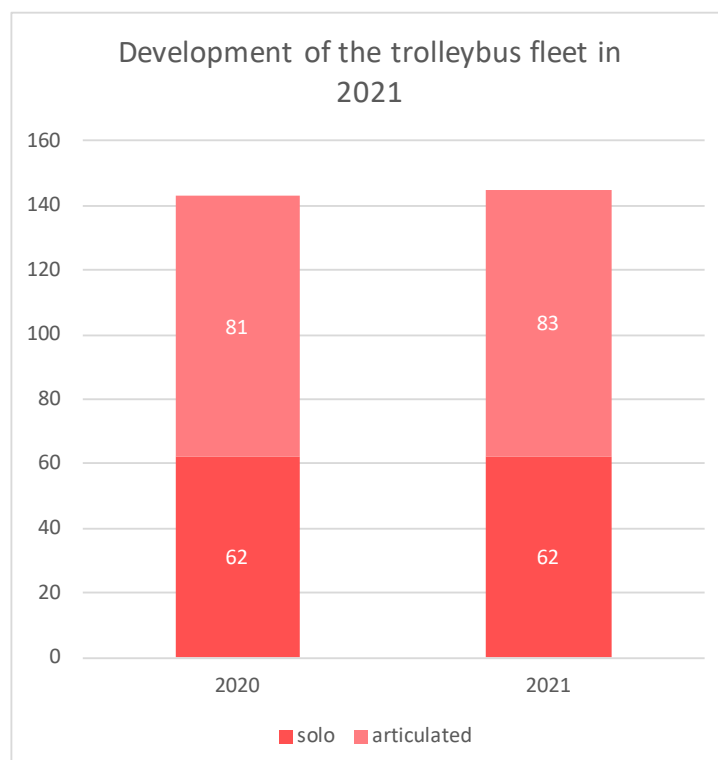
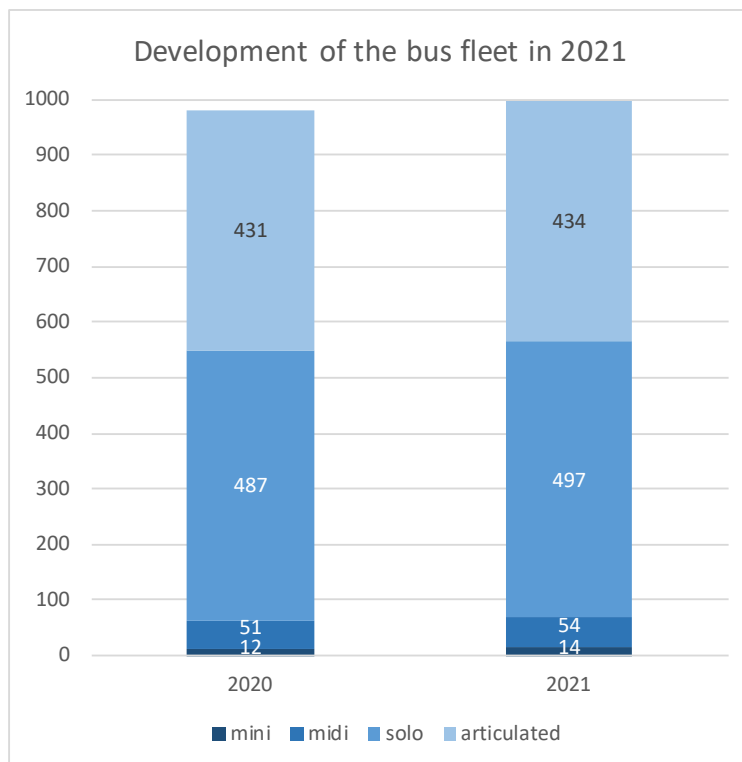
Changes in the fleet

The Bus and Trolleybus Operation Directorate's bus fleet increased from 981 units on 1 January 2021 to 999 units at the end of the year. This was mainly due to 32 new solo Mercedes-Benz Conecto buses and 7 leased articulated Modulo M168D buses, but also to a smaller number of second-hand Mercedes-Benz Citaro solo and articulated buses, VanHool New AG330 articulated buses, Solaris Urbino 10 midi buses and Mercedes-Benz Sprinter mini buses. Half of the vehicles withdrawn from the fleet were obsolete high-floor buses, which had been in service for three decades and half were scrapped, while the other half was existing low-floor types acquired second-hand, which were obsolete in terms of their frame structure, technical and aesthetic condition and also aged around 20 years.

For the trolleybus sector, the total stock of 143 vehicles at the beginning of the year was increased by 2 additional low-floor articulated 4th generation Skoda-Solaris Trollino 18 type vehicles, bringing the total fleet to 145 vehicles at 31 December 2021.

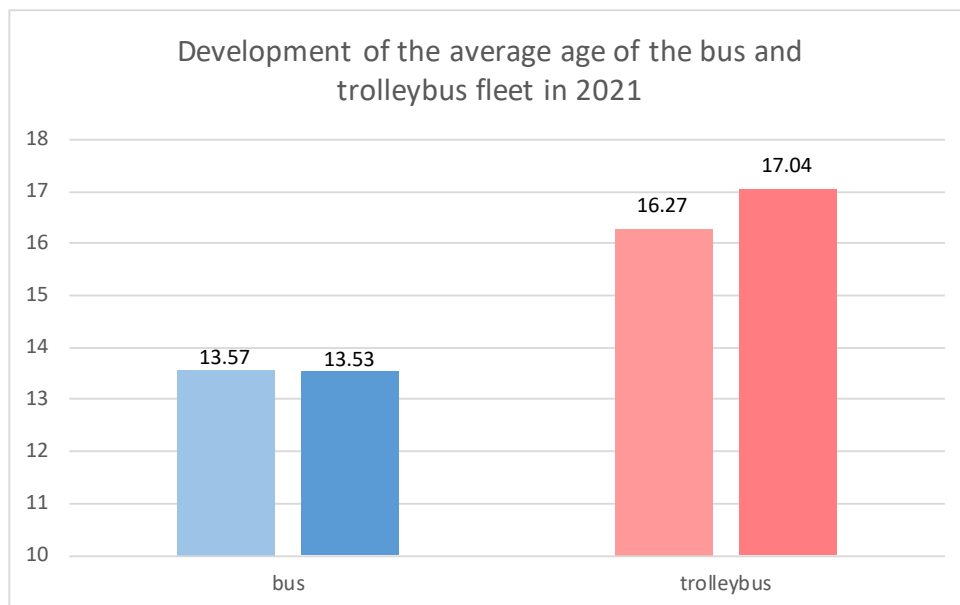
Bus	2020	2021
mini	12	14
midi	51	54
solo	487	497
articulated	431	434
Trolleybus:	2020	2021
solo	62	62
articulated	81	83

Development of the bus and trolleybus fleet in 2021



	01/01/2021	31/12/2021
bus	13.57	13.53
trolleybus	16.27	17.04

Autóbusz- és trolibusz-állomány átlagéletkorának alakulása 2021-ben



New vehicle acquisitions in the bus sector further increased the share of modern low-floor and air-conditioned vehicles, while as for trolleybuses, the proportion remained unchanged with the share of desirable low-floor and air-conditioned vehicles remaining at less than half of the fleet.

As the majority of new buses in service comply with the EURO V and higher environmental standards, and withdrawals largely affected vehicles of EURO II and below, the environmental standards graph shows a significant improvement in 2021.



RAILWAY OPERATION DIRECTORATE*

Pursuant to the Pandemic Plan worked out by the Operative Board of the Company, our own protection processes managing the special features of individual areas were established for the railway sections.

Operational performance

The tram and metro sector provided 8596 million passenger space-km (fhkm) with more than 3.4 million completed runs. The tram sector experienced efficiency improvements and a significant improvement in service quality through increased use of low-floor vehicles.

In addition to the public service activity, in 2021, the heritage trams provided almost 600 hours of service (typically at weekends), with an average of 50 hours per month.

The rate of cancelled departures in the tram sector shows a steady improvement.

The development of the railway fleet

The closing number of railway passenger vehicles was 1,039 units in 2021, which included 13 vehicle types. The tram branch operates ten types, while the metro branch operates three main types.

The tram branch of the Company provides services on 32 tram lines with the total of 610 tram vehicles, while the passenger transport of the cog-wheel railways is performed with 14 cog-wheel vehicles (7 motor cars and 7 trailer cars).

The average lifetime of the tramway vehicles in the BKV Zrt. fleet is 40.3 years, which is 10.3 years longer than the useful life.

* Hungarian abbreviation: VÜI

The average lifetime of metro passenger vehicles is 6 years and that of MILLFAV vehicles is 47.7 years.

In terms of passenger comfort, the railway passenger rolling stock has improved significantly in recent years. By 2021, the share of low-floor vehicles (in terms of number of units) reached 52% and the share of air-conditioned vehicles 27%.

Energy-efficient driving training is a priority in the training of tram drivers: EcoDriving programme.

Infrastructural developments

Some of the elements of the infrastructure assets were significantly renewed in recent years as a result of the large projects.

In 2021, some 3,600 m of metro tracks and 81,800 m of tramway tracks were ground to improve passenger comfort and to reduce noise. Rail welding and rail grinding as specific tasks were also supervised with dedicated staff, which, in addition to the positive technical and environmental effects, also had a positive impact on the Company's financial management: it represents a total annual saving of HUF 172.08 million for the Company.

The overall technical condition of tram infrastructure equipment and assets increased from 43.2% in 2020 to 47% by the end of 2021.

A total of 355.5 km of track network was used for daily tram traffic - as of 31 December 2021.

Some of the infrastructure assets of the M3 metro line have been significantly renewed or are in the process of being renewed as a result of major projects that have been recently implemented and are still ongoing.

Diagnostic tram

In 2016, the conversion of a Ganz articulated tram into a special-purpose diagnostic vehicle was started, which is used to perform measurements twice a year on the entire track network.

Works affecting the metro infrastructure

Track maintenance works performed on the metro lines in 2021 served the purposes of providing service according to traffic security aspects, prevention of the introduction of slow zones and also facilitated the improvement of passenger comfort.

The strategic goal of the reconstruction of M3 metro line infrastructure is to improve the competitiveness of the capital city's public transport, including M3 (north-south) metro line, which is part of the high-speed rail network, compared to individual transport in the city and its region, and to support and promote high-quality cooperation and connections between functional areas within the city. The reconstruction of M3 metro line, which has the greatest impact on the work of Metro Operations Directorate and which absorbs a significant amount of its resources, continued in 2021 on the central section.

Other activities

In 2021, the Rail Safety Office started updating the Railway Safety Management Manual and deregulating the company instructions it coordinates. It participated in the coordination of the corporate tasks of the VIKI (Railway Administration Centre IT System and Test Programme). This system will be responsible for ensuring electronic communication between the rail transport authority and the railway undertakings and other organisations in matters of administrative procedures (licensing, inspection, market surveillance, passenger rights).

The Railway Safety Office, in cooperation with the sectoral railway safety organisations, performed, at the request of the Transport Safety Organisation, 8 investigations of operators of serious railway accidents or incidents, seven of which concerned the tram operation and one the metro operation. The conclusions of the investigations and the safety recommendations to prevent similar accidents and incidents were set out in a final operator report.

Application of a Science Based Continued Operation Protocol (SCOP)

The use of SCOP allows operators to continue to operate assets beyond their useful lifetime on an objective basis, resulting in deferred scheduling of asset replacements that become timely. Without the SCOP process, the withdrawal of many vehicles and infrastructure elements beyond their planned lifetime would have been necessary.

City Rail 2021

Building on the experience of the successful 'Professional Days' of previous years, the Railway Operation Directorate, in cooperation with the KTE (Transport Science Association), organised a scientific conference in Balatonfenyves, entitled 'Conference on the Current Issues of Urban Transport, 2021', which was successfully held on 14-15 September 2021 with the City Rail 2021 Scientific Conference. With more than 140 registered participants, the conference was attended not only by BKV speakers, but also by other national and foreign experts and partner companies, representing public transport operators of European capitals or European companies interested in vehicle manufacturing, infrastructure construction and transport development.

Trainings

Dual training has now become a priority, as it is necessary to employ people with specific skills for the Company. The students contracted under the dual training scheme receive practical training in BKV Zrt's railway operation departments in parallel with their higher education studies, which enables them to join the Company as fresh graduates with the appropriate qualifications on completion of their studies. In December 2021, 12 students from four universities were employed this way.

In 2021, thirty courses were launched by the metro sector to train new recruits for jobs where there was a shortage of staff, or to provide vocational or temporary training for staff in employment. In the training of new recruits and company employees, 191 people started their studies, of which 123 successfully completed the officially approved training programme. Significant

training capacity was also tied up in the organisation and delivery of periodic and refresher training. On the M3 line, 545 drivers (new recruits and employees on a periodic basis) were trained in 375 hours of sessions in the framework of driver simulator training.

The training programme for the basic training of escalator operators was successfully reviewed and approved, and new employees obtained escalator operator qualifications with the Company.

Preparation of driver's training for university students

- Tram driver's training will be integrated into the training of university students in higher technical education. Therefore, the Company contacted higher education institutions for a preliminary assessment of needs and possibilities.
- Széchenyi István University of Győr, in the field of transport engineering, is the first to integrate certain training modules related to railway safety, thus allowing students to obtain tram driver's licence.
- A special training plan and syllabus (training programme) were prepared for integration at the university, approved by the KTI (Institute of Transport Science) experts, and the material and concept were submitted to the Senate of Széchenyi István University.

Measures taken to reduce energy costs

Energy procurement, performance management: in order to reduce significant energy consumption and costs, a complex, conscious and professional energy management activity is being performed at our Company, which in 2021 used nearly 636.5 GWh of energy to perform its activities; this represents a cost expenditure of nearly HUF 18.95 billion at current prices. This energy is used at 507 points of use, in addition to which a total of 799 points of use have been provided with energy or drinking water for 85 external parties.

In 2021, the savings from electricity dispatching amounted to HUF 353.7 million, while the savings from power management activities amounted to HUF 169.1 million.

Company measures related to the pandemic

The Operations Department of the Railway Operation Directorate played a significant role in the measures taken in connection with the coronavirus pandemic, as it was responsible for the company-wide management of the equipment required for the protection, the technical background for the related purchases and the storage of the materials.



DBR METRO PROJECT DIRECTORATE

Outstanding guarantee periods

For the escalator transmission units, due to the effects of the pandemic, the dates agreed in the previous agreement have been revised, and for some transmission units the repair and/or warranty period has been extended. The settlement agreement with the Contractor has been amended, with a reduced bank guarantee.

Baross Square, surface landscaping

On November 17, 2021, the Operator, the Investor, the Engineer and the Contractor recorded the Closing Minutes and the Certificate of Completion was issued on the same date.

Fehérvári Road tram stop for operating purposes – K2H

The obstacles to software certification and regulatory approval have been removed. Due to their time implications, the warranty period was extended again in October 2021 until 6 May 2022.

P+R parking

The warranty period for the fourth parking facility under contract K2F2/B2 (P+R car park on the site of the MÁV 8 track) is until 31 January 2022, but an agreement was signed to partially extend the bank guarantee for good performance until 31 July 2022 for an outstanding defect that could not be repaired by the end of the warranty period.

Expenditure charged to State Financing and the Metropolitan Financing until 31 December 2021

Under the Additional Financing, HUF 1,771.1 million was paid in 2021, for which the Municipality of Budapest received a grant of HUF 943.7 million, HUF 648.1 million was covered by revenue generated in previous years and HUF 136.9 million was for administrative costs not eligible under the Single Grant Agreement. The amount of the pending settlement is HUF 42.4 million. Including the settlements carried over from 2020, the Municipality received HUF 840.7 million in state aid in 2021.

The Capital's own 100% financing in 2021 was HUF 41.1 million.

Maintenance period for KÖZOP (Operational Programme for Transport) projects

The 5-year maintenance period of the large KÖZOP project started on 12 April 2017. The Maintenance Report No. 4 was submitted to the Grant Provider in the electronic system on 14 April 2021 and was accepted on the date of submission.

The 5-year maintenance period for the phased KÖZOP projects started on 25 November 2016 and ended in 2021. The final 5th maintenance reports were submitted on 26 November 2021 and accepted by the Grant Provider on 7 December 2021.

The Grant Provider has announced a technical audit for the closure of the maintenance period of the two phased KÖZOP project components, which took place on 27 October 2021.

Maintenance period of the IKOP (Integrated Transport Operational Programme) projects

According to the Grant Provider's notification dated 9 October 2018, the two IKOP projects were closed in 2017. The 5-year maintenance period of the M1-M7 IKOP project started on 19 October 2017 and the maintenance period of the P+R project started on 18 November 2017.

Maintenance Report 4 for M1-M7 project was submitted on 2 November 2021 and accepted by the Grant Provider on 11 November 2021, and Maintenance Report 4 for P+R project was submitted on 26 November 2021 and accepted by the Grant Provider on 29 November 2021.

Project Budget

According to the Amendment no. 6 of the Single Grant Agreement, the period of public funding has been extended until 31 December 2022, which was approved by the Government in its Decision 1463/2019 (30 July). The contract was signed and the amendment entered into force on 10 September 2019. The project budget and the amount of the state budget request remain unchanged. After a total disbursement of HUF 840.7 million in 2021, the remaining public funding available for use on 1 January 2022 is HUF 9.75 billion.



FINANCIAL MANAGEMENT

of BKV Zrt. in 2021

In 2021, BKV Zrt. realised HUF 156,895 million in operating revenue (net sales revenue, other revenue) and HUF 1,087 million in capitalised own performance value, which is HUF 1,570 million below the 2020 figure.

Under the Public Service Contract with BKK Zrt., BKV Zrt. provides public transport services as an internal service provider, for which it is entitled to a public service fee up to the amount of its justified costs not covered by revenues. BKV Zrt. has no other revenues directly related to public services; fare revenues, social policy fare subsidies, agglomeration and district public transport revenues, revenues from parameter book contracted services, as well as metropolitan and state operating subsidies constitute revenues of BKK Zrt. The contract in force between BKK Zrt. and BKV Zrt. contains the methodology underlying the calculation of the monthly public service fee payable, the ordered traffic performance, the conditions of performance, the planning and reporting requirements, the Bonus/Malus system and the penalty items.

Based on the above, BKV Zrt. received a public service fee of HUF 134,960 million, which is 1.3% lower than in the previous year.

The coronavirus pandemic also had a fundamental impact on operations in 2021. Measures taken to control the pandemic have been part of everyday life in the past period and, although they have affected all aspects of life, the full closure seen in 2020 did not take place in the year under review. In parallel, BKV Zrt. had to do its utmost to ensure the safety and health of the travelling public and employees, and to address the systemic funding shortfall due to the loss of fare revenue, while at the same time ensuring that the technical and other background processes for daily transport were in place to meet the specific needs of the pandemic emergency. At the same time, the consequences of the pandemic have increasingly affected the daily lives of economic operators, in the form of both an exceptional rise in energy prices and difficulties in procurement, presenting businesses with unprecedented challenges.

BKV Zrt. has maintained the public transport service, with only a slight slowdown in the first period of the year.

Contractual and other services revenues continued to be affected by the low tourist traffic due to the pandemic situation: revenues for 2021 are HUF 56 million below the base and HUF 245 million below the budget. Compared to the previous year, the Zugliget Chairlift and special service sectors have already achieved an increase, but the Funicular was undergoing refurbishment works from September to December 2021, during which time the service was suspended, resulting in a significant shortfall in revenue even compared to the low level of last year. Only the special service sector was able to exceed the planned value by almost HUF 20 million, while the Chairlift was 4% behind the planned value. The Funicular, although maintenance from September to December was included in the Business Plan, was only able to achieve 29% of the planned revenue in the spring-summer season due to the low level of foreign tourism.

The revenue from other activities exceeded the base value by HUF 211 million and the budgeted value by HUF 277 million. This includes, among others, rental and lease fees of tangible assets, revenue from company residential houses, holiday homes, rental of advertising space and revenue from intermediary services. The higher than base and higher than budgeted actual figures were mainly due to the positive development of rental income from tangible assets and revenue from the sale of waste. Rental and leasing of tangible assets showed a surplus of HUF 73 million compared to the base and HUF 163 million compared to the plan. The rental of advertising space in 2021 is HUF 12 million below base and HUF 5 million above plan, i.e. close to plan. The surplus in sales of stocks and goods is HUF 94 million compared to the base and HUF 285 million compared to the plan, mainly due to the over-performance of the sale of waste recovered during the M3 reconstruction. The only significant shortfall is in revenue from intermediary services and IT subcontracting services - and, in parallel, in expenditure (HUF -209 million).

Other revenue is overall HUF 142 million above the base figure and HUF 479 million higher than budgeted. Compared to 2020, there is a significant decrease in the use of the provisions due to the large amount of reversals included in the base, as well as from damages and interest on late payments received. Compared to the base, there is an increase in deferred revenue reversals and other support, partly due to capitalisations for the ongoing M3 infrastructure reconstruction and partly due to the interest on arrears recognised in relation to the DBR project. The higher value of deferred income reversals and the income from damages and interest on late payments received represent additional revenue compared to budget. The amount of provision reversal was below the budgeted amount. The proceeds from the sale of tangible assets in 2021 amounted to HUF 17 million.

The revenue from other activities in 2021 closed almost in line with the base with HUF 1,500 million. The Company reports under this line, among others, the rental and lease of tangible assets, revenue from corporate housing, holiday homes, rental of advertising space and revenue from intermediary services. Most of these activities have been adversely affected by the pandemic emergency and the related restrictive measures.

Rental and lease fees of tangible assets was almost at the same level as the base, while there was an over-execution of HUF 66 million compared to the budget, as the loss of revenue due to the pandemic situation was below the maximum forecast.

The rental of advertising space in 2021 is HUF 12 million below the base, but HUF 5 million above the plan, indicating that the decrease assumed in the plan has not occurred.

Rents from the leased apartments in 2021 also amounted close to HUF 12 million.

The cost of materials excluding energy is 9.6% above the base (HUF 1,144 million), 3.7% (HUF 507 million) below the budget. Compared to the 2020 base figure, the highest increase (HUF +1,224 million) is for vehicle parts, the largest item within material costs, with the highest consumption in the bus and tram sectors. Compared to the base, the cost of vehicle and machinery parts, cables, cable fittings and other materials increased. However, there is a significant decrease in the use of main vehicle parts and materials related to the M2 and M4 projects.

All in all, energy costs increased by 4.6% compared to the base figure, and the shortfall compared to the plan was 1.4%. The increase in costs compared to the base figure was largely due to the continuous increase in the price of diesel oil, which reached 22.5% in one year from April 2021.

Services used increased by HUF 1,223 million (+4.4%) compared to the base figure, but showed savings of HUF 1,397 million in 2021 compared to the budgeted figure. HUF 9,469 million was used for external repair and maintenance services, reflecting an increase of HUF 1,062 million compared to 2020. In 2021, the cost of overhauls of railway vehicles was higher than in the base year, with more infrastructure maintenance necessary to maintain traffic safely, and the overhaul of the Buda Castle Hill Funicular (Sikló) vehicles also appeared under this cost item. The Company also paid higher amounts for software management and vehicle rental services than in the previous year. The increase in the cost of the security services is due to the change in the hourly

rates from January 2021. In 2021, the cost of telecommunication connectivity and the cost of land rental and land use decreased compared to the previous year. For the latter, the decrease is due to a one-off higher cost payable to the KÖKI terminal in the base year.

The value of services sold (intermediated services) is close to the base year figure, with a shortfall of HUF 216 million compared to plan due to the fact that the expenses (and revenues) for re-invoiced IT services were not incurred as planned.

Overall, staff costs were 1.7% above the base year. There were no savings compared to the plan: the financing situation of the Municipality of Budapest did not allow for salary increases for the employees, but the Wage Policy Agreement concluded with the trade unions provided, inter alia, that the staff costs in the Business Plan could be used in full for wage measures, and jobs were to be retained. Accordingly, the savings in staff costs at the end of the year were paid to employees as a one-off benefit.

Depreciation increased by 1.9% compared to the previous year due to the capitalisation of tangible assets. The other expenses were HUF 443 million higher than the base figure and HUF 691 million higher than planned. The bulk of the increase is default interest of HUF 518 million payable as a consequence of a closed litigation procedure related to a DBR project. The amount paid is offset as an expense related to the DBR project and has therefore zero impact on the P&L. The default penalties imposed by the Public Procurement Authority are also accounted for there. However, the provisioning was lower than both planned and the base year's figure.

The Company's operating result for 2021 was a loss of HUF 13,377 million.

The balance of financial operations shows a profit of HUF 56 million. The more favourable than planned financial income is due to interest received from financial institutions and exchange rate differences arising from the settlement of receivables and payables.

The pre-tax result of BKV Zrt. in 2021 was a loss of HUF 13,321 million, which reflects an improvement of HUF 1,791 million compared to the planned result, mainly due to savings in 2021 and the Bonus paid to BKV Zrt.

INVESTMENTS, DEVELOPMENTS

Vehicle purchase, refurbishment and modernisation

Bus purchase, refurbishment

Following successful procurement procedures, in 2019 our Company signed contracts for the purchase of new solo and articulated Mercedes buses. On the basis of the proposal of the Budapest Public Development Council, the Hungarian Government granted a subsidy from the 2021 central budget for the purchase of 17 solo and 17 articulated buses within the framework of the replacement of the bus fleet of BKV Zrt. The Municipality of Budapest pre-financed the purchase of the vehicles, so 17 new diesel articulated buses could be put into service at the end of 2020 followed by 17 new diesel solo buses at the beginning of 2021. In March 2021, a further 15 new diesel solo buses were delivered, the purchase of which was financed from corporate investment funds.

In the autumn of 2020, 7 CNG-powered solo buses started to serve passengers in the South Budapest region, which were subsequently purchased by our Company at the beginning of 2021.

Condition assessments of the existing fleet for the technical inspection of several buses have shown that it is more economical to purchase and put into service a second-hand bus than to carry out the necessary repairs to pass the technical inspection. Consequently, during the year, our Company purchased 4 solo Mercedes Citaro buses and 4 articulated Van Hool AG300 buses under a specific procurement procedure, which replaced scrapped buses of the same type. In order to improve the situation of the midi vehicle category, 2 Solaris U10 midi buses were acquired.

Modernisation of trams

The 226 vehicles completed under the Tatra tram modernisation programme since 2014 were followed by another 34 vehicles in 2021. With that 76% of the total Tatra fleet (260 vehicles in total) has undergone a drive system modernisation and aesthetic renewal. The technical content of the modernisation already included air-conditioning of the driver's compartment and cameras in the passenger area in all vehicles. The latest upgrade included additions to the power drive system to make them equivalent to the power drive system of the vehicles that have been upgraded since 2014. This has also significantly improved the homogeneity of the fleet.

By the end of 2021, the KCSV7 tram upgrade programme was completed. The last 4 vehicles were upgraded during the year.

Purchase, modernisation, refurbishment, safety conversion of other vehicles

In order to ease track, stop and building maintenance work, 1 aerial work platform truck based on Mercedes Sprinter truck was purchased.

We also purchased 1 multi-purpose truck, which is mainly used for crane and lifting tasks, but thanks to its interchangeable accessories and adapters, it can be used for any task from lifting to snow clearing and flatbed transportation.

Escalator purchase

At Deák Square station of the M3 metro line 3 old and technically obsolete low-lift escalators, which were in operation for more than 40 years between the subway and the change level will be replaced. The new escalators were purchased in 2020 and the dismantling of the old escalators was completed in 2021.

Track renovations

Track renovation in Nagyenyed Street

In Nagyenyed Street, during the renovation, the existing RAFS superstructure was replaced by a modern embedded rail system, which reduces traffic noise and ensures water sealing. The connecting asphalt pavement was also renewed.

Power supply tasks

Planning of the interconnection and extension of trolleybus networks

With the addition of overhead cable sections to the existing line network, new lines can be established, and new services can be launched. The plans for the establishment of a triangle junction at the Állatkerti Road - M3 on-ramp, and the line sections of Kálvin Square - Baross Street - Mária Street (600 m) and Kálvária Square - Elnök Street - Népliget terminal (4000 m) were completed in 2020, the plans for the Kőbányai Road - Liget Square route - Pongrác Road (8200 m) were completed in 2021.

Architectural works for the renovation of the 10 kV distribution in Kertész transformer

The on-site renovation of the obsolete equipment of the open 10 kV distribution substation on the 2nd floor of the Kertész transformer of BKV Zrt. was not recommended for technical and safety reasons. In order to maintain continuous operation, the new equipment will have to be installed in a new location, which required architectural modifications. The architectural works, which were completed in August 2021, involved the partial demolition and conversion of the offices subsequently established on the 2nd floor to create a new room for increasingly and electrically shielded equipment.

Telecommunication and safety equipment

Tasks related to the M3 reconstruction

In addition to the investments planned under the M3 project, other necessary tasks related to the reconstruction are of significant value and are being implemented by our Company from its own resources.

- Refurbishment and reconstruction of the ATC station cabinet at Nagyvárad Square
- Renovation of ATC station cabinets
- Delivery of ATC carpet

SEL 700 switch power unit renovation on metro line M3

The switch power units operating on metro line M3 have been in constant operation since their instalment, the railroad switches on the sidings are set to suit traffic demand. The safe operation of power units is possible with regular renovations only, that takes place in 5-year cycles. In 2021, 20 pieces of switch power units were renovated.

Other infrastructure investments

Planning and preparation of projects

Using the funds provided for the planning and preparation of documentations necessary for projects to be launched later, the following were completed:

- Design of the Nagykörút (Grand Boulevard) superstructure replacement (South Buda section)
- Design of the engineering renovation of the Traffic Management Centre at Szabó Ervin Square

- Design of the renovation of the Népszínház Street terminus in district VIII.
- Design of the fall protection system for the Angyalföld trolleybus depot
- Design of the roof renovation of a tenement flat in the Budafok depot
- Design of the renovation of a tramway track Ady Endre road and Hosszúrési stream in district XXII.
- Design of the roof renovation of the large hall of the Kelenföld Division
- Design of the supporting structure of the office building on Zách Street.

Interim investments necessary for operation

Using the funds provided for maintaining the technical condition of the buildings, structures and technological devices necessary for the operation, maintenance and repair of vehicles, as well as for the purchase of other devices, the replacement of the faulty 1650 kVA traction transformer of the Rákospalota transformer station was completed in February 2021

Installation of rail lubricating equipment (embedded rails)

In 2021, 6 locations (Döbrentei Square - Attila Road, Pozsony Street - Fő Street, Fő Street - Kajár Street, Móricz Zsigmond Circle, Széll Kálmán Square - Várfoke Street, Kőbánya lower railway station) were equipped with rail lubricating equipment.

Purchase of machinery, technological devices

The following tasks were completed in 2021 from the funds provided for the purchase of the most essential machinery and equipment necessary for operation.

- Upgrading of the lathe under the floor in Hungaria Tramdepot,
- Renovation of the liquid coolers on metro line 2, to increase energy efficiency by modernising the control system.

Renovations of buildings and structures

Investments planned from the funds provided for renovation of buildings and structures:

- Renovation and extension of workers' hostel in Hungária Tramdepot
- Design of the engineering renovation of the Traffic Management Centre at Szabó Ervin Square

Environmental protection investments

Environmental protection investments planned for 2021 include the renovation and modernisation of the emulsion dismantling equipment at the M3 Kőér Street depot and the construction of the chassis washing station at the M2 depot.

Information technology tasks

In 2021, the System Design, the Operational Documentation, the Development Documentation and the Test Protocol for the development of the Identification Module of the Integrated Traffic Management and Control System were completed. Negotiations on the deployment of the system have started.

Measures to improve work conditions

In order to keep our workforce and improve their work conditions, our Company wished to purchase certain assets and carry out minor renovations in its facilities and office buildings. The following investments were made in 2021 to improve working conditions, among the tasks started in 2020:

- Measures to improve drivers' work conditions
- Renovation of terminal stations and staff waiting areas
- Acquisition of equipment and IT tools.

Priority Projects

On 28 December 2018, BKV Zrt. signed a support agreement in the amount of HUF 2.1 billion with the Ministry of Innovation and Technology for the renewal of the vehicle fleets of the Millennium Underground Railway and the cog-wheel railway. The project covers design tasks, the preparation of the documentation and tender documents required for obtaining the preliminary type approvals and the procurement of the equipment required for commissioning. Due to the 27-month delivery time for the underfloor wheel lathes, our Company took the initiative to extend the implementation deadline in the Support Contract to 31 July 2023.

In 2021, the designs and documents were finalised to allow the launch of the procurement procedures for the design of the prototype of the new vehicles and the production of the complete series. The procurement of equipment to ensure the reception conditions for the new vehicles progresses as planned.

Danube cruiser boat service

The operation contracts of boats expired in 2020, the scheduled boat service was suspended at the outbreak of the pandemic in spring 2020, only the D14 ferry operates. Even during the suspension of the Danube commercial navigation, the tasks required by the authorities concerning the infrastructure affected had to be performed in order to preserve the condition, adequacy and safety of the assets.

Renovation of the Soroksár ferry

The ferry, which operates as a regular service, has decayed, damaged and corroded significantly. The increased traffic on the ferry and the planned future closures in Csepel made it essential to renovate the ferry body as soon as possible, in order to restore the ageing and weakened structure, considering the compliance with the official regulations. The renovation of the ferry hull started at the end of 2021, and ferry traffic will continue to operate without interruption while the safety renovation is performed, with the use of a replacement ferry.

Boat renovation and modernisation

In 2021, the propulsion system of the vessel Révfülöp was upgraded and the on-board power supply of the vessels Hungária and Várhegy was upgraded. The renewal of the passenger area cladding of the Pest-Buda vessel has started.



HUMAN RESOURCES STRATEGY

The old Human Resources Strategy of BKV Zrt., which was in effect between 2017 and 2020, was renewed and expanded, and the phased implementation of the 41 operational programmes of the new Human Resources Strategy 2021-2025 over five years started at the beginning of 2021.

Both the old and the new Human Resources Strategy were triggered by the external factor of a significant reduction in the number of market-ready workers since the second half of 2016, which led to a huge increase in the struggle for labour, with a significant increase in wages and labour shortages at national level.

More intense advertising continued in 2021, in the course of which our Company currently advertises its jobs on its website (Careers page), on its own vehicles (e.g. tram, bus), in its internal Careers Newsletter and on its intranet, through paid Facebook, Instagram and Google Ads, and through several popular job portals (Profession, CVonline, Jobline), and in 2021 we launched a dedicated Facebook page where we only post job advertisements and related information.

Involving our employees in the recruitment process through personal contact in return for compensation: (known as bounty) is one of the most successful methods of recruitment, as we reached a large number of potential candidates through personal contacts of thousands of employees.

In 2021, our company participated in the main job fairs (the HVG online job fair in spring and autumn 2021 and the Budapest City Job Fair organised by the Budapest City Government Office in September 2021) in order to become a generally known employer, to raise awareness of our company through our presence and new image, and to recruit for our jobs.

In order to establish closer cooperation with vocational schools, BKV Zrt. is currently in contact with 22 vocational schools, from which an average of 313 vocational school students per month will be employed in 2021, with apprenticeship and vocational training contracts in more than 20 trades and specialisations. 177 people were placed in the Bus and Trolley Operation Directorate

and in workshops teaching bus-related professions, while 145 people were placed in the Railway Operation Directorate and in workshops teaching railway-related professions. Out of the above number, 92 graduates were recruited, of whom 12 scholarship students were successfully recruited as employees of our Company. In 2022, approximately 210 additional students from vocational schools will join our Company's apprenticeship programme.

Several projects are currently in progress:

- Scholarship programme, increasing and then maintaining the number of students under a Ministry development grant,
- refurbishment of a 263 Ikarus bus in collaboration with students and workshops.

In addition to the state-of-the-art South Pest training workshop renovated in 2018, we have also hosted in total 477 students in 3 other training workshops and various repair workshops of our Company in 2021 through apprenticeship contracts and vocational training work contracts, and 119 students for summer internships only through a cooperation agreement.

The Scholarship Programme was introduced almost 3 years ago and we have already doubled the scholarship amount for this academic year. Each year, on average 10-20 students apply for the opportunity.

Skilled worker, engineering and specialised skills for adult training:

We have organised the following vocational qualification courses and other specialised and IT training for 818 people:

I. Specialised vocational training courses

- Technical training courses listed in the National Training Register and the Register of Occupations 161 persons:
 - of which shortage trades:

• electricians	17 people,
• welders	25 people
• operators of lifting machines	39 people
• forklift truck drivers	51 people

- further training of apprentices (periodic training required by law) 463, of which:
 - fire protection specialist exam 401 people
 - other further training (air conditioning gas, tachograph, Driver Qualification Certificate, etc.) 62 people
- secondary level courses - linked to student status: school-leaving certificate preparation, technician training, adult vocational training (courses included in the National Training Register) 8 people,
- specialised further vocational training (postgraduate courses linked to student status) 6 people
- higher education - linked to student status - vocational training 1 person

2. Other training 179 persons, of which:

- o specialised technical training 88 persons
- o driver training (categories C and C+E) 12 persons
- o IT courses 10 persons
- o human resources training (procurement officer, payroll administrator, etc.) 69 persons

Participation in public and EU employment programmes: 29 persons are participating in the “Training of drivers for employed persons II” programme of OFA Nonprofit Kft.

Strengthening the service provider attitude

The development of a strong service provider attitude is already being practised, including a two-day training course for trainees in the field of tramway safety and service provider behaviour, and a stress management training programme for drivers, with the involvement of an external professional partner, which will be attended by all tramway drivers over a two-year period. The scheduling of drivers involved in multiple accidents and incidents for behavioural training is still in place today as it has been for years. Equal access training has been provided to all staff to communicate with our passengers with special travel needs and to help them in their travel.

In the field of metro, in 2020, the full-time traffic staff (88) of the four metro lines received communication training, which also aimed to further strengthen the service provider attitude. The training was continued in 2021, but due to the pandemic situation it was interrupted and only three sessions were held, with 31 participants.

Traffic correction behaviour training was organised on 8 occasions, for 72 drivers. Distress reduction training was launched in the second half of the year due to the emergency situation, with 100 drivers participating in 10 group sessions.

Aid: Pursuant to the Collective Agreement (hereinafter: CA), our Company provided HUF 22.2 million in aid on an equitable basis in 2021, of which HUF 17 million was used by employees and HUF 5.2 million by the Company's pensioners.

The Balatonfenyves Holiday Complex and Galyatető Rest House, provided training and recreation facilities for a shorter period also in 2021, in view of the emergency rules due to the Coronavirus.

Workers' hostels

In 2021, the cost of running the Workers' Hostels was HUF 95.4 million, with revenue of HUF 15.7 million. In 2021, in total 2,219 people (an average of 185 people per month) used our Company's workers' hostel accommodation. Of the 185 people, 129 (69.5%) received accommodation free of charge due to shortage trades. However, the demand for single bed accommodation in shortage occupations increased to 37 persons (37% more) compared to an average of 27 persons in 2020. Overall, 89.7% of BKV residents, 166 people, would have been entitled to free accommodation in BKV's hostels on the basis of their jobs, if everyone had used multi-bed accommodation. Based on a management decision and with the special support (KÜT), the fees remained unchanged in 2021, with the people working in jobs of shortage of occupations being exempted from the fee.

Other

The operation of the Day Care Centre for the Elderly was limited in 2021 due to the pandemic situation.

No employer loan was granted in 2021.

Company jubilee recognition was granted on a discretionary and automatic basis to 39 persons until 31 December 2021.

The Mór Balázs Award was granted to 8 employees and the Commemorative Plaque to 22 employees until 31 December 2021. The “Whom we are proud of” award was not initiated by the departments in 2021.

In addition to general tasks, during the period of the pandemic emergency caused by the coronavirus, we kept a constant watch on legislation affecting employment, amending and adapting the existing company rules accordingly. In 2021, this resulted in 13 amendments to the relevant directives. In the process, we have established a rotation system in intellectual jobs in our Company to protect employees and the option of teleworking has been more widely permitted. We have also developed the detailed rules for the implementation of the company-wide implementation of the vaccination for a day of leave scheme proposed by the Mayor of Budapest, Mr Gergely Karácsony.

COVID rapid test and vaccination provision

Together with the Company’s occupational health care provider, we have developed a procedure for screening employees for COVID infection. For the testing, the Municipality of Budapest provided free of charge the SGTi-flex COVID-19 Ag antigen rapid test for SARS-Cov-2 virus screening.

The Operative Body has identified COVID vaccination as a priority for employees working in the critical infrastructure of public transport services. In April 2021, in total 600 volunteering employees received the vaccination at six vaccination points at the Honvéd Hospital.

Development of disinfection protocols, increasing hygiene safety

The pandemic period posed a significant challenge for our Company in this area, with the need to procure and use a wider range of disinfectants than in the past in order to ensure the health and safety of our passengers and employees.

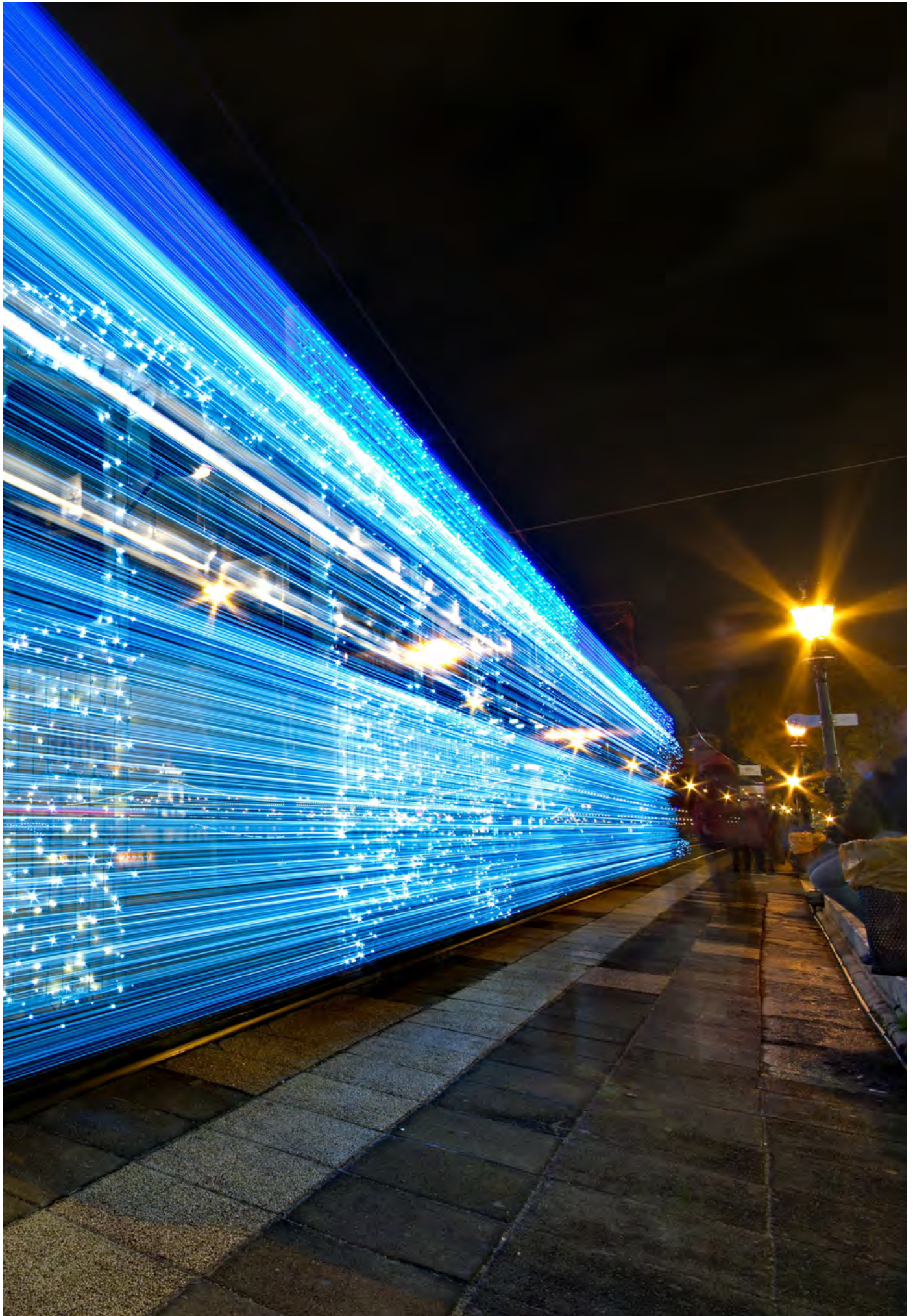
The regular cleaning and disinfection of all sites was organised by the caretakers. For the passenger areas of vehicles and all rooms where there is a higher risk of infection, i.e. among workers in direct contact with passengers, daily cleaning with disinfectants was required during the coronavirus pandemic. If any worker reports sickness or is sent home after becoming ill, or has already experienced symptoms of sickness in the office, vehicle or premises, their workplace must be disinfected as a matter of urgency before the person replacing them starts work.

Taking into account the evolution of the epidemiological indicators, disinfectant cleaning and foam soap refills are performed in all the Company's terminal drivers' lounges and passenger areas, optimised in proportion to the traffic and occupancy of the lounge.

The following items were distributed with a schedule:

- disposable medical masks,
- square washable, ironable textile masks with a logo
- curved washable, ironable textile masks with a logo
- various latex and nitrile gloves.

During the pandemic period, we extended measures to our employees to comply with both the Budapest capital city and government emergency regulations.



CORPORATE RELATIONS OFFICE

As in 2020, the activities of the Corporate Relations Office in 2021 were significantly impacted by the alternating waves of the coronavirus pandemic. COVID-related topics such as vaccination, safe public transport, staffing, etc. were more prominent in our internal and external communication, especially in the first half of the year: most of the events and activities that traditionally required physical presence were moved to the virtual space. However, our social media presence, which was strengthened by the circumstances, continued even after the restrictions were eased. Most of our press conferences and events were live-streamed on our Facebook page and published as edited videos on our YouTube channel.

In the second half of the year, the relaxation of the epidemiological measures allowed us to open our museums and the Akácfa Street head office hosted several cultural events. Despite the difficulties caused by the pandemic, we were able to maintain an active and constant presence and visibility for the company, both for the wider public and for members of the press. As usual, we provided our staff with up-to-date information on the pandemic and on the most important events affecting the life of our company.

125 years of the Millennium Underground Railway

- On 3 May, Tibor Bolla, accompanied by Mayor Gergely Karácsony and Deputy Mayor Kata Tüttő, commemorated the 125th anniversary of the launch of the Millennium Underground Railway at the M1 Mexikói Road depot. The event was broadcast live on our Facebook page.
- We published the video M1 depot - BKV Virtual site visit on our official YouTube channel.
- The National Bank of Hungary issued a commemorative coin to mark the anniversary.
- On 18 June, we opened our temporary exhibition on the 125th anniversary of the Millennium Underground Railway at the Underground Railway Museum in Deák Square.
- In October, also at the Deák Square Museum, we presented Tibor Legát's book "The Great Millennium Underground".
- In honour of the anniversary, in cooperation between BKV and the Golden Bridge Civic Association, contemporary poems performed by renowned artists were presented at the stations of the Millennium Underground for a week.

Social media

- BKV's popular YouTube series, BKV-Vlog, was launched with new seasons (the 2nd at the beginning of the year and the 3rd at the end), featuring interesting public transport events in a video with the help of an expert.
- At the end of July, we launched our mini-portrait series "Faces of BKV", in which our colleagues introduce themselves and talk about their personal and professional ties to BKV.
- Throughout the year, we published 36 videos (BKV Vlog, Faces of BKV, live broadcasts, etc.). Our most popular video, the "Tea filter Challenge", achieved 770,000 views.
- On our official Facebook page, we published 1,185 posts, which achieved more than 6 million views.
- On our official Instagram page, we shared public transport-related content, mainly vehicle photos, on a weekly basis.

Press communication, filming permits

- 322 journalist enquiries were answered. Topics of most interest were: tenders (second-hand bus, boat, second-hand tram), play bus, COVID (vaccination of BKV workers, impact of pandemic on staffing), wage agreement, M3 (renovation, air conditioning of Russian trains, investigation into the renovation of the cars), daily transport (accidents, technical problems, road safety).
- 31 interview requests were followed up.
- 120 press releases were issued.
- In total HUF 67,748,440 revenue was generated for our Company from the hundreds of photo/shooting permits issued.

Internal communication

As a result of the increased internal communication activities due to the coronavirus pandemic, 375 letters (information bulletins, calls, e-newsletters, etc.) were sent out during the year.

- We announced, among other things, new CEO Directives, changes to the cafeteria, initiatives to control the pandemic (survey of vaccination needs, PCR testing facility), wage agreements, as well as discounted holiday and summer camping and sports opportunities.

- The 'On the Move' Magazine has again published 4 issues. In addition to presenting the most important events of the past period, we have not forgotten to complement the personal meetings with interviews, so that our staff can get to know some of the company's managers better.
- We also participated in the organisation and implementation of internal events, such as the award ceremony for the Mór Balázs Award and the Mór Balázs Commemorative Plaque.
- We organised our usual Christmas fundraising campaign, which resulted in 42 colleagues receiving gifts.

Foreign relations

- The foreign enquiries received typically included requests for filming and additional information for particular news items.
- In the framework of our international communication activities, we were intensively involved in the work of UITP, providing input to the monthly online meetings. Our colleague was re-elected Vice-Chair of the Marketing and Product Development Committee for a two-year term.
- We maintain regular contact with representatives of Metrowagonmash Holding, as well as with the Holding's PR agencies. We arranged with them to make appearances in Hungary only if discussed with us.

Cultural and social responsibility events we have joined

- World Day of Happiness: as part of a joint campaign with BKK, the Smile Foundation and JCDecaux Hungary, smiling trams were running on Grand Boulevard.
- On the occasion of the Sustainability Week, our staff "visited" three schools online. Under the theme "sustainable transport" issues such as electromobility, the benefits of rail transport and pollution problems were covered.
- We joined the Transport Culture Day for the seventh time, thanks to the cooperation between the BKV Traffic Safety and Supervision Service and Széchenyi István University, with a presentation entitled "Safety first also in public transport".
- As part of the Night of Literature series, readings from Estonian, Polish and Portuguese authors were held in the Eger Hall of the Akácfa Street head office on three evenings in June.

- Night of the Museums - We joined the series of events in 2021, the proceeds from the sale of wristbands can be used for museum development.
- We joined the “Pass it back, Bro!” campaign to collect used mobile phones, jointly organised by the Jane Goodall Institute, the KÖVET Association, the Foundation for Africa and the Association for the Protection of Human Rights. During the campaign, which ran from 22 September to 22 November 2021, used phones were collected in 22 locations, two of which were open to the public.
- On the occasion of the Budapest100 series, we showed the Ferenc Transformer and the Akácfa Street Head Office to the public.
- As part of a campaign to raise awareness of the importance of prostate cancer screening, supported by Astellas Pharma, Combinos with moustaches operated on the ring road.
- We supported the art exhibition “The Garden of Delights”, organised by the Embassy of the Kingdom of the Netherlands in Hungary, in 25 stops of the tram line 47-49 in the city centre.

Museums

- The exhibition at the Szentendre Municipal Transport Museum, created in 1992, was renewed for the opening in 2021: visitors were welcomed with new images and a wealth of information, as well as nostalgic turn-of-the-century trams, pre-war trams and other vintage transport vehicles.
- From the spring, every Saturday, visitors could take a look inside a vehicle with an expert guide.
- In September, for the 11th time, the BKV Museums Transport History Competition was organised for 7th and 8th grade students.

Rolling playhouse

- At the end of February, we launched a successful competition for kindergarten and primary school pupils to decorate our double-articulated Van Hool AGG 300 bus, which has been converted into a playhouse, with children’s drawings.
- By July, the outside of the Play Bus, decorated with the winning entries, was ready for its first test drive in August by the winners of the drawing competition.

Special vehicles

- On 8 June, the Tatra T5C5K2 recruiting truck with a special design entered into service. The launch ceremony was attended also by Deputy Mayor Kata Tüttő. The event was broadcast live on our Facebook page.
- On 1 December, BKV's light fleet rolled out from the Hungária depot in a ceremony. The event was addressed by Mayor Gergely Karácsony. The event was followed live on our Facebook page.
- From the beginning of December, our decorated Santa Claus bus was also on the roads.

Other events

- In 2021 the site open days, one of our most popular events, were cancelled due to the coronavirus pandemic.
- On 19 March, in the Óbuda Division - in full compliance with the virus protection rules - Mayor Gergely Karácsony and CEO Tibor Bolla ceremonially handed over 14 new solo Mercedes-Benz Conecto Next Generation buses of BKV. The event was broadcast live on our Facebook page.
- The renovation of one of Budapest's busiest lines, the M3 metro line, continued in 2021. On 9 December, at a public press event also attended by Mayor Gergely Karácsony, we inaugurated the Pöttyös Street and Ecseri Street lifts to make the stations accessible. A video of the speeches made at the event can be seen on the official BKV YouTube channel.

Customer service and lost property management

- BKK forwarded a total of 8793 filed cases/documents to our Company, of which 7448 were new cases.
- BKV received 1800 complaints directly from customers.
- Found Property Management returned to the three-day-a-week personal customer service schedule after 2020.
- The Lost Property Unit received more than 10,000 objects during the year, of which nearly 1,713 were returned to their rightful owners.

Recruitment

Recruitment is perhaps the only area where the impact of the pandemic was positive. Our Company was a good opportunity for people working in tourism and hospitality, so we were able to recruit bus drivers, mechanics and those who were willing to retrain to work for us. Of course, with the easing of the restrictive measures, many of them returned to their original profession, so we resumed active recruitment communication in the second half of the year.

- In January we launched a Facebook careers page, where only job advertisements and related content are posted.
- In June, a special “recruitment tram” was put in service, the interior and exterior of which were individually decorated with a recruitment theme.
- In July, a new offline campaign was launched, which was visible on the exterior of the vehicles and in the form of window stickers.
- In August, filming started on the 3rd season of the BKV Vlog, which also had a recruitment message.
- The first paid ads on Facebook and Google Ads on bus driver and mechanic topics were also running.



TOURISM AND SALES

BKV Zrt. operates its fixed-track cableway installation vehicles, the Buda Castle Hill Funicular and the Zugliget Chairlift, mainly for tourism. In addition to this public service, the company also operates special services with its tourist buses, as well as with its traffic and heritage vehicles.

The Company's tourism performance is highly dependent on world events, especially those affecting tourism. The pandemic continued throughout 2021, with the recurring waves of pandemic having a significant impact on revenue figures.

The track and vehicle reconstruction at the Buda Castle Hill Funicular, scheduled for 2021, started on 31 August 2021, while no major repairs were carried out at the Zugliget Chairlift this year.

Buda Castle Hill Funicular (Sikló)

Most of the traffic on the Buda Castle Hill Funicular, which is part of the World Heritage, is generated by foreign tourists visiting our country, but in recent years the proportion of Hungarian passengers has also gradually increased. In the first half of the year, there was a shortfall in passenger traffic due to the pandemic, but thanks to the easing of restrictions related to the pandemic situation, passenger numbers increased dynamically from June until the shutdown for major repairs.

Our annual sales were less than half of the previous year's figure with no change in ticket prices.

Overhaul and track renewal of the Buda Castle Hill Funicular

On 1 September 2021, the vehicles of the Buda Castle Hill Funicular were removed from the track and transported to the site of Vasúti Járműjavító Kft. The concrete supporting structure of the track was treated with a protective layer after the surface repairs were completed, and the rails were replaced along the entire length of the track. The escape staircase on both sides of the track was made safer by installing a demountable guardrail in each section.

The service staircase in the middle of the track was fitted with a fall protection system to ensure safe working conditions.

In parallel with the track refurbishment, the vehicles were also overhauled, with the removal of the track cladding followed by the repair and painting of the frame structure.

The refurbished frame structure was given a new wooden cover inside and out, the windows and doors were rebuilt; the electrical units of the vehicles and the vehicle's halting device - emergency brake system - were also refurbished and replaced.

On 15 December, the vehicles were lifted back into service and the halting equipment was re-connected. The BSI vehicle was winched to the upper station and the tow rope was attached to both vehicles.

After reinstalling and adjusting the track-side operating equipment, test runs started under different load conditions.

Zugliget Chairlift

In 2021, the first half of the year continued to be affected by the pandemic and its effects, but as the pandemic situation eased, traffic gradually began to pick up the same seasonal trend seen in the year before the pandemic, although revenue remained at a lower level.

The annual sales increased by almost 40% compared to the previous year and reached 80% of the turnover of the year before the pandemic with a profit before tax of HUF 3 million.

In 2021, the chairlift operated all year, with the required ordinary maintenance days and unchanged ticket prices.

Special services

The number and type of vehicles in the fleet has not changed in recent years. The organisational unit still has 4 Volvo coaches and an IK 630 convertible bus. The number of orders, especially for schools and kindergartens, has not increased significantly.

The operation of own vehicles was moderate, except during the summer period, but the use of traffic vehicles was maintained. The contracted services continued to operate efficiently, with no significant change in the performance of the services ordered, thus ensuring efficiency. In the light of the above, the maintenance of the vehicles remains a priority and has been fully met.

Heritage activity

Each year, heritage transport services are operated in accordance with an annual plan drawn up jointly with the transport operator BKK Zrt. Due to the current situation, 2021 was an exception to this rule, as the customer, BKK Zrt. did not set a demand to be met. In such a situation, the priority is to preserve the condition of the vehicles and to select and prepare new vehicles for future traffic tasks.



'A' BALANCE SHEET ASSETS

(HUF M)

Ser. num- ber	Description	31.12.2020	31.12.2021
A.	Non-current assets	711,632	713,627
I.	Intangible assets	1,021	1,032
I.	Concessions, licenses and similar rights	128	183
2.	Intellectual products	893	849
II.	Tangible assets	709,257	711,268
I.	Land and buildings and related property rights	373,905	368,770
2.	Plant and machinery, vehicles	259,545	248,074
3.	Other equipment, fixtures and fittings, vehicles	3,837	3,440
4.	Investments, renovations	18,808	54,825
5.	Advance payments for assets under construction	53,162	36,159
III.	Financial investments	1,354	1,327
I.	Long-term investments in related parties	1,267	1,267
2.	Other long-term investments	19	19
3.	Other long-term loans granted	68	41

B.	Current assets	31,278	27,635
I.	Inventories	10,322	10,527
1.	Materials	10,191	10,417
2.	Work in progress and semi-finished products	22	25
3.	Goods	109	85
II.	Receivables	9,391	11,328
1.	Trade receivables	527	453
2.	Receivables from related parties	3,738	5,019
3.	Receivables from companies in significant shareholding relationships	3	0
4.	Receivables from other participating interests	1	0
5.	Other receivables	5,122	5,856
III.	Securities	0	0
IV.	Cash and liquid assets	11,565	5,780
1.	Cash, cheques	3	63
2.	Bank deposits	11,562	5,717
C.	Prepayments and deferred expenses	1,180	2,081
1.	Accrued income	857	1,501
2.	Prepaid expenses	323	580
TOTAL ASSETS		744,090	743,343

'A' BALANCE SHEET LIABILITIES

(HUF M)

Ser. num-ber	Description	31.12.2020	31.12.2021
D.	Equity:	225,752	212,431
I.	Subscribed capital	116,000	116,000
	of which: repurchased holding at face value	0	0
II.	Subscribed but not paid up capital (-)	0	0
III.	Capital reserve	79,908	79,908
IV.	Retained earnings	36,359	29,771
V.	Tied-up reserve	73	73
VI.	Valuation reserve	0	0
VII.	PROFIT/LOSS AFTER TAXES	-6,588	-13,321
E.	Provisions	317	264
I.	Provision for expected liabilities	317	264
F.	Liabilities	120,856	92,704
I.	Subordinated liabilities	0	0

II.	Long-term liabilities	19	19
I.	Other long-term liabilities	19	19
III.	Short-term liabilities	120,837	92,685
I.	Advance payments received from customers	0	26
2.	Liabilities from the supply of goods and services (trade creditors)	44,604	38,766
3.	Short term liabilities to affiliated undertakings	1,537	1,475
4.	Short-term liabilities to companies linked by virtue of major participating interests	0	22
5.	Amounts owed to undertakings with which the company is linked by virtue of participating interests	105	98
6.	Other short-term liabilities	74,591	52,298
G.	Accruals and deferred income	397,165	437,944
I.	Accrued income	396	272
2.	Accrued costs and expenditures	2,320	3,089
3.	Deferred income	394,449	434,583
TOTAL LIABILITIES		744,090	743,343

INCOME STATEMENT (TOTAL COST METHOD)

(HUF M)

Ser. number	Description	31.12.2020	31.12.2021
1.	Domestic sales revenue, net	140,555	138,907
2.	Net export sales revenues	2	2
I.	Net sales revenue (1+2)	140,557	138,909
3.	Changes in self-manufactured inventories	3	3
4.	Capitalised value of self produced assets	1,148	1,084
II.	Own performance capitalised (3+4)	1,151	1,087
III.	Other revenues	17,844	17,986
	of which: reversed impairment	12	19
5.	Material cost	29,440	31,386
6.	Cost of services used	27,568	28,791
7.	Value of other services	1,174	1,116
8.	Cost of goods sold	574	419
9.	Value of services sold (mediated)	586	582
IV.	Material type expenditures (5+6+7+8+9)	59,342	62,294
10.	Payroll cost	59,134	60,437
11.	Other staff related disbursements	4,780	5,279

12.	Contributions and taxes on wages	11,145	10,627
V.	Staff costs (10+11+12)	75,059	76,343
VI.	Depreciation write-off	30,502	31,089
VII.	Other expenditures	1,190	1,633
	of which: impairment	42	25
A.	OPERATING (BUSINESS) PROFIT AND LOSS (I+II+III-IV-V-VI-VII)	-6,541	-13,377
13.	Dividends and profit-sharing received	8	5
	of which, from related parties	0	0
14.	Other interest received (due) and similar income	18	36
	of which, from related parties	0	0
15.	Other income from financial transactions	344	24
VIII.	Income from financial transactions (13+14+15)	370	65
16.	Other expenditures on financial transactions	417	9
IX.	Expenditures on financial transactions (16)	417	9
B.	PROFIT/LOSS OF FINANCIAL TRANSACTIONS (VIII-IX)	-47	56
C.	PROFIT BEFORE TAXES (A+B)	-6,588	-13,321
X.	Tax payable	0	0
D.	PROFIT AFTER TAXES (C-X)	-6,588	-13,321

Budapest, 6 May, 2022