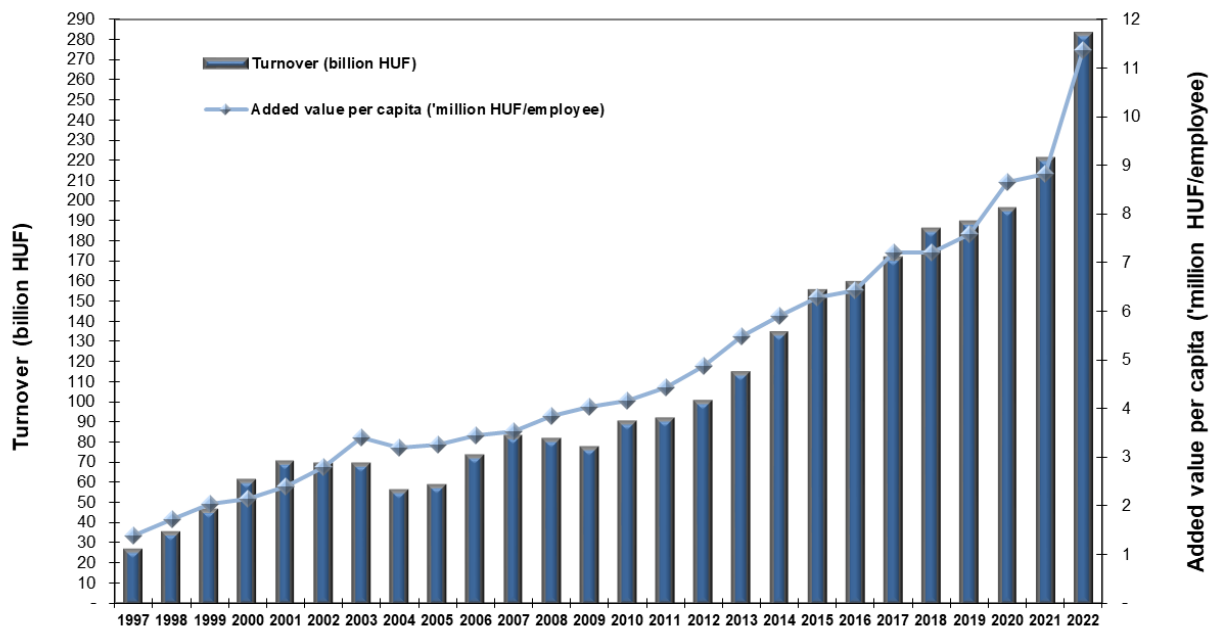


## EXTRACT of the annual business report for 2022

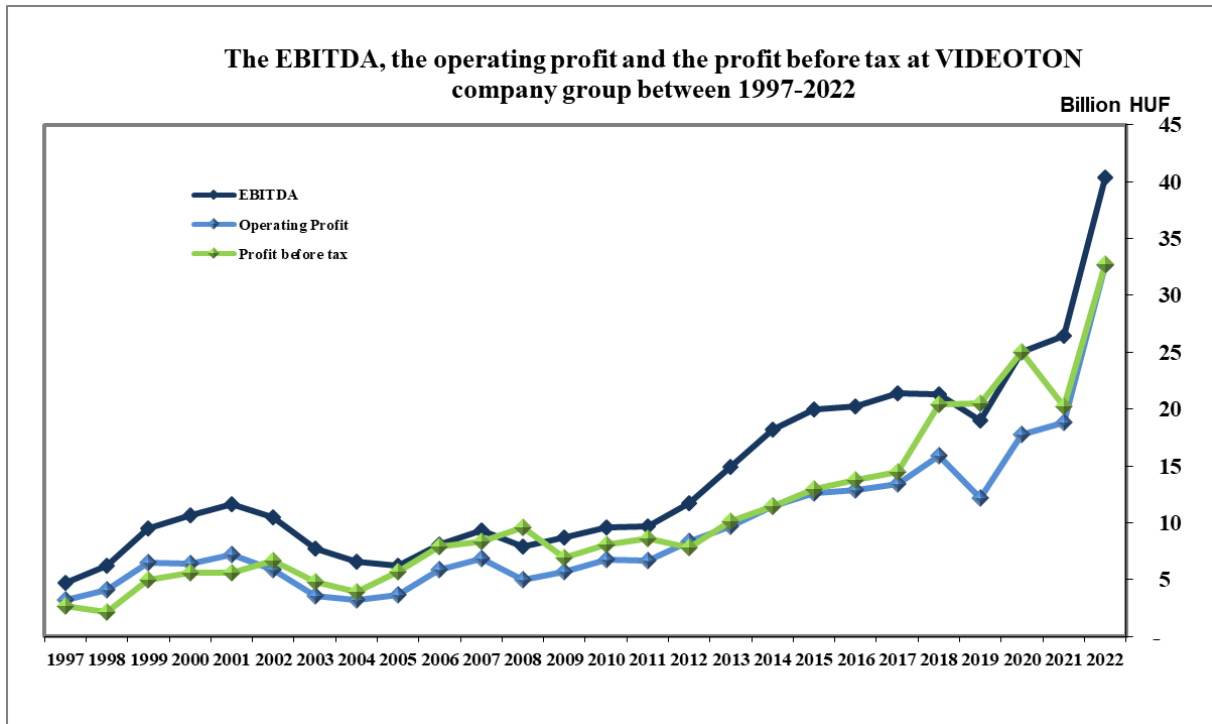
### VIDEOTON Company Group

In 2022, the consolidated sales revenue of the VIDEOTON Group of Companies exceeded HUF 286 billion, which is 29% higher than last year's consolidated sales revenue. The growth in EUR regarding turnover also exceeded 20%. This is the highest turnover achieved by the Group so far, which is significant in real terms too. This meant that during the business year 2022 there was +74% increase in operating profit. The material-free production value per capita escalated as well.

The average statistical number of the Group's employees increased from 8,900 (Y2021) to 9,200 (Y2022). Most of the run-up is due to the increase in the hiring of labour, although there was also a rise in the number of employees at our production companies.



The operating profit of the Videoton Group was HUF 32,7 billion, and its EBITDA has overcome the level of HUF 40 billion. These numbers are also the highest in the Group's 30-year history.



### Main activities:

- **Automotive parts manufacturing**

Until the Covid-19 pandemic, the automotive industry was characterized as predictable and with the help of its stability, it could balance out the rapid fluctuation of consumer goods in the time of ramp-ups. Not ignoring the fact that during these run-ups the latter provides the wider margin. Another strategic advantage is the continuous spill-over of methods and requirements from the automotive industry into other industries, which give us a better position against specialized suppliers. We have been investing significant amounts in building and developing special skills typical for the automotive industry (in the aspect of quality, technological and logistical requirements).

After the economic crisis in 2008, the working method of automotive industry went through a significant change (no more production-to-stock), there was a greater demand for suppliers with flexibility, stable background and diversified portfolio which ensured that the partner could count on its supplier in hard times.

The coronavirus pandemic that reached Europe at the beginning of 2020, has hit the automotive industry, however accelerated the spread of electric cars. In 2022, new serious challenges arose.

The other main segment of automotive parts manufacturing is the *production of metal components*. In this area we are engaged in machining of cast aluminium, copper-aluminium profile and iron parts.

The third field is the production of *automotive plastics*. The quality expectations are tightened, on the relevant PPM (planned preventive maintenance) level the number of complaints have also become the priority. The labour market situation pushes the company towards using Industry 4.0 compliant applications not only in production, but also in logistics. There is a need for both new customers and increased competence in this area.

- **Household appliances**

Household appliances are manufactured in Kaposvár. Our member company started assembling kitchen robots in 1998, initially on contract basis. Over the years, more and more activities have been transferred to us (material procurement, production of plastic parts, participation in production start-up processes, design and construction of production lines, design and construction of testers, participation in product development, logistics process management up to direct delivery). The production of the light epilator is currently - in the business year in question - continuous. The knowledge acquired with our older customers can be converted for other and new partners, which is a serious advantage in the competition being present on the market.

During the years VIDEOTON has acquired such skills and knowledge in manufacturing kitchen robots that only a few producers possess in Europe. At the same time, we perceive that the cost pressure coming from the Far East is becoming higher and higher.

In 2015 we started to manufacture microphones for one of the world leading producers of headphones and microphones and that business has expanded ever since. We expect further expansion with new projects in the forthcoming years.

In 2016 we have expanded our product range also in the automotive industry, starting the production of lithium battery packs that are built into the eCall emergency system of passenger cars. A steadily declining volume is expected in the future regarding this project.

In 2017 we started the injection moulding of plastic parts for the battery pack of electric bicycles and shortly afterwards we started the production of external cover elements belonging to the same project. Unfortunately, business will decrease significantly in 2023.

At the beginning of 2018 we started series production together with our partner who develops headlamps as our first co-production.

In 2021, we have won the production of plastic parts for a medical robot, which is just tooling for the time being, but we would also like to acquire injection moulding job later on.

In 2022, we won the project for the production of blood analysis equipment, and we will also produce vacuum cleaner plastic parts for another customer.

The product and customer range have been steadily expanding in recent years. Earlier we had 4-5 bigger companies as customers, now we have more than 10 smaller-sized customers. Fortunately, our multinational partners who have been our customers for long time have remained in our portfolio until nowadays. Taking the world market trends into account, it can be concluded that European customers usually take the assembly of large numbers of simple products to the Far East, and Hungary should strive to serve smaller customers and a higher level of quality.

- **Battery assembly**

The world market demand for energy storage cells is constantly growing and supply of the vehicles, household appliances and other equipment powered by batteries increases as well.

In Marcali, we began electronics assembly operations in 2008 by producing batteries. In 2012, the production reached higher intensity. Since 2018, as a result of several significant changes

and because of the previous business model has changed, we came into contact with several new customers, not doing contract work for cell manufacturers any more, but providing a much more complex service to the end customers.

In 2021, we have started the assembly of a battery-powered portable power source, along with the injection moulding of plastic parts.

In 2022, we introduced two new customers into production, for one of them we developed battery packs for wheelchairs.

- **Industrial applications/IT**

Our product portfolio has recently undergone a significant transformation, apart from industrial electronics we manufacture more and more IT applications, which account for an increasing share of our total turnover. As a result of the coronavirus the need for these products has also increased significantly partly because of the growing acceptance and availability of Home Office.

Our sales – apart from a slight decline – have been rising steadily over the past 10+ years, this characterized the year 2022 too. As a result of the general spare parts supply problems and the overestimation of the increasing customer demand, which by the way turned out to be typical, our raw material stocks continued to grow in the first half of the year, which also increased our need for (internal) financing. We took several steps to rationalize the inventory level, which resulted in a significant reduction in our inventory in the second half of the year 2022.

In the preparation of the business plan 2021, we again expected further significant growth, however, we see that the availability of electronic components is likely to hinder the dynamics of our growth.

In the middle of 2022, one of our latest projects for our French partner started, it extends much further our performance in the production and final assembly of electronic panels. In addition, we are negotiating with several new significant customers – the growth of our company can be further ensured by implementing these projects.

Our key products are: IT devices, telecommunications and smart home solutions, motor control cards for boilers, heating calorimeters, building automation and safety electronics, wide range of industrial electronics from petrol processing to control electronics for boilers, including lighting technology, special light sources, LED controls and the so called Light Engines, supplemented by glove-wearing 2D code readers, electric car home and city chargers and control panels for home security systems.

In 2021, as part of a long-term strategic development plan, a major transformation and reconstruction of VIDEOTON's site in Bulgaria has begun, which also significantly affects our Bulgarian partner companies (as a result of these upgrading works on our large-area a completely renovated and new production site will start operating supplemented by warehouse complexes).

- **Assembly**

Our 3D printing production project started up in 2016 and finished in 2018. During this period, which was especially instructive for us in complexity, we manufactured electronics, anodized and painted sheet metal, machined parts (painted on request), but mainly we did the final assembly and the testing of the products. In addition, thanks to the project a completely new production service has been launched at VIDEOTON, the so-called RMA (return merchandise authorization). It means that we carry out the complete European repair activity of the printers and all the logistics this activity needs. Another significance of the 3D printer project is the fact that the electronics / precision mechanical assembly competence re-established in the Székesfehérvár plant again. In 2021, our RMA activity was further expanded, with the repair of another type of 3D printer.

In 2020, we won the production of two electric-car charger families, having this business we launched a new direction in the production of technologically advanced environmentally conscious products.

In 2021, the number of our electric-car charging projects increased with a new customer.

During 2022, due to the development of our assembly activities, our cooperation with three new essential partners has begun: with the production of an even-more complex module, a hydrogen storage module and a letter packaging machine.

- **Metal technologies**

The manufacturing of metal components has already been mentioned partly in the chapter of automotive industry. However, the use of metal technologies at VIDEOTON is much more diverse. In several segments we use different technologies to produce parts for other industries.

Just to mention some of them:

- manufacturing of small to medium series metal parts, fittings and complete cabinets using CNC plate technology (operating with punching, fiber laser, bending, manual and robotic welding machines). These methods can be complemented with powder coating and hand assembly. The products manufactured are mainly industrial appliances (e.g. industrial refrigerators, coffee machines, industrial water cleaning systems, vending machines, 2D laser cutting machines, metal structures of implanter modules), beyond these medical and telecommunication appliances;
- production of processed and surface treated copper and aluminium parts using four and five axis machining centres for electrical industry, energy industry and robotics;
- large-scale production of machined parts in automated, robotic production cells for automotive use;
- production of mechanical components for the energy industry with specialized machines;
- anti-corrosion and functional galvanic coating, deposition of chemical nickel coating according to the needs of the customer for mostly all segments of the industry. VIDEOTON became key player in the Hungarian market of surface treatment of parts for automotive climate control systems, as a result of the implementation of considerable investments. For instance, we invested in cathodic dip coating (CDC) and zinc-nickel alloy coating technologies specialized for the automotive and we installed them in two small newly-built production halls.

- design, production, distribution and installation of ventilation equipment, systems and system components for environmental and industrial use by locksmith-welding techniques, general purpose and specialized CNC controlled machines and technologies;
- production of containers and complete units for the energy industry.

- **Services**

At the turn of the millennium, firstly in the USA, shortly after that in Western Europe a trend in outsourcing appeared in production and its services. The need for complete supply chain solutions, outsourced facility and industrial infrastructure management, the evolving quality assurance services and the growing role of manpower secondment emerged. We realised the need for these services, have found proper professional partners and added our internal market, our relationships, our capital and our business knowledge. Thus we have succeeded in developing a service portfolio that is capable of fulfilling the needs of our business partners.

Applicable representative data: overall management / maintenance of 3 industrial estates (in Székesfehérvár, Kaposvár and Veszprém) and approximately 500.000 m<sup>2</sup> built infrastructure (manufacturing space, offices and warehouses), 19.000 m<sup>2</sup> warehouse space, with 3.200 mediated workers.

- **Research & Development**

The development team of VIDEOTON company group consists of nearly 70 people with the qualification of electrical and mechanical engineers and IT professionals.

The automotive market places great demands on the manufacturers of electronic and lighting components, which perform functional and climatic tests on the products in order to ensure the quality of the products (e.g. thermal conditioning of electric car batteries). Smart households are taking up more and more space in everyday life, and thanks to this, the production of accessories is also becoming larger in volume. In order to ensure efficient and high-quality production, it is essential to introduce functional tests to the production lines. Besides, VIDEOTON places great emphasis on supporting the extension of the University of Szeged's photoacoustic research towards automotive applications in both hardware and software development.

Székesfehérvár, 27th June 2023

Péter Lakatos  
Chief Executive Officer

Ottó Sinkó  
Chief Executive Officer