**REPORT OF THE BOARD OF DIRECTORS ON BUSINESS ACTIVITIES**

**of GEVORKYAN, a.s. for the Year 2023**

prepared under Section 192(2) of Act No. 513/1991 Coll., the Commercial Code, as amended

1. **Objects of business and results of business activities**

**GEVORKYAN, a.s**., with its registered office at Továrenská 504, 976 31 Vlkanová, Slovak Republic, ID No. 36 017 205, registered in the Commercial Register of the District Court Banská Bystrica, Section: Sa, File No. 1232/S (“**GEVORKYAN, a.s.**”), carries on business at its registered office and has no branch abroad. GEVORKYAN, a.s. has been carried out business activities during its existence and in 2023 it carried out the following core objects of its business:

1. research and development in the field of natural and technical sciences;
2. activity in the field of powder metallurgy;
3. research and development in the field of social sciences and humanities;
4. purchase of goods for sale to the end consumer to the extent of unregulated trades;
5. purchase of goods for sale to other businesses to the extent of unregulated trades;
6. intermediation of trade and services to the extent of unregulated trades;
7. toolmaking;
8. thermic treatment of metals;
9. coating of metals;
10. repair of mechanical parts of machinery and equipment;
11. welding work;
12. design work in the field of engineering;
13. manufacture of medical devices;
14. manufacture of articles made of rubber and articles made of plastic;
15. textile manufacturing; and
16. manufacture of pulp, paper, cardboard, and products made of these materials.

Total revenues of GEVORKYAN, a.s. for the year 2023 amounted to EUR 82,331,600, total costs amounted to EUR 73,454,465, and the profit or loss before tax amounted to EUR 4,903,270.

1. **Manufacturing activities, sale of products, and provision of services**

In terms of revenues, the decisive area in 2023 were revenues from the sale of the company's own products in the amount of EUR 65,080,312. Revenues from the sale of services in 2023 amounted to EUR 11,384,901.

1. **Research and development activities**

At GEVORKYAN, a.s. in 2023, the development department employed 18 engineers who develop around 150 new products per year. GEVORKYAN, a.s. cooperates with the Slovak Academy of Sciences and the University of Cambridge. It is also working on the development of new materials with research institutes in Sweden and Canada. Thanks to strong development, the company is expanding its customer portfolio by approximately 10 new customers per year.

GEVORKYAN, a.s. is a development supplier for most of its customers. The vast majority of products are developed directly at GEVORKYAN, a.s. It is the sole supplier for almost 100% of its customers. GEVORKYAN, a.s. is regularly approached by customers interested in developing products that are not available on the market. In this way, it has achieved world uniqueness in products that no one else in the world has ever manufactured by a powder metallurgy method.

1. **Quality of services and products, environmental protection**

In 2022, 2023 and early 2024, internal audits were conducted at GEVORKYAN, a.s. to examine whether GEVORKYAN, a.s.'s processes comply with the systematic quality management system, the organization's environmental management system, and the management of the occupational health and safety (OHS) system in the organization.

The subject of the audits was the documentation of the systems and activities of GEVORKYAN, a.s. The audits have found that at GEVORKYAN, a.s., the quality management system continues to comply with the requirements of IATF 16949 with validity until 17 September 2026 and ISO 9001:2015 with validity until 17 September 2026, the organization’s environmental management system complies with ISO 14001:2016 with validity until 12 June 2025, and the management of the occupational health and safety system in the organization complies with ISO 45001:2018 with validity until 19 February 2027. No non-compliances were found during the audits.

In recent years, GEVORKYAN, a.s. has successfully passed several customer audits and has become a global supplier to large multinational companies operating manufacturing plants around the world. In 2020, the company successfully passed the said IATF 16949 re-qualification audit, which is considered to be the strictest audit in the automotive industry. The standard it follows is issued by TÜV SÜD and focuses on the development of a quality management system with an emphasis on continuous improvement as well as defect prevention in the supply chain.

Occupational health and safety together with the environment are among the most important values of GEVORKYAN, a.s. Respect for the environment and the will to continue this development is demonstrated by the company employing highly qualified professionals responsible for occupational health and safety, and the environment. GEVORKYAN, a.s. recycles or reuses more than 90% of its waste, thus reducing the negative impact on the environment. The company’s experts are constantly working to make the use of natural resources more efficient. The heat from the manufacturing processes is also used to heat the company’s premises in winter. Another project for the following year is the installation of heat recuperators to use waste heat from the compressor station to heat domestic water and the office premises.

GEVORKYAN, a.s. is certified for the environmental management system according to STN EN ISO 14001:2016. It successfully passed a recertification audit in 2020.

The company does not disclose additional non-financial information on the development, conduct, position and impact of the accounting entity’s activities on the environmental, social and employment areas, information on respect for human rights and information on the fight against corruption and bribery as it does not fulfil the condition on the number of employees specified in Section 20(9) of Act No 431/2002 Coll. on Accounting, as amended.

1. **Wages development and HR**

GEVORKYAN, a.s. employed a total of 168 employees at the end of 2023, of which approximately 11% worked in the development department. GEVORKYAN, a.s. provides attractive and stable jobs for skilled workers with relevant education. The company has a multinational team. Key managers have experience in a variety of industries.

The exceptionally broad spectrum of the company’s social programme covers the real needs of employees, from material assistance during long-term incapacity for work, maternity leave, through refinancing of accommodation costs, transport costs, contributions for recovery procedures, stays, etc. In 2023, a special programme continued to support young and talented employees, for whom the company reimburses university studies, education and various professional training sessions and courses (foreign language training) and provides long-term loans (up to 30 years) for the purchase of an apartment, a house or the overhaul of an existing property.

Great emphasis is placed on continuous training of employees. All engineers and designers attend international trade fairs; in addition, they attend training sessions, courses and technical training in powder metallurgy in different countries of the world every year. Experts from supplier companies are also invited to regularly organised in-house training sessions to present innovations in the development of materials, production technologies and machinery.

1. **The company’s own development activities**

During 2020, GEVORKYAN, a.s. launched a new high-speed hardening line for the series production, which is specific in that it can harden special powder metallurgy composite materials. What is also unique is that the company cooperated on the development and production together with a German manufacturer. The result of the cooperation is a unique line for high-temperature hardening (up to 1050°C) in the whole territory of the Czech Republic and Slovakia.

In 2022, the implementation of 27 robotic workstations was successfully completed. All of them are universal workstations, which GEVORKYAN, a.s. can move from machine to machine, even from one department to another, if necessary, which, in addition to significant savings in wage costs, also allows for greater flexibility in production. Robotic workstations, completely developed by GEVORKYAN, a.s., replace entire teams of operators and allow for continuous operation.

A significant part of the investments is directed to simulation software, information system, on-line communication, digitisation of all processes in the company so that the company can operate flexibly.

Furthermore, in 2021, a project for the completion of a new production hall was developed and approved by the competent authorities. An occupancy permit for the production hall was obtained in November 2022. At the same time, the unloading and subsequent installation of Gasbarre calibration presses *(220t CNC calibration presses*), which are currently installed and fully functional in the addition to the production hall, took place during that period.

**REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF THE ASSETS**

**of GEVORKYAN, a.s. for the Year 2023**

**prepared under Section 192(2) of Act No. 513/1991 Coll., the Commercial Code, as amended**

GEVORKYAN, a.s. reported the following state of assets, equity and payables as at 31 December 2023:

|  |  |
| --- | --- |
| **Total assets ..........................................................................................** | **EUR 207,675,719** |
| 1. Non-current assets...............................................................................
 | EUR 147,712,534 |
|  of which: Tangible fixed assets ................................................. | EUR 132,973,085 |
|  Intangible fixed assets ............................................. | EUR 14,739,449 |
| 1. Current assets...................................................................................
 | EUR 59,957,834 |
|  of which:  Inventory............................................................................. | EUR 26,685,961 |
|  Long-term receivables........................................................ | EUR 0 |
|  Short-term receivables..................................................... | EUR 30,596,361 |
|  Short-term financial assets............................................. | EUR 0 |
|  Financial accounts............................................................... | EUR 2,675,512 |
| 1. Accruals...............................................................................
 | EUR 5,351 |
| **Total equity and payables............................................................** | **EUR 175,173,659** |
| 1. Equity......................................................................................
 | EUR 71,609,447 |
|  of which:  Registered capital................................................................. | EUR 16,657,272 |
|  Differences from revaluation ..................................... | EUR 0 |
|  Funds created from profit...................................................... | EUR 0 |
|  Profit or loss from previous years...................................... | EUR 13,777,101 |
|  Profit or loss for 2023 after tax................. | EUR 3,749,126 |
| 1. Payables................................................................................................
 | EUR 99,968,968 |
|  of which: Reserve fund..................................................................... | EUR 1,424,134 |
|  Long-term payables............................................................. | EUR 48,423,902 |
|  Short-term payables.......................................................... | EUR 23,140,124 |
|  Bank loans................................................................... | EUR 3,160,188 |
|  Short-term financial assistance........................................... | EUR 10,485,540 |
| 1. Accruals.................................................................................
 | EUR 3,595,244 |
|  |  |
| COSTS................................................................................................... | EUR 73,454,465 |
| REVENUES..................................................................................................... | EUR 82,331,600 |

In \_\_\_\_\_\_\_\_\_\_\_\_\_\_ on \_\_\_\_\_\_\_\_2024

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Dipl. Ing. Artur Gevorkyan**

Chairman of the Board of Directors

GEVORKYAN, a.s.