DMKER
AGRICULTURAL & CONSTRUCTION MACHINERY

ANNUAL REPORT

1 January 2023 to 31 December 2023

DM-KER Nyrt.
2310 Szigetszentmiklós, Csepeli út 22.

Tax number	27048090-2-44
Company registration number	13-10-041955
Statistical code	27048090-4663-114-13

DMKER
BÉT
STANDARD MARKET
Listed on the Standard Market of the Budapest Stock Exchange

DMKER

Contents

I. EXECUTIVE SUMMARY

The year 2023 posed serious challenges for our industry. Many of these challenges were caused by political and geopolitical events taking place within and outside the European Union. The prolonged war has had severe adverse economic consequences for the European Union, resulting in a drying up of financial resources in a number of areas.

The construction sector was characterised by a sharp decline in terms of both government projects and private construction projects. The cancellation of the majority of government projects and the high interest rate environment had an extremely negative impact on the machinery sales business.

As the key market sector of DM-KER Nyrt. is construction, the Company had to react quickly to these dramatic changes in its environment. For certain products, shortage in the market was replaced by oversupply in a matter of moments, causing both the number of units sold and the available margin to decline at the same time.

Market players had to adapt to changes rapidly, and we implemented effective cost reduction measures in all areas of the industry.

A key objective for the Company during the year was to radically reduce the previously inflated inventory levels while maintaining business continuity. This caused substantial difficulties in 2023 in a market that had shrunk significantly.

Sustaining the competitiveness and integrity of our business was critical in this challenging period. Despite all external circumstances, DM-KER Nyrt. successfully maintained its position in the market, and even managed to improve its position in the case of Develon products.

The market for the sale of new machinery came to a complete stop. At the beginning of the year, several transactions carried over from the previous year kept the business going, but from the second quarter onwards, both revenue and profitability declined noticeably.

As our sales of new machinery declined, we continued to concentrate on our after-sales businesses.

We reorganised our spare parts business, which resulted in further revenue growth. A feature of this product range is that margins are significantly higher than in the case of machinery. In an environment of excessive oversupply, the sector managed to achieve this by keeping margins at a constant level.

In times of crisis in the construction industry, contractors are mostly interested in renting machinery. Our company also experienced this growing interest, and so we were able to continue to rationalise our fleet and stores while acquiring new stores.

We implemented efficiency improvement measures in our second-hand machinery business. Thanks to the new trade-in policy, we managed to increase our revenue in 2023. At the same time, profitability also improved.

Our servicing business unit grew while maintaining its headcount during 2023. We pay particular attention to training, and the significant efficiency gains come from the expanding knowledge of younger staff.

Overall, our after-sales business activities grew consistently, thereby partially compensating for the lack of revenue and profit from machinery sales.

Despite all the difficulties, we believe that development is important, which is why we prepared our first ESG report this year.

ESG factors are of paramount importance for listed companies as they affect long-term sustainability, financial performance and credibility. Focusing on ESG factors helps minimise environmental footprint, improves social impacts and increases transparency and accountability in the management of a company. As for our previously declared strategic objectives, we prepared and published an ESG report describing the Company's sustainability efforts. In addition, ESG practices can make a company more attractive to investors and customers, improving competitiveness and creating long-term value. Our commitment to responsible business practices is fundamental to promoting the sustainable development of the Company.

To close out the year, we entered into agreements with two manufacturers of agricultural machinery at the beginning of 2024. Both suppliers have well-known product offerings that provide excellent value for money.

Based on contracts signed with two of our strategic suppliers, Bobcat and Develon, at the beginning of 2024, we acquired exclusive rights to distribute both Bobcat and Develon products in Hungary for another 5 years. Also, the exclusive rights to distribute Develon products in Slovakia were extended.

data in thHUF

	31/12/2023	31/12/2022
Net sales revenue	10 459 138	14 469 122
Depreciation and impairment	-553 162	-464 078
Earnings before interest and taxes (EBIT)	-162 858	659 472
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	390 304	1 123 550
Net profit or loss	**-227 871**	**39 131**

II. AUDITED FINANCIAL STATEMENTS UNDER THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) FOR 31 DECEMBER 2023

The data presented in the financial statements are in thousand HUF.

The Company is not required to prepare consolidated financial statements.
The Issuer adopted IFRSs on 1 January 2023. A reconciliation of the data reported under the previously applied accounting rules is presented by the Company in section 4 in the Statement of changes in equity.

1. IFRS Statement of comprehensive income (Income statement)

Statement of comprehensive income	reference	31/12/2023	31/12/2022
Net sales revenue	9	10 459 138	14 469 122
Other operating income	10	165 859	162 145
Goods and services sold	11	-7 997 457	-11 176 790
Operating expenses	12	-1 141 255	-1 281 950
Staff costs	13	-960 556	-969 472
Other expenses	14	-135 425	-79 505
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**390 304**	**1 123 550**
Depreciation and impairment	15	-553 162	-464 078
Earnings before interest and taxes (EBIT)		**-162 858**	**659 472**
Finance income	16	418 365	277 006
Finance costs	16	-465 532	-807 929
Profit before tax		**-210 025**	**128 549**
Tax liability	17	-39 244	-61 444
Deferred tax liability		21 398	-27 974
Net profit or loss		**-227 871**	**39 131**
Other comprehensive income	18	0	0
Other comprehensive income		**0**	**0**
Total comprehensive income		**-227 871**	**39 131**

2. Earnings per share (EPS)

Earnings per share (EPS)	Current year		
net profit or loss for the period	-227 871		
average number of voting shares	122 634 170	=	-1,85814

Earnings per share (EPS)	Comparative year		
net profit or loss for the period	39 131		
average number of voting shares	125 398 941	=	0,31205

Diluted EPS:

Earnings per share (EPS)	Current year		
net profit or loss for the period	-227 871		
average number of voting shares	126 634 170	=	-1,79944

Earnings per share (EPS)	Comparative year		
net profit or loss for the period	39 131		
average number of voting shares	125 398 941	=	0,31205

3. IFRS Statement of financial position (Balance sheet)

Statement of financial position	reference	31/12/2023	31/12/2022	01/01/2022
Property, plant and equipment	20	4 251 264	3 872 085	2 767 816
Intangible assets	21	201 318	100 230	76 732
Right-of-use assets	22	183 446	188 381	154 544
Deferred tax assets		0	0	0
Other non-current assets	23	4 412	9 554	34 293
Non-current assets		**4 640 440**	**4 170 250**	**3 033 385**
Cash and cash equivalents	24	46 643	322 014	541 429
Trade receivables	25	502 729	1 112 453	1 557 374
Other receivables	26	107 818	363 462	355 235
Prepayments	26	161 222	236 338	313 105
Securities		0	0	880
Inventories	27	3 686 850	5 794 960	6 159 341
Income tax assets	28	20 216	0	18 069
Receivables from related parties		0	0	0
Current assets		**4 525 478**	**7 829 227**	**8 945 433**
Total assets		**9 165 918**	**11 999 477**	**11 978 818**

Statement of financial position	reference	31/12/2023	31/12/2022	01/01/2022
Share capital	31	631 155	631 155	631 155
Repurchased treasury shares	31	-191 293	-184 268	-60 000
Share premium	31	880 513	880 513	880 513
Share-based payments reserve	32	10 417	0	23 603
Retained earnings	31	494 905	480 306	769 718
Profit or loss for the year		-227 871	39 131	
Equity		**1 597 826**	**1 846 837**	**2 244 989**
Long-term provisions for expected liabilities	33	39 542	97 146	65 790
Long-term loans and borrowings	34	762 387	2 682 373	2 307 585
Deferred tax liabilities	35	46 324	67 722	39 747
Non-current finance lease liabilities	36	95 876	96 740	87 555
Non-current liabilities		**944 129**	**2 943 981**	**2 500 677**
Trade payables	37	547 334	651 746	854 801
Short-term provisions for expected liabilities	38	7 197	5 654	7 654
Liabilities to related parties		0	0	0
Short-term loans and borrowings	39	4 895 962	2 474 154	2 463 678
Other tax liabilities	40	158 245	431 307	461 795
Other current liabilities	41	735 948	3 377 804	3 249 200
Current finance lease liabilities	42	97 374	95 809	66 989
Income tax liabilities	43	0	6 103	0
Accruals	44	181 903	166 082	129 035
Current liabilities		**6 623 963**	**7 208 659**	**7 233 152**
Total equity and liabilities		**9 165 918**	**11 999 477**	**11 978 818**

4. Statement of changes in equity

	Share capital	Repurchased treasury shares	Share premium	Retained earnings	Share-based payments reserve	Total equity
Balance at 1 January 2022	**631 155**	**-60 000**	**880 513**	**769 718**	**23 603**	**2 244 989**
Issue of treasury shares	0		0			**0**
Repurchase of treasury shares		-124 268				**-124 268**
Dividend approved				-289 412		**-289 412**
Share-based payments +/-					-23 603	**-23 603**
Total comprehensive income				39 131		**39 131**
Balance at 31 December 2022	**631 155**	**-184 268**	**880 513**	**519 437**	**0**	**1 846 837**
Issue of treasury shares						**0**
Repurchase of treasury shares		-7 025				**-7 025**
Dividend approved				-24 532		**-24 532**
Share-based payments +/-					10 417	**10 417**
Total comprehensive income				-227 871		**-227 871**
Balance at 31 December 2023	**631 155**	**-191 293**	**880 513**	**267 034**	**10 417**	**1 597 826**

5. Statement of cash flows

Item	31/12/2023	31/12/2022
Profit after tax	-227 871	39 131
Items modifying profit or loss:		
Effect of changes in exchange rates	-5	-313
Depreciation of property, plant and equipment and intangible assets	553 162	464 078
Impairment	20 430	56 940
Provisions	-56 061	29 356
Interest	289 646	176 235
Adjustment due to non-repayable funds received	-14 850	0
Changes in current assets and current liabilities:		
Trade receivables, other receivables, prepayments	356 666	331 039
Inventories	2 098 110	357 390
Trade payables	-104 412	-203 055
Other liabilities, accruals	-2 373 426	320 663
Net cash from operating activities	**541 389**	**1 571 464**
Disposal (purchase) of property, plant and equipment	-783 031	-1 460 973
Purchase of intangible assets	-123 156	-37 280
Purchase (disposal) of shareholdings	5 142	24 739
Net cash from financing activities	**-901 045**	**-1 473 514**
Proceeds from (repayments of) loans and borrowings	501 822	385 264
Proceeds from (repayments of) finance leases	-121 606	-89 424
Repurchased treasury shares	-7 025	-124 268
Changes in the share-based payments reserve under IFRS 2	10 417	-23 603
Interest	-289 646	-176 235
Non-repayable funds received	14 850	0
Capital increase	0	0
Dividends paid	-24 532	-289 412
Net cash from financing activities	**84 280**	**-317 678**
Effect of changes in exchange rates	5	313
Increase/decrease in cash and cash equivalents	**-275 371**	**-219 415**
Opening balance of cash and cash equivalents	322 014	541 429
Closing balance of cash and cash equivalents	46 643	322 014
Changes in cash and cash equivalents	275 371	219 415

A. NOTES TO THE FINANCIAL STATEMENTS

6. The Company's particulars

DM-KER Nyrt. was established by way of a change in company form, with DM-KER Zrt. (and, prior to that, DM-KER Kft.) being its predecessor.

The closing financial statements of DM-KER Kft. for 31 August 2019 (due to its transformation by way of succession) constituted the basis for the preparation of the transformation balance sheets and inventories of assets and liabilities.

As part of the transformation, the Company's share capital was also increased against retained earnings, as a result of which the share capital increased to thHUF 500,000.

On 19 December 2019, the Company's registered capital increased further to thHUF 631,155 through private placement.

Company name	DM-KER Nyilvánosan Működő Részvénytársaság
Short name	DM-KER Nyrt.
Registered office	2310 Szigetszentmiklós, Csepeli út 22.
Phone number	+36-1-257-6261
Central electronic contact information	info@dmker.hu
Website	www.dmker.hu
Company registration number	Cg. 13-10-041955
Tax number	27048090-2-44
EU VAT number	HU27048090
Statistical code	27048090-4663-114-13
Duration of activities	indefinite
Legal form of the Company	public company limited by shares
Date of the effective Statutes	25 September 2023
Principal activity	4663 Wholesale of mining, construction and civil engineering machinery
Financial year	identical to the calendar year
Jurisdiction	Hungarian
Share capital	HUF 631,155,000

Date of admission of the Company's ordinary shares on the Xtend platform of the Budapest Stock Exchange: 30 January 2020. Date of removal from the Xtend platform: 23 March 2022

Date of admission of the Company's ordinary shares in the Standard Market of the Equities section on the regulated market of the Budapest Stock Exchange: 24 March 2022

Place of publication of announcements

In cases where the Company is required to issue announcements in accordance with the Civil Code, Act V of 2006 on Public Company Information, Company Registration and Dissolution Proceedings or Act CXX of 2011 on the Capital Market (hereinafter: "Capital Market Act") or any other statutory regulation, the Company complies with this requirement by publishing its announcements on the Company's website (www.dmker.hu), the website of the Budapest Stock Exchange (www.bet.hu) and, if expressly required under a statutory regulation, the website operated by the National Bank of Hungary (https://kozzetetelek.mnb.hu).

The Company's auditor

CMT Consulting Kft
(Cgj.: 01-09-388885, 1074 Budapest, Vörösmarty utca 16-18. A épület, földszint 1/F)
Person responsible for the audit: Ferencné Móri
Contact details: 1163 Budapest, Somoskő u. 10. Chamber membership number: MKVK 003356
No fees were paid to the auditor during the financial year for other assurance services, tax advisory services or other non-audit services. We provide information on the fees paid to the auditor as requested by the Chamber of Hungarian Auditors.
The audit fee for 2023 was thHUF 6 500.

Composition of share capital

The Company's share capital is HUF 631 155 000, consisting of 126 231 000 units of registered ordinary shares, each with a face value of HUF 5 per share.
Method of creation of the shares: dematerialised shares
ISIN code of the Shares: HU0000176722

Ownership structure

Holders of more than 5% of the Company's capital for the listed series, based on the declarations of the holders:

Name	Ownership share (%)	Number of shares
BF Trustee Kft.	27.42	34 620 000
Intravirtus Kft.	15.54	19 620 000
Ferenc Bátor	15.04	18 980 000
Sándor Megyeri	12.66	15 980 000
Széchenyi Alapok Kockázati Tőkealap Széchenyi Alapok Zrt.	12.65	15 969 321

Authorised signatories at the time of preparation of the financial statements:

Name	Position
Independent signatories:	
Ferenc Bátor	Chairman of the Board of Directors, Chief Executive Officer from 21 March 2024
Joint signatories:	
Barnabás Kocsy	Member of the Board
Judit Szegedi	CFO and Deputy CEO
András Martinák	Director of Commerce

The members of the Board of Directors, the Supervisory Board and the Audit Committee perform their activities through an engagement relationship. The Board of Directors is responsible for creating and terminating the position of CEO and Deputy CEO, appointing the CEO and exercising the employer's rights with respect to the CEO.

Senior executives in 2023

Members of the Board of Directors for an indefinite period:	
Ferenc Bátor	Chairman
Dr. Tamás Hajnal	Member

Members of the Board of Directors until 31 December 2023:	
Sándor Megyeri	Member
Zsolt Horváth	Member

Members of the Board of Directors until 29 April 2024:	
Barnabás Kocsy	Member

Of the members of the Board of Directors, Ferenc Bátor (18,980,000 shares), Barnabás Kocsy (150,000 shares) and Dr. Tamás Hajnal (100,000 shares) hold ordinary shares in DM-KER Nyrt.

Members of the Supervisory Board and the Audit Committee until 31 May 2026:	
Péter Vitkovics	Chairman
Tamás Petőházi	Member
Dr. Tamás Sükösd	Member
Attila Gayer	Member
Miklós Révész	Member

Of the members of the Supervisory Board, Péter Vitkovics holds 4,000,000 ordinary shares in DM-KER Nyrt.

The General Meeting is responsible for appointing and recalling senior executives and the members of the Supervisory Board and the Audit Committee and for amending the Statutes, and the special rules for recalling senior executives and the powers of senior executives and members of corporate bodies are set out in the Statutes.

The Company publishes its Corporate Governance Report and Remuneration Policy on the Company's website (www.dmker.hu) and the website of the Budapest Stock Exchange (www.bet.hu).

Management

The Company's day-to-day operations are managed by the management of DM-KER Nyrt. The members of the management are all employed by the Company in the form of an employment relationship.

A menedzsment tagjai:	
Barnabás Kocsy	Chief Executive Officer until 20 March 2024
Ferenc Bátor	Chief Executive Officer from 21 March 2024
Judit Szegedi	CFO and Deputy CEO

Barnabás Kocsy (150,000 shares), Ferenc Bátor (18,980,000) and Judit Szegedi (100,000 shares) hold ordinary shares in DM-KER Nyrt.

Corporate governance

The Issuer adheres to and complies with the rules for corporate governance reports set out in the Civil Code. In accordance with the provisions of the Issuer's Statutes, the Board of Directors is responsible for submitting to the annual general meeting a report on the corporate governance practices of the Issuer, prepared in line with the requirements for entities listed on the Budapest Stock Exchange. The General Meeting decides on the approval of the report. The resolution of the General Meeting and the approved report are published by the Issuer on its website.

The Corporate Governance Report is prepared in accordance with the Corporate Governance Recommendations published by the Budapest Stock Exchange, and the report contains the elements required under Section 95/B (2) of the Accounting Act, taking into account the fact that the Company's shares were admitted to trading on a regulated market on 24 March 2022.

The registered IFRS accountant responsible for the preparation of the financial statements

Chief accountant Szilvia Benkő is responsible for the development and operation of the accounting information system. Home address: 1094 Budapest, Balázs Béla utca 34. Registration number: PM 178785

7. The basis of accounting

The financial statements were prepared in accordance with the effective standards and IFRIC interpretations issued before 31 December 2023. The financial statements were prepared using the historical cost convention, except for cases where IFRS requires the use of a different measurement basis. The report covers the period from 1 January 2023 to 31 December 2023.

The measurement basis used in preparing the financial statements is historical cost, with the exception of assets and liabilities measured at fair value, which are financial instruments measured at fair value through profit or loss.

In preparing the financial statements under IFRS, management is required to make professional judgments, estimates and assumptions that have an impact on the accounting policies applied and on the amounts of assets, liabilities, income and expenses presented in the financial statements. The estimates and associated assumptions are based on historical experience and a number of other factors that are considered to be reasonable under the given circumstances, which serve as the basis for estimating the carrying amount of assets and liabilities whose carrying amounts are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that year, or in the period of the revision and future periods if the revision affects both current and future periods.

8. Accounting Policy

The significant accounting policies used in preparing the financial statements are presented below. Accounting policies are consistently applied to the periods presented in these financial statements.

We also present new and amended standards and interpretations issued by the IASB and endorsed by the EU which are effective from 2023 and 2024, evaluating their impact on the Company where relevant.

The following standards and interpretations (including amendments thereto) entered into force in 2023:

The application of the amendments below did not have a significant impact on the Company's financial statements.

- IFRS 17 Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2023) – not relevant

- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors), Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2) (effective for reporting periods beginning on or after 1 January 2023): Improving accounting policy disclosures and making them more tailored, narrowing the scope of accounting policy disclosures, and distinguishing changes in accounting estimates from changes in accounting policies.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes) (effective for reporting periods beginning on or after 1 January 2023). The initial recognition exemption no longer applies to transactions that give rise to equal taxable and deductible temporary differences.
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) (issued on 23 May 2023) – The objective of the amendments is to introduce a mandatory temporary exception to the requirements in IAS 12 Income Taxes to recognise and disclose information about deferred tax assets and liabilities arising from the OECD's Pillar Two model rules. Targeted disclosure requirements were also introduced. The temporary exception is applicable immediately and retrospectively in accordance with IAS 8, whereas the targeted disclosure requirements are applicable for annual reporting periods beginning on or after 1 January 2023.

Standards and interpretations issued by the IASB and endorsed by the EU which are effective from 2024

The amendments below are not expected to have a significant impact on the Company's financial statements.

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases) (issued on 22 September 2022) – The objective of the amendments is to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments are effective for annual periods beginning on or after 1 January 2024, with earlier application permitted.
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1 Presentation of Financial Statements) (effective for annual periods beginning on or after 1 January 2022) and Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements) – The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments mainly clarify the notion of settlement, specify how an entity classifies a liability arising from a loan arrangement with covenants as current or non-current, and regulate the disclosures to be provided when an entity has loan arrangements with covenants that could require the loan arrangement to become payable within twelve months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024, with earlier application permitted.

Amendments not yet endorsed by the EU:

- IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)

8.1. Reporting currency and foreign currency balances

Having regard to the nature and circumstances of the underlying business transactions, the Company's functional currency and reporting currency is the Hungarian forint (HUF). The financial statements were prepared in Hungarian forints, with amounts being rounded to the nearest thousand, except where otherwise indicated.

Foreign currency transactions denominated in currencies other than the forint are recorded using the exchange rate prevailing at the date when the relevant transaction was completed. Receivables and liabilities denominated in foreign currency were retranslated to forints using the exchange rates of the National Bank of Hungary prevailing at the reporting date. The resulting exchange differences are recognised in profit or loss in finance income or finance costs.

Transactions denominated in foreign currency are recognised in the functional currency, with amounts denominated in foreign currency being retranslated using the foreign exchange rate between the reporting currency and the foreign currency prevailing at the date of the transaction. Exchange differences arising on the settlement of monetary items, on initial recognition during the period or due to the use of foreign exchange rates which are different from those used in previous financial statements are presented in the statement of financial position as items of income or expense in the period when such differences arise. Monetary assets and liabilities denominated in foreign currency are retranslated using the foreign exchange rate of the functional currency prevailing at the end of the reporting period. Items denominated in foreign currency which are measured at fair value are retranslated using the foreign exchange rate prevailing at the date when fair value is determined. Exchange differences on trade payables and loans and borrowings are presented in finance income or finance costs.

8.2. Recognition of revenue under IFRS 15

The Company recognises revenue in accordance with IFRS 15.

According to this standard, revenue is recognised when the goods or services are transferred to the customer at the agreed price. Each distinct related good or service is recognised separately, and each discount is allocated to the relevant items of the contract. In case of variable consideration, the minimum value is recognised when the probability of recovery does not involve significant risk. The costs of obtaining a contract with a customer are capitalised and are amortised over the term of the contract as the Company obtains the related benefits.

Net sales revenue includes amounts invoiced in connection with supplies of goods or services during the financial year. Net sales revenue is recognised when the amount of the revenue becomes known and when it is probable that the Company will be able to collect the consideration. Net sales revenue contains the amounts invoiced less value added tax and discounts.

8.3. Performance obligations

The Company satisfies obligations relating to revenue as set out in the relevant contract. At contract inception, the Company assesses the goods or services promised to the customer (i.e. the performance obligations of the Company). The Company recognises revenue when it has satisfied its performance obligations by delivering the promised goods or rendering the promised services. A performance obligation is satisfied when the customer obtains control of the asset or service.

If the Company also sells warranty services when selling goods, the fees for such warranty services will be recognised over the warranty period. The revenue from fees for warranty services for subsequent months is deferred and later released over the warranty period against revenue.

8.4. Determining the transaction price

When the contract is performed, the Company recognises the revenue related to such performance, which is the transaction price allocated to the performance obligation. The transaction price is the amount that the Company expects to receive in exchange for selling the goods or services.

8.5. Main types of revenue

The sale of goods constitutes a significant percentage of the Company's sales, for which revenue is recognised when control of the goods is transferred to the customer.
The Company recognises revenue from machinery rental on an ongoing basis (monthly fees).
New machines are paid for in advance or by way of customer financing, while in the rest of the business units, payment terms for customer invoices are typically 8 to 15 days. Payment deadlines can be longer for reliable and large clients, while new customers must pay for goods in advance. Payment terms for resellers are between 30 and 90 days.
The Company does not act as an agent. Defective products are returned, repaired or sent for repair under the manufacturer's warranty.
The Company recognises the incremental costs of obtaining contracts with customers as assets if such costs are expected to be recovered.
For contracts containing a significant financing component, the Company considers the time value of money when determining revenue.

8.6. Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation. Accumulated depreciation includes the recognised costs of ordinary depreciation associated with the ongoing use and operation of the asset, as well as extraordinary depreciation recognised due to unexpected extraordinary events causing significant damage to the asset.

The cost of property, plant and equipment includes the acquisition cost of the asset and, in the case of self-managed construction projects, the associated material costs and staff costs, as well as other direct expenses. Interest on loans for construction projects involving property, plant and equipment increases the historical cost of the asset until the asset is ready for its intended use.

The value of property, plant and equipment is reviewed at regular intervals to determine whether the carrying amount of the asset exceeds its recoverable amount. If this is the case, extraordinary depreciation must be recognised to reduce the carrying amount to the recoverable amount of the asset. The recoverable amount of the asset is the higher of its selling price and value in use. Value in use is the discounted value of the future cash flows generated by the asset.

The discount rate incorporates the pre-corporate income tax interest rate, taking into account the time value of money and the effects of other risk factors associated with the asset. If no future cash flows are attributable to an asset on its own, the Company uses the cash flows of the unit to which the asset belongs. The resulting impairment loss or extraordinary depreciation is recognised in profit or loss.

The repair and maintenance costs of items of property, plant and equipment and purchases of spare parts are recognised in maintenance costs. Value-added construction and renovation projects are capitalised. The cost and accumulated depreciation of assets sold, fully depreciated or no longer used are derecognised. Any resulting gains or losses are included in profit or loss for the year.

Useful lives of each asset group	
Land and buildings	30 to 50 years;
Machinery and equipment	3 to 7 years;
Vehicles	5 years;
Assets with an individual value below HUF 200 thousand	lump-sum depreciation.

Planned residual value for each asset group (where relevant):	
Work equipment	20%;
Machinery and equipment	30%;
Tools	10%.

The Company's assets are depreciated on a straight-line basis over the useful lives of the assets.

The Company's assets with indefinite useful lives are the plots of land serving as the locations for its sites in Szigetszentmiklós, Tiszafüred, Bátaszék and Vámosszabadi.

Useful lives and depreciation methods are reviewed at least annually based on the actual economic benefits generated by the assets in question. Any necessary adjustments are recognised in profit or loss for the year.

8.7. Intangible assets

Intangible assets acquired separately are carried at acquisition cost, while intangible assets acquired in a business combination are recognised initially at their fair value at the acquisition date. An asset is recorded in the books if there is evidence that the use of such asset will generate future economic benefits and its cost can be readily determined.

Subsequent to initial recognition, the cost model applies to intangible assets. The useful lives of these assets are either finite or cannot be determined. Assets with a finite useful life are amortised on a straight-line basis according to the best estimate of useful life. The amortisation period and the method of amortisation are reviewed at the end of each financial year. Internally-generated intangible assets are not capitalised (with the exception of development expenditure); instead, such assets are recognised in profit or loss in the period in which they are incurred. Intangible assets are tested for impairment annually, either separately or as part of the cash-generating unit.

The useful life of intangible assets is 3 years.

8.8. Borrowing costs (IAS 23)

Borrowing costs are included in the cost of the asset when it is probable that they will result in future economic benefits in the case of the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale (qualifying asset).

In line with the requirements of the standard, the Company distinguishes between loans according to whether the funds were borrowed specifically for the purpose of obtaining a qualifying asset or the funds were borrowed generally and used for the purpose of obtaining a qualifying asset.In the latter case, borrowing costs may be capitalised by using a capitalisation rate.

However, given that the Company only has dedicated loans, direct borrowing costs are capitalised on the given asset.

8.9. Impairment of assets (IAS 36)

At the end of each reporting period, the Company assesses whether there is an indication of impairment for any of its assets. If so, then the Company estimates the recoverable amount of the asset. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and value in use. The Company recognises impairment in profit or loss if the recoverable amount of an asset is lower than its carrying amount. The Company prepares the necessary calculations based on long-term future cash flow projections using an appropriate discount rate.

8.10. Inventories

Inventories are measured at the lower of cost less impairment losses on obsolete or slow-moving inventories and net realisable value. Reductions in inventories are accounted for using the FIFO method.

For inventories, the Company's accounting policy stipulates that impairment losses are recognised on assets with a carrying amount exceeding HUF 3 million as follows:

Inventories older than two years	10%
Assets older than three years	15%
Assets older than four years	10%

Inventories with a carrying amount of up to HUF 3 million are typically spare parts, which are sold by the Company at a higher margin or used for repairs. Therefore, based on past experience, no impairment loss is recognised on these inventories.

8.11. Receivables

Receivables are presented in the financial statements at their nominal value less an appropriate amount of impairment for expected losses. Doubtful receivables are estimated based on a comprehensive review of outstanding amounts at year-end. The Company recognises impairment losses on uncollectible and doubtful receivables and to cover the losses incurred on such receivables.

Impairment losses on uncollectible and doubtful receivables are presented in the balance sheet and are determined on a case-by-case basis. Estimated impairment losses on uncollectible and doubtful receivables are based on the aging of the receivables, the customer's creditworthiness, changes in the payment patterns of the customer, and other information obtained by the Company (e.g. liquidation or bankruptcy proceedings).

An impairment loss of 100% is recognised on receivables that are more than 180 days past due. In accordance with IFRS 9, expected credit losses are deducted from trade receivables at the reporting date. As part of our calculations, we examine the actual payment dates and expected losses for each customer based on historical data for a period of one year, and these are projected onto our aged receivables for the current year to calculate the amount of credit loss at the reporting date.

8.12. Financial assets

Financial assets within the scope of IFRS 9 are classified into three measurement categories: initially measured at cost, initially measured at fair value through other comprehensive income (FVTOCI) and initially measured at fair value through profit or loss (FVTPL).

Subsequent to initial recognition, financial assets which are held for trading are measured at fair value through profit or loss (FVTPL). Unrealised foreign exchange gains or losses on held-for-trading securities are recognised in finance income (or finance costs).

For investments traded on the stock exchange, fair value is determined on the basis of the official price quoted for the reporting date. For unlisted and unquoted securities, fair value is defined as the fair value of a similar or equivalent financial investment. If this method cannot be applied, fair value is determined on the basis of the estimated future cash flows of the asset involved in the investment.

Financial assets are derecognised if the Company no longer controls the contractual rights related to the financial asset. This is normally the case if the asset is sold, or if the cash flows of the asset are transferred to a third party.

At each reporting date, the Company examines whether impairment needs to be recognised on a financial asset or a group of financial assets. If recognising impairment on an asset measured at amortised cost becomes necessary, then the amount of such impairment will be the difference between the carrying amount of the asset and the original amount of future cash flows discounted using the effective interest rate. Impairment is recognised in profit or loss. If the amount of impairment loss recognised decreases subsequently, then such impairment loss is reversed, but only to the extent that the carrying amount of the asset does not exceed its amortised cost at the reporting date.

Expected credit losses on financial assets:

At each reporting date, the Company reviews impairment losses and assesses whether impairment losses should be recognised up to the amount of lifetime expected credit losses or 12-month expected credit losses. If the Company is unable to assess for a specific financial asset whether its credit risk has increased significantly, then this should be assessed for groups of financial assets.

When testing for and recognising impairment, the simplified approach and the general approach can be applied.

1. Simplified approach

Lifetime expected credit losses are used for all financial instruments recognised using the simplified approach. The simplified approach is applied in the case of receivables from customers and contract assets.

2. General approach

Financial instruments are classified into three categories based on the expected credit loss model. Classification into the three categories is based on changes in the credit risk of the financial asset. The relative credit risk model is used to assess elevated credit risk. The increase in credit risk compared to initial recognition is reflected in the reclassification of financial instruments from one basket to another.

Based on the expected credit loss model, impairment losses can be classified into three categories: impairment calculated based on 12-month expected credit losses, impairment calculated based on lifetime expected credit losses, and impairment calculated using the effective interest rate method.

The general approach is applied in the case of other financial receivables and loans granted.

8.13. Cash and cash equivalents

Cash and cash equivalents are measured in the balance sheet at amortised cost. As a result, the Company recognises expected credit losses on cash and cash equivalents as required.

8.14. Share capital

Ordinary shares are recorded by the Company as an item of equity. Incremental costs directly allocated to the issue of new ordinary shares are presented as items reducing equity.

8.15. Financial liabilities

The Company's statement of financial position contains the following financial liabilities: trade payables and other current liabilities, loans and borrowings, bank overdraft facilities and forward transactions. The recognition and measurement of these items are described in the relevant parts of the notes to the financial statements as follows.

At initial recognition, all financial liabilities are recognised by the Company at fair value. In the case of loans, transaction costs which are directly attributable to the acquisition of the financial liability are also taken into account.

Financial liabilities within the scope of IFRS 9 are classified into three measurement categories: initially measured at cost, initially measured at fair value through other comprehensive income (FVTOCI) and initially measured at fair value through profit or loss (FVTPL). The classification of individual financial liabilities is determined by the Company when they are acquired.

Financial liabilities measured at fair value through profit or loss include liabilities acquired by the Company for trading purposes and liabilities which were designated by the Company as at fair value through profit or loss at initial recognition. Held-for-trading financial liabilities include liabilities purchased by the Company primarily for the profits expected to be earned from short-term movements in foreign exchange rates. This category also contains forward transactions that do not qualify as effective hedging instruments.

Loans and borrowings are presented in the statement of financial position at amortised cost calculated using the effective interest rate method. Gains and losses arising from loans and borrowings are recognised in the statement of comprehensive income by way of amortisation calculated using the effective interest rate method, and upon derecognition of the financial liability. Amortisation is recognised in the statement of comprehensive income in finance costs.

Liabilities acquired through sale and leaseback transactions which are outside the scope of IFRS 16 Leases are recognised by the Company in loans and borrowings in accordance with the requirements of IFRS 9.

The Company owns financial instruments measured at fair value; shareholdings are measured at fair value through profit or loss, while other financial assets and liabilities are measured at amortised cost.

8.16. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received by the entity and the amount of the receivable can be measured reliably.

Present obligations arising from onerous contracts are recognised as provisions. The Company considers a contract to be onerous if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The Company is the exclusive distributor of the Bobcat and Develon brands in Hungary. As a result, the Company recognises provisions for its warranty repair obligations related to the sale of new machinery that will be incurred in the coming years (for which the Company will not be reimbursed), the amount of which is reviewed annually.

8.17. Tax liability

The amount of tax liability is calculated based on the tax liability under the Act on Corporate Tax and Dividend Tax, the act regulating the innovation contribution and the Local Business Tax Decree, and is modified by deferred taxes. Tax liability includes current and deferred taxes. The Company recognises the amount paid as sponsorship for spectator team sports in corporate income tax as the Company considers this amount to constitute income tax in terms of its substance.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from pre-tax profit as reported in the financial statements due to gains and losses which are not taxable and items that are recognised in the taxable profit of other years. The Company's liability for current tax is calculated using tax rates that have been enacted or announced (if such announcement is equivalent to enactment) by the reporting date. Deferred tax is accounted for using the liability method.

Deferred tax arises in cases where there is a temporary difference between the recognition of an item in the financial statements and in the Company's accounts based on the tax laws. Deferred tax liabilities and assets are recognised using the tax rates applicable to the taxable income of the years in which the temporary difference is likely to be recovered. The measurement of deferred tax liabilities and assets reflects the manner in which the Company expects, at the reporting date, to realise its tax assets and liabilities.

Deferred tax liabilities in respect of deductible temporary differences, unused tax benefits and tax losses are recognised in the balance sheet to the extent that it is probable that the Company will generate taxable profits in the future against which deferred tax assets can be utilised.

At each reporting date, the Company reviews deferred tax assets not recognised in the balance sheet as well as the carrying amount of recognised tax assets. The part of assets previously not recognised in the balance sheet which is expected to be recovered against the Company's future income tax is recorded by the Company. In contrast, the Company's deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the asset to be recovered.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets against current tax liabilities relating to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

8.18. Lease

IFRS 16 Leases requires lessees to recognise and quantify a right-of-use asset and a corresponding liability in the balance sheet at the same time.

Right-of-use assets are treated similarly to other non-financial assets, and depreciation is accounted for accordingly. A lease liability is measured at the present value of lease payments over the lease term, with the present value being calculated using the interest rate implicit in the lease if such interest rate can be readily determined. If this interest rate cannot be readily determined or is difficult to determine, the lessee may use the incremental borrowing rate for discounting.

The Company acts as a lessor in connection with machinery rentals. Under IFRS 16, the lessor must examine whether a lease is classified as an operating lease or a finance lease.

A lease is classified as a finance lease if the lessor transfers substantially all the risks and rewards of ownership of the underlying asset to the lessee. Otherwise, the transaction is classified as an operating lease. The lessor must recognise finance income over the lease term so as to reflect a constant periodic rate of return on the lessor's net investment in the lease.

The lessor must recognise the lease payments of an operating lease on a straight-line basis or another systematic basis. The lessor must use a different systematic method if it better reflects the decline in benefits derived from the use of the underlying asset. The Company applies the exemptions for short-term leases and low-value asset leases under IFRS 16 and recognises the relevant rental fees as expenses.

The Company examined whether its rentals meet the criteria for finance leases and concluded that they do not fulfil the criteria set out in the standard. As a result, these are treated as operating leases.

8.19. Stock-based benefits

The Company applies the requirements of IFRS 2 Share-based Payment when accounting for actual share-based payments made under potential future stock option plans. For equity-settled share-based payments, expenses related to such payments are recognised in equity, while in the case of cash-settled share-based payments, such expenses are recognised in financial liabilities, as staff costs.

Share-based payments are measured at the fair value of the equity instrument granted. For equity-settled share-based payments, the fair value of the transferred shares at the grant date was expensed over the vesting period on a straight-line basis. The expense incurred in doing so is recognised in profit or loss as an item of staff costs against a separate component of equity (Share-based payments reserve).

For cash-settled share-based payments, the fair value of the equity instrument at the grant date is remeasured at each reporting date, with any changes in fair value being recognised in profit or loss.

The Company applies the extension method for measuring its share-based payments under the ESOP schemes. According to this method, the Company is essentially in the same position as if it directly owned the shares held by the ESOP Organisation; therefore, these shares are recognised as treasury shares in equity.

The programme is initially recognised by the Company at the grant date. The Issuer considers the grant date to be the date on which the parties have agreed on the material terms and conditions and the notice is accepted by the employees.

The Company has a total of four programmes: ESOP I, ESOP II, ESOP III and ESOP IV, as well as a CEO stock option.

8.20. Earnings per share (EPS)

Earnings per share is calculated based on the Company's profit or loss and the number of shares less the average number of repurchased treasury shares for the period.

Diluted earnings per share is calculated similarly to how earnings per share is determined. However, the calculation takes into account the total number of outstanding dilutive shares, the yield distributable on ordinary shares plus the dividends and yields on convertible shares that are eligible for inclusion in the period, adjusted for any additional income and expenses arising on conversion, as well as the weighted average number of outstanding shares plus the weighted average number of additional shares that would be outstanding if all the dilutive shares were converted.

Furthermore, the number of shares included in a stock option plan in effect during the current period is also taken into account as an item deductible from treasury shares if the exercise conditions specified in the stock option plan are met at the date of preparation of the financial statements and the relevant treasury shares have not yet been exercised.

8.21. Off-balance sheet items

Off-balance sheet liabilities are not presented in the balance sheet and income statement in the financial statements, unless acquired in a business combination. Such items are presented in the notes to the financial statements, except where the possibility of an outflow of resources embodying economic benefits is remote or minimal. Off-balance sheet receivables are not presented in the balance sheet and income statement in the financial statements; however, if the inflow of economic benefits is probable, such receivables are presented in the notes to the financial statements.

8.22. Repurchased treasury shares

The acquisition cost of repurchased treasury shares is presented in the balance sheet as a separate item of equity with a negative sign.

8.23. Dividends

The Company recognises dividends in the year in which the dividends are approved by the shareholders.

8.24. Employee benefits

Employee benefits include short-term employee benefits (other than severance pay) which become due in full within 12 months from the end of the period in which the employee performed the relevant work. These may include bonuses and monthly salaries due within 12 months from the reporting date.

8.25. Profit or loss from financial transactions

Profit or loss from financial transactions includes interest and dividend income, interest expense and other finance costs, fair value gains and losses on financial instruments, and realised and unrealised exchange differences.

Borrowing costs arising in connection with the construction of a qualifying asset up to the date of commissioning or sale are part of the acquisition cost. Borrowing costs include interest, other expenses related to borrowings, as well as exchange differences to the extent that they are regarded as adjustments to the interest expense. Borrowing costs are capitalised as part of the acquisition cost of the asset only if they are expected to generate future economic benefits for the Company and can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they arise.

8.26. Government grants

Government grants are recognised when there is reasonable assurance that the grants will be received and the conditions attaching to them will be fulfilled. If a grant serves as compensation for expenses, then such grant is recognised in the statement of comprehensive income in the period when the expenses for which the grants are intended to compensate are incurred (in other income). If a grant relates to an asset purchase, then such grant is recorded as deferred income that is recognised in profit or loss in equal amounts each year over the useful life of the related asset.

The benefits of government loans at a below-market rate of interest are treated as government grants. Loans are recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of a government loan at a below-market rate of interest is calculated as the difference between the initial carrying amount under IFRS 9 and the funds received, and this difference is recognised as a government grant.

Applying the exemption for first-time adopters under IFRS 1 B10, the Company does not apply the provision to government loans existing at the date of transition and government loans at a below-market rate of interest.

The Company examined its loans and found one instance where the grant portion was significant. The grant portion of the MBH Széchenyi Liquidity loan disbursed during the current year amounted to thHUF 18,400 for 31 December 2023, which was not reclassified by the Company to accruals and was recognised as a liability in its financial statements.

8.27. Events after the reporting date

Events occurring after the reporting date which provide additional information on the circumstances existing at the end of the Company's reporting period (adjustments) are presented in the financial statements. Events after the reporting date which do not result in changes to the data presented in the financial statements are presented in the notes to the financial statements.

8.28. Sources of uncertainty

The application of the accounting policies described requires the use of estimates and assumptions when determining the carrying amounts of certain assets and liabilities at a given date if these are not readily apparent from other sources. The estimation process includes decisions and relevant factors based on the most recent available information. These significant estimates and assumptions affect the carrying amounts of assets, liabilities, income and expenses presented in the financial statements, as well as the presentation of contingent assets and liabilities in the notes to the financial statements. Actual results may differ from estimates.

Estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Key sources of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts presented in the financial statements are the following.

8.29. Depreciation

Property, plant and equipment and intangible assets are recorded at cost and are depreciated or amortised on a straight-line basis over their estimated useful lives. The calculation of the useful lives of assets is based on historical experience with similar assets, as well as any anticipated technological developments and changes in broad economic or industry factors. Estimated useful lives are reviewed annually.

8.30. Accounting estimates

The Company may use estimates for certain items affecting the financial statements. Such items may include prepayments, accruals, provisions and items relating to the ESOP Organisation and other share-based payments. These items are presented by the Company in detail in the notes to the financial statements.

8.31. Operating segments

The Company must disclose the factors used to identify the entity's reportable segments, including the basis of their operation and the factors considered in aggregating the segments.
The Company's revenue-generating activities must be broken down into operating segments (based on the same units that are used by management to carry out the Company's business activities), and such information may only be aggregated for reporting purposes if the specified criteria are met.
This process may require considerable judgment as it is not always possible to clearly identify which units of the Company qualify as operating segments under IFRS 8 Operating Segments or which layer of the Company's organisational structure represents the level at which these activities are managed.
Under IFRS 8, an operating segment is a component of an entity from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the entity's chief operating decision maker, and for which discrete financial information is available.

In line with the provisions of the standard, we examined whether the following criteria were met when identifying the Company's operating segments:

- Its revenue is 10 per cent or more of the combined revenue, internal and external, of all operating segments
- The absolute measure of its reported profit or loss is 10 per cent or more of the combined reported profit or loss of all operating segments
- Its assets are 10 per cent or more of the combined assets of all operating segments.
- The total external revenue of reportable segments is 75 per cent or more of the entity's total external revenue.

Based on the above, we identified four operating segments for the Company: sale of machinery, sale of spare parts, machinery rental and servicing.

9. Net sales revenue

When examining revenue during transition to IFRS, we identified the following differences in connection with the differences in requirements under the Hungarian accounting rules and IFRSs:

Fees for warranty services
In accordance with the provisions of IFRS 15, separately identifiable related goods or services are recognised separately, and all discounts are allocated to the relevant elements of the contract.

The Company examined the percentage that the fees for warranty services represent in sales prices. As warranty obligations for these services typically arise in 3 years, these fees were reclassified from revenue to accruals and are recognised as revenue in the period when the warranty obligation is expected to arise.

Adjustments for sale and leaseback transactions
Based on the Hungarian accounting rules, the Company used to recognise sale and leaseback transactions in revenue and in cost of goods sold.

Under IFRS 15, these transactions do not qualify as revenue and, accordingly, sale and leaseback transactions were reclassified from revenue, and cost of goods sold was adjusted at the same time.

Presentation of adjustments for 31 December 2023 and the same period of the previous year:

Adjustments to revenue	**31/12/2023**	**31/12/2022**
Revenue under the Hungarian accounting rules	**12 567 208**	**18 196 817**
Fees for warranty services	5 697	-12 067
Adjustments for sale and leaseback transactions	-2 113 768	-3 715 095
Reclassification of subsequent discounts given	0	-533
Revenue under IFRS 15	**10 459 138**	**14 469 122**

The Company's revenue declined by 28% or thHUF 4 009 984 compared to the same period of the previous year.

Revenue and other operating income	**31/12/2023**	**31/12/2022**
Net sales revenue	10 459 138	14 469 122
Other operating income	165 859	162 145
Total	**10 624 997**	**14 631 267**

Breakdown of revenue by main type:		
Supply of goods	8 851 903	13 186 413
Supply of services	1 607 235	1 282 709

10. Other operating income

Items of other operating income were as follows:

Other operating income	31/12/2023	31/12/2022
Gain on disposal of assets	142 837	146 159
Grants received	16 262	2 413
Forgiven liabilities	4 436	272
Reversals of impairment losses	0	10 008
Other income	1 613	835
Income from damage events and indemnification	710	2 458
Reversals of credit losses under IFRS 9	0	0
Total	**165 859**	**162 145**

Own performance capitalised includes the stocking and sale of spare parts restored by the servicing business unit.

Grants received	31/12/2023	31/12/2022
Government grants	610	501
Competitive grants	15 652	1 912
Total	**16 262**	**2 413**

The most significant item in grants received in the current year is the grant of thHUF 14,850 received as part of the GINOP-1.1.7-17-BÉT-6-016-009 scheme.

11. Goods and services sold

When examining revenue during transition to IFRS, we identified the following differences in connection with the differences in requirements under the Hungarian accounting rules and IFRSs:

Adjustments for sale and leaseback transactions
Based on the Hungarian accounting rules, the Company used to recognise sale and leaseback transactions in revenue and in cost of goods sold.
Under IFRS 15, these transactions do not qualify as revenue and, accordingly, sale and leaseback transactions were reclassified from revenue, and cost of goods sold was adjusted at the same time.

Reclassification of subsequent discounts received
Subsequent discounts given were recognised by the Company as items reducing revenue, in accordance with the requirements of IFRS 15.

Adjustments for the years 2022 and 2023 are presented in the following table:

Adjustments to cost of goods sold	31/12/2023	31/12/2022
Cost of goods sold under the Hungarian accounting rules	**10 139 110**	**14 865 298**
Adjustments for sale and leaseback transactions	-2 151 037	-3 693 922
Reclassification of subsequent discounts received	-10 746	-10 048
Cost of goods sold under IFRS	**7 977 327**	**11 161 329**

Goods and services sold	31/12/2023	31/12/2022
Cost of goods sold	7 977 327	11 161 329
Cost of services sold (mediated)	20 130	15 462
Total	**7 997 457**	**11 176 790**

In line with the downturn in revenue, cost of goods sold and cost of services sold (mediated) declined by 29% from the same period of the previous year.

12. Operating expenses

Operating expenses	31/12/2023	31/12/2022
Material costs	695 631	618 964
Value of services used	382 415	602 013
Value of other services	63 210	60 973
Total	**1 141 255**	**1 281 950**

Despite the unfavourable inflationary environment, operating expenses dropped by 11% in comparison with the same period of the previous year, primarily because of a decline in the value of services used, as the Company maintained rigorous expense controls.

The most substantial increase was in material costs at 12%. These include fuels and maintenance materials which are essential for the Company to be able to carry out its sales and servicing activities and, as a result, no significant savings can be achieved in this category of costs despite the cost-cutting measures implemented during the current year.

The value of other services was up by nearly 4%, with bank charges and insurance premiums for our fleet of machinery being the most substantial items. These expenses are also essential for our core operations.

13. Staff costs

Staff costs	31/12/2023	31/12/2022
Payroll costs	789 964	793 629
Other payments to staff	60 441	62 336
Payroll taxes	110 151	113 507
Total	**960 556**	**969 472**

The Company's average headcount was 86 in 2023 and 91 in 2022.

The change in staff costs was proportional to the change in headcount.

14. Other expenses

Other expenses	31/12/2023	31/12/2022
Scrapping of inventories and assets	82 320	27 025
Impairment losses on inventories	10 000	17 000
Other taxes and local taxes	16 333	26 771
Indemnification and penalties paid	12 940	7 277
Loss on disposal of property, plant and equipment	11 699	1 035
Other miscellaneous expenses	2 133	398
Total	**135 425**	**79 505**

The 70% increase in other expenses is mostly explained by the scrapping of inventories during the current year.

15. Depreciation and impairment

Depreciation and impairment	31/12/2023	31/12/2022
Depreciation	553 162	464 078
Impairment	0	0
Total	**553 162**	**464 078**

The main reason behind the 19% increase in depreciation was the rise in depreciation on right-of-use assets, which amounted to thHUF 127 934 in 2023 and thHUF 93 592 in 2022.

16. Profit or loss from financial transactions

Finance income	31/12/2023	31/12/2022
Other finance income	401 938	265 339
Other interest received (due)	16 427	11 273
Dividends received	0	394
Total	**418 365**	**277 006**

Finance costs	31/12/2023	31/12/2022
Other finance costs	175 887	631 694
Payable interest and similar expenditure	289 646	176 235
Total	**465 532**	**807 929**

Other finance income and other finance costs contain impairment losses on trade receivables and other receivables, as well as their reversals.

17. Tax liability

Tax liability	31/12/2023	31/12/2022
Local business tax	34 107	53 353
Innovation contribution	5 137	8 091
Corporate income tax	0	0
Deferred tax	-21 398	27 974
Total	**17 846**	**89 419**

Corporate income tax calculation	31/12/2023
Profit before tax (IFRS)	-210 025
Adjustment for local business tax (-)	-34 107
Adjustment for innovation contribution (-)	-5 137
Adjustments for special factors under IFRS	11 960
Adjustments due to the transition to IFRS	-149 711
Adjusted profit before tax	**-387 020**
Depreciation under the Accounting Act (+)	450 813
Carrying amount of derecognised and reclassified property, plant and equipment under the Accounting Act	584 290
Extraordinary depreciation	0
Non-business expenses (+)	0
Legally binding fines recognised in expenses (+)	618
Impairment losses recognised on receivables in the current year (+)	37 052
Reversals of impairment losses on receivables (-)	-25 239
Depreciation under the CIT Act (-)	-809 616
Carrying amount of derecognised and reclassified property, plant and equipment under the Accounting Act	-295 297
Corporate income tax and dividend tax base	**-444 399**
Corporate income tax and dividend tax (9%)	**-39 996**

18. Other comprehensive income

Other comprehensive income	31/12/2023	31/12/2022
Profit after tax (net)	-227 871	39 131
Total	**-227 871**	**39 131**

The Company did not generate any other comprehensive income and, as a result, its total comprehensive income is equal to its net profit or loss.

Total comprehensive income	31/12/2023	31/12/2022
Profit after tax (net)	-227 871	39 131
Other comprehensive income	0	0
Total comprehensive income	**-227 871**	**39 131**

19. Earnings per share

In order to secure the required number of shares for the Employee Stock Ownership Programme, the Company purchased 1 000 000 ordinary shares of DM-KER in OTC trading in 2020 based on the authorisation granted by the General Meeting, and such shares were transferred by the Company to the ESOP Organisation.

The conditions set by the Board of Directors for the improvement of business performance as part of the ESOP I programme with a vesting period between 22 September 2020 and 30 September 2022 were fulfilled. Therefore, at the end of the vesting period, the participants of the ESOP I programme became entitled to the 1 000 000 ordinary shares of DM-KER Nyrt. with a face value of HUF 5 which were available through the ESOP I programme.

Having regard to the above and the provisions of the ESOP Statutes, 250 000 units of the 1 000 000 ordinary shares of DM-KER Nyrt. with a face value of HUF 5 available for distribution under the ESOP I programme were returned by the DM-KER ESOP Organisation to DM-KER Nyrt. (the founder of the ESOP Organisation) without consideration after the end of the evaluation period of the ESOP I programme. The shares were transferred between 2 December 2022 and 5 December 2022.

Of the remaining ESO programmes launched by the Company, the ESOP II programme was completed in 2023 without payment, as the criteria set at the launch of the programme were not fulfilled during the evaluation period spanning the financial years 2021 and 2022.

The ESOP III and ESOP IV programmes will be completed after 2023.

Basic EPS:

Earnings per share (EPS)	Current year		
net profit or loss for the period	-227 871	=	-1,85814
average number of voting shares	122 634 170		

Earnings per share (EPS)	Comparative year		
net profit or loss for the period	39 131	=	0,31205
average number of voting shares	125 398 941		

Diluted EPS:

Earnings per share (EPS)	Current year		
net profit or loss for the period	-227 871	=	-1,79944
average number of voting shares	126 634 170		

Earnings per share (EPS)	Comparative year		
net profit or loss for the period	39 131	=	0,31205
average number of voting shares	125 398 941		

20. Property, plant and equipment

The Company's technical equipment includes high-value dozers, front-end loaders, sprayers, excavators and trucks. Other equipment is made up of other office equipment and IT equipment.
Land and buildings recognised by the Company include its sites in Szigetszentmiklós, Vámosszabadi, Tiszafüred and Bátaszék. Construction in progress comprises a new site being developed in Szigetszentmiklós, with commissioning expected to take place at the end of 2024.

The borrowing costs and interest associated with the development of the site were capitalised by the Company in an amount of thHUF 2 338 in 2023. Due to the interest moratorium, only an amount of thHUF 30 was capitalised on construction projects in 2022.

In line with the requirements of IAS 23, the Company distinguishes between loans according to whether the funds were borrowed specifically for the purpose of obtaining a qualifying asset or the funds were borrowed generally and used for the purpose of obtaining a qualifying asset. In the latter case, borrowing costs may be capitalised by using a capitalisation rate. However, given that the Company only has dedicated loans, direct borrowing costs are capitalised on the given asset.

Assets of the Issuer with restricted ownership:

- Szigetszentmiklós Csepeli út 52.,
- Szigetszentmiklós Csepeli út 22.
- Vámosszabadi külterület 059/94 hrsz.
- Tiszafüred, Húszöles út 21.

Assets of the Issuer which serve as collateral for liabilities:

- Szigetszentmiklós Csepeli út 52.,
- Szigetszentmiklós Csepeli út 22.
- Vámosszabadi külterület 059/94 hrsz.
- Tiszafüred, Húszöles út 21.

Property, plant and equipment	Technical machinery and equipment	Other equipment	Land and buildings and related valuable rights	Construction in progress	Total
Gross value					
01/01/2022	**2 370 468**	**84 861**	**690 687**	**554 664**	**3 700 680**
Increase and reclassification	1 473 380	39 689	402 069	2 066 161	3 981 299
Decrease and reclassification	704 902	8 866		2 092 148	2 805 916
31/12/2022	**3 138 946**	**115 684**	**1 092 756**	**528 677**	**4 876 063**
Increase and reclassification	562 396	12 553	119	1 434 293	2 009 361
Decrease and reclassification	904 289	2 951		642 732	1 549 972
31/12/2023	**2 797 053**	**125 286**	**1 092 875**	**1 320 238**	**5 335 452**
Accumulated depreciation					
01/01/2022	**820 078**	**65 062**	**47 724**	**0**	**932 864**
Annual depreciation	320 789	25 938	9 977		356 704
Decrease and reclassification	277 171	8 419			285 590
31/12/2022	**863 696**	**82 581**	**57 701**	**0**	**1 003 978**
Annual depreciation	364 811	22 420	15 929		403 160
Decrease and reclassification	320 373	2 577			322 950
31/12/2023	**908 134**	**102 424**	**73 630**	**0**	**1 084 188**
Net carrying amount					
01/01/2022	**1 550 390**	**19 799**	**642 963**	**554 664**	**2 767 816**
31/12/2022	**2 275 250**	**33 103**	**1 035 055**	**528 677**	**3 872 085**
31/12/2023	**1 888 919**	**22 862**	**1 019 245**	**1 320 238**	**4 251 264**

21. Intangible assets

Intangible assets	Valuable rights	Intellectual property	Total
Gross value			
01/01/2022	**101 736**	**110**	**101 846**
Increase and reclassification	37 276	4	37 280
Decrease and reclassification	0	0	0
31/12/2022	**139 012**	**114**	**139 126**
Increase and reclassification	123 156	0	123 156
Decrease and reclassification	0	0	0
31/12/2023	**262 168**	**114**	**262 282**
Accumulated depreciation			
01/01/2022	**25 102**	**12**	**25 114**
Annual depreciation	13 771	11	13 782
Decrease and reclassification	0	0	0
31/12/2022	**38 873**	**23**	**38 896**
Annual depreciation	22 057	11	22 068
Decrease and reclassification	0	0	0
31/12/2023	**60 930**	**34**	**60 964**
Net carrying amount			
01/01/2022	**76 634**	**98**	**76 732**
31/12/2022	**100 139**	**91**	**100 230**
31/12/2023	**201 238**	**80**	**201 318**

In 2022 and 2023, the Company recorded valuable rights in the line item "Intangible assets", the most significant of which is the Navision ERP system to be implemented in 2024.

Significant individual items in intangible assets:
Items with a value exceeding thHUF 100 000 are classified by the Company as significant individual items.
Individual items of intangible assets identified as significant: Navision ERP software
Expected date of commissioning: 2024

Navision ERP system	Gross value	Net value
31/12/2022	71 364	71 210
31/12/2023	188 247	184 231

The Company does not possess any intangible assets acquired through government grants.

22. Right-of-use assets

The Company recognised 59 motor vehicles and one property as leased assets at 31 December 2023.
Breakdown of assets (leases) presented in the line item "Right-of-use assets" and changes over time:

Lease liabilities	31/12/2023	31/12/2022	01/01/2022
Current finance lease liabilities	97 374	95 809	66 989
Non-current finance lease liabilities	95 876	96 740	87 555
Total finance lease liabilities	**193 250**	**192 549**	**154 544**

Changes in right-of-use assets under IFRS 16	Other equipment, vehicles	Technical machinery, equipment, vehicles	Land and buildings	Total
Gross value				
01/01/2022	**57 885**	**73 935**	**22 724**	**154 544**
Increase	107 032	18 579	1 818	127 429
Decrease	0	0	0	0
31/12/2022	**164 917**	**92 514**	**24 542**	**281 973**
Increase	34 619	89 955	15 426	140 000
Decrease	-39 925	-21 468	0	-61 393
31/12/2023	**159 611**	**161 001**	**39 968**	**360 580**
Accumulated depreciation				
01/01/2022	**0**	**0**	**0**	**0**
Increase	43 445	38 129	12 018	93 592
Decrease	0	0	0	0
31/12/2022	**43 445**	**38 129**	**12 018**	**93 592**
Increase	54 750	58 818	13 674	127 242
Decrease	-22 716	-20 984	0	-43 700
31/12/2023	**75 479**	**75 963**	**25 692**	**177 134**
Net carrying amount				
01/01/2022	**57 885**	**73 935**	**22 724**	**154 544**
31/12/2022	**121 472**	**54 385**	**12 524**	**188 381**
31/12/2023	**84 132**	**85 038**	**14 276**	**183 446**

Lease interest expense in 2022	**12 484**
Lease interest expense in 2023	**27 942**

Undiscounted contractual cash flows	31/12/2023	31/12/2022
Due within 3 months	31 799	28 694
Due between 3 months and 1 year	81 966	76 793
Due between 1 and 3 years	104 110	96 426
Due between 3 and 5 years	3 575	7 243
Due in more than 5 years	0	0
Total lease payments:	**221 449**	**209 156**

23. Other non-current assets

Other non-current assets recognised include the shareholding in Megakrán Nyrt.

The Company held 2 165 685 shares with a total carrying amount of thHUF 8,554 as at 31 December 2022 and 1 122 680 shares with a total carrying amount of thHUF 4,412 as at 31 December 2023. In line with the provisions of IFRS 9, these assets are measured at fair value in the Company's books, and so the Company recognised exchange gains of thHUF 442 in profit or loss.

24. Cash and cash equivalents

Cash and cash equivalents	31/12/2023	31/12/2022	01/01/2022
Cash on hand	1 040	1 386	262
Cash in bank	45 603	320 628	541 167
Total	**46 643**	**322 014**	**541 429**

25. Trade receivables

Trade receivables	31/12/2023	31/12/2022	01/01/2022
Trade receivables	666 904	1 275 494	1 679 466
Impairment losses on trade receivables, credit losses	-164 175	-163 041	-122 092
Total	**502 729**	**1 112 453**	**1 557 374**

Expected credit losses (ECL)	
01/01/2022	**27 203**
Increase	
Decrease	10 219
31/12/2022	**16 984**
Increase	10 128
Decrease	0
31/12/2023	**27 112**

Impairment losses on trade receivables	
01/01/2022	**94 889**
Increase	52 363
Decrease	1 195
31/12/2022	**146 057**
Increase	17 628
Decrease	26 622
31/12/2023	**137 063**

The Issuer had already recognised an impairment of 100% on the most significant overdue trade receivables in previous periods.

During transition to IFRS, the Company calculated expected credit losses (ECL) for 1 January 2022, 31 December 2022 and 31 December 2023 in accordance with IFRS 9. Based on historical information, we examined the losses on invoiced items and made adjustments to them based on future information.

On the basis of the above, the Company recorded credit losses of thHUF 27 203 at the date of transition and recognised an amount of thHUF 16 984 as credit losses in its books for the comparative period. The Company examined its expected losses in 2023 as well, based on which the recognition of additional ECL for the current year was justified, and so its balance was increased to thHUF 27 112.

26. Other receivables, prepayments

Breakdown of other receivables	31/12/2023	31/12/2022	01/01/2022
VAT reclaimable in the subsequent month	56 258	162 909	201 638
Advances given	21 237	105 654	120 266
Deposits and down payment	10 750	11 350	2 250
Other receivables	19 573	83 549	31 081
Total	**107 818**	**363 462**	**355 235**

The Company recorded impairment losses of 100% on long-term advances given which are recognised in other receivables.

Impairment losses on advances given	
01/01/2022	**0**
Increase	9 000
Decrease	0
31/12/2022	**9 000**
Increase	9 296
Decrease	0
31/12/2023	**18 296**

Breakdown of prepayments	31/12/2023	31/12/2022	01/01/2022
Accrued income	93 052	85 461	114 880
Prepaid expenses	68 170	150 877	198 225
Total	**161 222**	**236 338**	**313 105**

The most significant item within accrued income is the deferral of machinery rental fees.

The most substantial item in prepaid expenses was the value of credit notes issued after the reporting date in connection with new machinery sold, which declined by thHUF 66 983 to thHUF 47 760 due to a reduction in revenue from the sale of new machinery at year-end.

27. Inventories

Inventories	31/12/2023	31/12/2022	01/01/2022
Materials	1 995	4 104	2 417
Finished goods	487	203	331
Goods	3 684 368	5 790 653	6 156 593
Total	**3 686 850**	**5 794 960**	**6 159 341**

Impairment losses on inventories

01/01/2022.	**40 000**
Increase	17 000
Decrease	-
31/12/2022.	**57 000**
Increase	10 000
Decrease	-
31/12/2023.	**67 000**

As a result of our effort to rationalise our inventories, the balance of inventories dropped significantly in the current year. After analysing the changes in market needs, we redesigned our inventory structure. On the one hand, unfavourable financing conditions significantly increased our inventory holding costs, which justified a reduction in the amount of machinery in stock. On the other hand, changing market needs forced us to create a different product mix than before. We renegotiated the structure of orders with suppliers, thus avoiding unnecessary deliveries.

Inventories serving as collateral for the Company's liabilities:

- Up to an inventory value of HUF 1.6 billion for an overdraft facility (MBH Bank)
- Up to an inventory value of HUF 1.1 billion for an Erste revolving loan facility

28. Income tax assets

Income tax asset (+) / liability (-)	31/12/2023	31/12/2022	01/01/2022
Local business tax	19 470	0	-8 112
Corporate income tax	388	0	29 179
Innovation contribution liability	358	0	-2 998
Összesen	**20 216**	**0**	**18 069**

The aggregate balance of income taxes showed a tax liability of thHUF 6 103 as at 31 December 2022. As a result, this item was recognised in income tax liabilities.

29. Equity reconciliation

Equity under IFRS (in accordance with Section 114/B (4) of the Accounting Act)	31/12/2023	31/12/2022	01/01/2022
Share capital	631 155	631 155	631 155
Repurchased treasury shares	-191 293	-184 268	-60 000
Reserves	1 385 835	1 360 819	1 673 834
Profit after tax	-227 871	39 131	0
Equity under IFRS (the difference between assets and liabilities under IFRS) (Section 114/B (4) a) of the Accounting Act)	**1 597 826**	**1 846 837**	**2 244 989**

Equity (Section 114/B (4) a) of the Accounting Act)	31/12/2023	31/12/2022	01/01/2022
Equity under IFRS	1 597 826	1 846 837	2 244 989
+ amount of additional capital contributions received recognised as a liability under IFRS	0	0	0
amount of additional capital contributions paid recognised as an asset under IFRS	0	0	0
cash and cash equivalents received to be allocated to share premium, if classified as deferred income (IFRS)	0	0	0
value of assets received, if classified as deferred income (IFRS)	0	0	0
capital increase resulting in an equity instrument, if recognised as a receivable from owners (IFRS)	0	0	0
Total equity (reconciled)	**1 597 826**	**1 846 837**	**2 244 989**

Share capital under IFRS (Section 114/B (4) b) of the Accounting Act)	31/12/2023	31/12/2022	01/01/2022
Share capital under the deed of foundation, identical to the share capital recorded by the registry court	631 155	631 155	631 155
Face value of repurchased shares	-191 293	-184 268	-60 000
Share capital under IFRS (reconciled)	**439 862**	**446 887**	**571 155**

Unpaid share capital (Section 114/B (4) c) of the Accounting Act)	31/12/2023	31/12/2022	01/01/2022
Unpaid share capital	0	0	0
Total unpaid share capital (reconciled)	**0**	**0**	**0**

Share premium (Section 114/B (4) d) of the Accounting Act	31/12/2023	31/12/2022	01/01/2022
Sum of all components of equity which do not meet the IFRS definition of share capital, unpaid share capital, retained earnings, valuation reserve, profit or loss for the year or tied-up reserve	880 513	880 513	880 513
Share premium (reconciled)	**880 513**	**880 513**	**880 513**

Retained earnings (Section 114/B (4) e) of the Accounting Act)	31/12/2023	31/12/2022	01/01/2022
After-tax undistributed retained earnings from previous years under IFRS (excluding the current year)	494 905	480 306	769 718
Amounts transferred to retained earnings under IFRS	0	0	0
amount of additional capital contributions received where the owner (member) of the entity waived their claim arising from the capital contribution	0	0	0
Amount of additional capital contributions paid recognised as an asset	0	0	0
amount reclassified from share capital or share premium to cover losses	0	0	0
any amount reclassified from other reserves whose reclassification is required or permitted under IFRS	0	0	0
Unused development reserve less related deferred tax (tied-up reserve)	-172 900	-172 900	-172 900
Retained earnings (reconciled) (Section 114/B (4) e) of the Accounting Act)	**322 005**	**307 406**	**596 818**

Valuation reserve (Section 114/B (4) f) of the Accounting Act)	31/12/2023	31/12/2022	01/01/2022
Accumulated amount of other comprehensive income shown in the statement of comprehensive income (±)	0	0	0
Amount of other comprehensive income shown in the statement of comprehensive income, also including other comprehensive income for the year (±)	0	0	0
Valuation reserve (reconciled)	**0**	**0**	**0**

Profit after tax (Section 114/B (4) g) of the Accounting Act)	31/12/2023	31/12/2022	01/01/2022
Profit or loss for the year from continuing operations presented in the profit or loss section of the statement of comprehensive income or in the separate income statement (-)	-227 871	39 131	0
Profit or loss for the year from discontinued operations presented in the profit or loss section of the statement of comprehensive income or in the separate income statement			
Items recognised in profit or loss under the Accounting Act but recognised in equity under IFRS, including, in particular: grants, non-repayable funds given or received;			
Profit after tax (Sections 114/A (9) and 114/B (4) g) of the Accounting Act)	**-227 871**	**39 131**	**0**

Tied-up reserve (Section 114/B (4) h) of the Accounting Act)	31/12/2023	31/12/2022	01/01/2022
Additional capital contributions received	0	0	0
Development reserve (net of tax)	172 900	172 900	172 900
Total tied-up reserve (reconciled)	**172 900**	**172 900**	**172 900**

Reconciliation of share capital recorded by the registry court and share capital under IFRS (Section 114/B (5) a) of the Accounting Act)	31/12/2023	31/12/2022	01/01/2022
Share capital recorded by the registry court	631 155	631 155	631 155
Share capital under IFRS	439 862	446 887	571 155
Difference (face value of repurchased treasury shares)	**191 293**	**184 268**	**60 000**

Retained earnings available for dividend payment (in accordance with Section 114/B (5) b) of the Accounting Act)	31/12/2023	31/12/2022	01/01/2022
Retained earnings of previous years (reconciled)	322 005	307 406	596 818
Profit after tax for the current year	-227 871	39 131	0
Accumulated increase in the value of investment property (net of tax)	0	0	0
Retained earnings available for dividend payment	**94 134**	**346 537**	**596 818**
Dividends received (due) recognised before the date of approval for disclosure	0	0	0
Retained earnings available for dividend payment + current-year dividends received and due	**94 134**	**346 537**	**596 818**

30. Equity reconciliation

The following tables contain a reconciliation of the amount of equity under the Hungarian accounting rules and the amount of equity under IFRS for 1 January 2022, 31 December 2022 and 31 December 2023. Date of transition to IFRS: 1 January 2022

01/01/2022

Reconciliation of equity under the previous accounting rules for the end of the comparative interim period and equity under IFRS for the same date	Under the Hungarian accounting rules	under IFRS	difference
Share capital	631 155	631 155	0
Repurchased treasury shares	0	-60 000	60 000
Share premium	880 513	880 513	0
Retained earnings	755 421	769 718	-14 297
Tied-up reserve	317 171	0	317 171
Share-based payments reserve	0	23 603	-23 603
Profit or loss for the period	0	0	0
Equity	**2 584 260**	**2 244 989**	**339 271**

31/12/2022

Reconciliation of equity for the end of the period covered by the most recent financial statements prepared in accordance with the previous (Hungarian) accounting rules	Under the Hungarian accounting rules	under IFRS	difference
Share capital	631 155	631 155	0
Repurchased treasury shares	0	-184 268	184 268
Share premium	880 513	880 513	0
Retained earnings	383 327	480 306	-96 979
Tied-up reserve	399 853	0	399 853
Share-based payments reserve	0	0	0
Profit or loss for the period	50 222	39 131	11 091
Equity	**2 345 070**	**1 846 837**	**498 233**

31/12/2023

Reconciliation of equity under the previous accounting rules and equity under IFRS for the same date	Under the Hungarian accounting rules	under IFRS	difference
Share capital	631 155	631 155	0
Repurchased treasury shares	0	-191 293	191 293
Share premium	880 513	880 513	0
Retained earnings	434 602	494 905	-60 303
Tied-up reserve	374 268	0	374 268
Share-based payments reserve	0	10 417	-10 417
Profit or loss for the period	-343 196	-227 871	-115 325
Equity	**1 977 342**	**1 597 826**	**379 516**

Calculation of the difference between retained earnings under the Hungarian accounting rules and IFRS

	31/12/2023	31/12/2022	01/01/2022
Retained earnings under the Hungarian accounting rules	434 602	383 327	755 421
Reclassification of tied-up reserve	374 268	399 853	317 170
Modifying items under IFRS			
Intangible assets and their depreciation	-24 921	-98 201	-98 201
Right-of-use assets and their depreciation	-4 167	0	0
Share-based payments	0	-1 579	-1 579
Reversals of impairment losses on treasury shares	38 350	0	0
Fair value measurement of shareholdings	518	18 674	18 674
Adjustments for sale and leaseback transactions	-21 172	0	0
Adjustments for warranty revenue	-73 914	-61 848	-61 848
Recognition of deferred tax liabilities	-67 721	-39 747	-39 747
Impairment losses and credit losses	-155 284	-112 518	-112 518
Provisions	-5 654	-7 654	-7 654
Total adjustments to retained earnings under IFRS	-313 965	-302 873	-302 873
Retained earnings under IFRS	**494 905**	**480 306**	**769 718**

The following table presents the differences between the Company's profit or loss for 2022 and 2023 under the Hungarian accounting rules and under IFRS

	2023.01.01 - 31/12/2023	01/01/2022 - 31/12/2022
Profit or loss under the previous accounting rules	-343 196	50 222
Subsequent adjustments to profit or loss under the previous accounting rules		0
Modifying items under IFRS		
Intangible assets and their depreciation	25 585	86 586
Adjustments for right-of-use assets	-5 637	-4 168
Share-based payments	-10 417	1 579
Adjustments for treasury shares	40 297	38 350
Adjustments for sale and leaseback transactions	37 269	-21 172
Adjustments for warranty revenue	5 697	-12 066
Recognition of deferred tax liabilities	21 398	-27 975
Provisions for unused leave	-1 543	1 999
Adjustments for exchange differences	-441	-18 155
Recognition of government grants	-663	-13 306
Impairment losses on receivables and reversals	13 906	-52 982
Credit losses (ECL)	-10 127	10 219
Total adjustments to profit or loss under IFRS	115 325	-11 091
Profit or loss under IFRS	**-227 871**	**39 131**

31. Equity

Share capital	31/12/2023	31/12/2022	01/01/2022
Opening value	631 155	631 155	631 155
Increase	0	0	0
Decrease	0	0	0
Closing value	**631 155**	**631 155**	**631 155**

Repurchased treasury shares	31/12/2023	31/12/2022	01/01/2022
Opening value	-184 268	-60 000	-60 000
Increase	-7 025	-124 268	0
Decrease	0	0	0
Closing value	**-191 293**	**-184 268**	**-60 000**

As an incentive for the employees covered by the ESOP I programme, the Founder transferred a total of 1 000 000 ordinary shares of DM-KER Nyrt. with a face value of HUF 5 (ESOP shares) to the ESOP Organisation in 2020 as a non-monetary contribution at the market value prevailing at the date of the transfer. As the conditions of the ESOP I programme were fulfilled, 750 000 ordinary shares of DM-KER Nyrt. out of the available 1 000 000 ordinary shares of DM-KER Nyrt. were transferred by the ESOP Organisation to the employees and senior executives participating in the programme. As the employment of several employees participating in the ESOP I programme was terminated in the meantime, 250 000 ordinary shares of DM-KER Nyrt. were transferred back to the Company from the ESOP Organisation, as a result of which the number of treasury shares of the Company had increased to 3 490 875 by 31 December 2022. With additional treasury shares being repurchased in 2023, the number of treasury shares had increased to 3 693 314 by 31 December 2023.

The Issuer records treasury shares at their value prevailing at the time of purchase.

Share premium	31/12/2023	31/12/2022	01/01/2022
Opening value	880 513	880 513	880 513
Increase	0	0	0
Decrease	0	0	0
Closing value	**880 513**	**880 513**	**880 513**

Retained earnings	31/12/2023	31/12/2022	01/01/2022
Opening balance of retained earnings	494 905	480 306	604 191
Profit or loss for the period	-267 867	39 131	165 527
Total retained earnings	**227 039**	**519 437**	**769 718**

Share-based payments reserve	31/12/2023	31/12/2022	01/01/2022
ESOP programme	0	0	23 603
CEO stock option contract	10 417	0	0
Closing value	**10 417**	**0**	**23 603**

The Company recognises its share-based payments reserve as a component of equity. In 2022, reserves for thHUF 23 603 were recognised in connection with the ESOP I programme, which were reversed upon completion of the programme. In 2023, reserves of thHUF 10 417 were recognised in connection with the valuation of the CEO stock option, so the value of vested shares is recognised in a prorated manner in staff costs against the share-based payments reserve, in accordance with IFRS 2.

Share-based payments are presented in detail in the following section.

32. Share-based payments

ESOP programmes

ESOP I programme

Duration of the programme: 2 years (22/09/2020 to 30/09/2022)
Benefit granted: 1 000 000 ordinary shares of DM-KER Nyrt.
Performance criteria: EBITDA margin and minimum EBITDA

As an incentive for the employees covered by the ESOP I programme, the Founder transferred a total of 1 000 000 ordinary shares of DM-KER Nyrt. with a face value of HUF 5 (ESOP shares) to the ESOP Organisation in 2020 as a non-monetary contribution at the market value prevailing at the date of the transfer.

As the conditions of the ESOP I programme were fulfilled, 750 000 ordinary shares of DM-KER Nyrt. out of the available 1 000 000 ordinary shares of DM-KER Nyrt. were transferred by the ESOP Organisation between 2 December 2022 and 5 December 2022 to the employees and senior executives participating in the programme. As the employment of several employees participating in the ESOP I programme was terminated in the meantime, 250 000 ordinary shares of DM-KER Nyrt. were transferred back to the Company from the ESOP Organisation.

ESOP II programme

Duration of the programme:	2 years (01/01/2021 to 31/12/2022)
Benefit granted:	option for 400,000 ordinary shares of DM-KER Nyrt. As part of the programme, the Company provided stock options for treasury shares to employees.
Vesting conditions:	employment at the Company for the duration of the programme.
Performance criteria:	targets for profit after tax and turnover

The Founder launched its ESOP II programme in the second half of 2021, as part of which 16 employees were eligible for a total of 400 000 ordinary shares of DM-KER Nyrt. The Founder had to transfer the ordinary shares to the ESOP Organisation at the end of the programme, and the Founder had a call option to purchase such shares at their face value, provided that the conditions of the ESOP II programme would be fulfilled.

The ESOP II programme was evaluated in the first half of 2023. In line with expectations, the conditions of the programme were not fulfilled, and so the ESOP Organisation could not exercise its call option to purchase the shares at their face value in respect of this programme.

As the Company did not meet the performance criteria set out in the plan, the benefit under the plan did not vest. Based on the Company's estimates and expectations for the date of transition to IFRS and the reporting date for 2022, it was apparent that the criteria would not be met and, therefore, no expense or equity component was to be recognised for either the date of transition or the reporting date for 2022.

ESOP III programme

Duration of the programme:	2 years (01/01/2022 to 31/12/2023)
Benefit granted:	option for 400,000 ordinary shares of DM-KER Nyrt. As part of the programme, the Company provided stock options for treasury shares to employees.
Vesting conditions:	employment at the Company for the duration of the programme.
Performance criteria:	targets for profit after tax and turnover

The Founder launched its ESOP III programme in the first half of 2022, as part of which 16 employees are eligible for a total of 400 000 ordinary shares of DM-KER Nyrt. The Founder must transfer these ordinary shares to the ESOP Organisation at the end of the programme, and the Founder will have a call option to purchase such shares at their face value, provided that the conditions of the ESOP III programme are fulfilled. The programme can be considered successful if the profit after tax of DM-KER Nyrt. at the end of the vesting period amounts to at least thHUF 650 000 and this is equivalent to at least 3.50% of annual revenue.

The Company made estimates for the grant date (01/01/2022) and the reporting dates as to whether the conditions of the ESOP III programme were expected to be fulfilled.

As the employees participating in the programme would have an opportunity to acquire these shares only if the above-mentioned performance criteria were met and these criteria were not fulfilled either at the reporting date for 2022 or at the end of 2023, and the Company's expectation regarding the programme as a whole is that the benefits will not vest, the Company did not recognise any employee-related expenses or share-based payment reserve in connection with the ESOP II programme in either 2022 or 2023.

ESOP IV programme

Duration of the programme:	2 years (01/01/2023 to 31/12/2024)
Benefit granted:	option for 300 000 ordinary shares of DM-KER Nyrt. As part of the programme, the Company provided stock options for treasury shares to employees.
Vesting conditions:	employment at the Company for the duration of the programme.
Performance criteria:	targets for profit after tax and turnover

The Founder launched its ESOP IV programme in the first half of 2023, as part of which 10 employees are eligible for a total of 300 000 ordinary shares of DM-KER Nyrt. The Founder must transfer these ordinary shares to the ESOP Organisation at the end of the programme, and the Founder will have a call option to purchase such shares at their face value, provided that the conditions of the ESOP IV programme are fulfilled. The programme can be considered successful if the profit after tax of DM-KER Nyrt. at the end of the vesting period amounts to at least thHUF 310 000 and this is equivalent to at least 1.90% of annual revenue.

The Company made estimates for the grant date (03/05/2023) and the reporting dates as to whether the conditions of the ESOP IV programme were expected to be fulfilled.

As the employees participating in the programme would have an opportunity to acquire these shares only if the above-mentioned performance criteria are met and these criteria were not fulfilled at the reporting date for 2023, and the Company's expectation regarding the programme as a whole is that the benefits will not vest, the Company did not recognise any employee-related expenses or share-based payment reserve in connection with the ESOP IV programme in 2023.

The ESOP Organisation keeps a record of participants of the ESOP programmes and the shareholdings of the Founder.

CEO stock option

Based on Resolution No. 11/2023. (04.26.) of the General Meeting, Chief Executive Officer László Barnabás Kocsy is entitled to purchase up to 4 000 000 (four million) ordinary shares of DM-KER Nyrt. from the Company during the option period between 15 May 2023 and 31 December 2027 by exercising his call option. The purchase price of the ordinary shares purchased on the basis of the call option (strike price) is HUF 48 (forty-eight forints) per share, and the consideration for the call option (option fee) is HUF 500 000 (five hundred thousand forints).

On 20 March 2024, i.e. after the reporting date, the employment contract and thus the CEO stock option of László Barnabás Kocsy was terminated.

The value of the option is calculated by the Company using the Black-Scholes model for the grant date. The number of stock options which are expected to be exercised is reviewed at each reporting date. Vesting limits are taken into account for the purpose of this calculation. The value of vested shares is recognised in a prorated manner in staff costs in accordance with IFRS 2.

The value of the stock option recorded at 31 December 2023 was thHUF 10 417.

33. Long-term provisions for expected liabilities

Provisions	31/12/2023	31/12/2022	01/01/2022
Provisions for warranty obligations	37 542	97 146	65 790
Other provisions	2 000	0	0
Total provisions	**39 542**	**97 146**	**65 790**

The Company recognises provisions for warranty repair obligations in connection with the sale of new machinery in proportion to revenues, taking into account costs and recoveries to date. The significant decrease in provisions in the current year was related to this item, since manufacturing companies partly reimburse us for warranty costs in accordance with our contracts with them, the recovery rate being 86.31% in the current year compared to 80.24% in the previous year.

34. Long-term loans and borrowings

Breakdown of the Company's total loans and borrowings into long-term and short-term parts:

Loans and borrowings	31/12/2023	31/12/2022	01/01/2022
Short-term loans and borrowings	762 387	2 682 373	2 307 585
Long-term loans and borrowings	4 895 962	2 474 154	2 463 678
Total loans and borrowings	**5 658 349**	**5 156 527**	**4 771 263**

The long-term part of the Company's loans and borrowings is presented in the following table. All of the loans and borrowings received under the various loan schemes are denominated in forints and have fixed or floating interest rates.

Sale and leaseback financing arrangements outside the scope of IFRS 16 are related to the Company's inventories and property, plant and equipment. The Company also has a significant number of sale and leaseback transactions in the case of property, plant and equipment and inventories. The sale and leaseback contracts entered into by the Company do not meet the definition of a sale of goods under IFRS 15, which means that IFRS 16 Leases is not applicable to these contracts. The liability related to the contracts is treated by the Company as a financing component together with loans in accordance with the provisions of IFRS 9.

Long-term loans and borrowings broken down by loan scheme	31/12/2023	31/12/2022	01/01/2022
Merkantil Bank Zrt. investment loan	0	0	2 478
MFB GINOP-1.2.3-8-3-4-16-2017-00895 combined loan	51 958	66 310	66 310
Funding for Growth Fix	82 094	95 908	114 842
Funding for Growth Hajrá	0	79 857	0
Funding for Growth Fix	0	171 429	200 000
Working capital loans	0	600 000	600 000
Funding for Growth Hajrá	0	500 000	500 000
Revolving working capital loans	0	560 000	560 000
Széchenyi Liquidity Loan MAX (KAVOSZ)	88 889	0	0
Sale and leaseback financing	539 446	608 869	253 521
Total long-term loans and borrowings	**762 387**	**2 682 373**	**2 307 585**

35. Deferred tax liabilities

When calculating deferred taxes, the Company compares the amount to be considered for taxation purposes with the carrying amount for each asset and liability. If the difference is temporary (i.e. it will reverse in the foreseeable future), then a deferred tax liability or asset is recorded based on whether the amount is positive or negative. Recoverability is separately examined by the Company when recording each asset.

A tax rate of 9% is used by the Company when calculating deferred tax.

The following taxable and deductible differences were identified during transition to IFRS:

Deferred tax liability	31/12/2023	31/12/2022	01/01/2022
Depreciation of property, plant and equipment	87 408	73 829	37 797
Impairment losses on receivables	-13 982	-13 955	-8 540
Development reserve	17 100	17 100	17 100
Loss carryforward	-39 996	0	0
Provisions	-4 206	-9 252	-6 610
Total	**46 324**	**67 722**	**39 747**

36. Non-current finance lease liabilities

Breakdown of the Company's total lease liabilities into current and non-current liabilities:

Lease liabilities	31/12/2023	31/12/2022	01/01/2022
Current finance lease liabilities	97 374	95 809	66 989
Non-current finance lease liabilities	95 876	96 740	87 555
Total finance lease liabilities	**193 250**	**192 549**	**154 544**

IFRS 16 Leases requires lessees to record a liability and, at the same time, a corresponding right-of-use asset in the balance sheet at the commencement date of the lease. The Company's lease liabilities relate to vehicles and one property.

37. Trade payables

Trade payables	31/12/2023	31/12/2022	01/01/2022
Trade payables	547 334	651 746	854 801
Total trade payables	**547 334**	**651 746**	**854 801**

38. Short-term provisions for expected liabilities

Provisions	31/12/2023	31/12/2022	01/01/2022
Provisions for unused leave	7 197	5 654	7 654
Total provisions	**7 197**	**5 654**	**7 654**

During transition to IFRS, the Company recognised provisions of thHUF 7 654 for the start of the comparative period for unused leave from the previous period. Such provisions were reversed in 2022. The Company recognised provisions of thHUF 5 655 for unused leave at 31 December 2022 and thHUF 7 197 at 31 December 2023.

39. Short-term loans and borrowings

The short-term part of the Company's loans and borrowings is presented in the following table. All of the loans and borrowings received under the various loan schemes are denominated in forints and have fixed interest rates. Overdraft facilities bear interest at market rates.

Sale and leaseback arrangements outside the scope of IFRS 16 are related to the Company's inventories and property, plant and equipment.

The Company did not meet the covenants on its loans from MBH and Erste Bank and, therefore, they are recognised as current liabilities in accordance with the provisions of IAS 1.

After the reporting date, Erste Bank as creditor agreed to a grace period ending at least 12 months from the reporting date, within which the entity may remedy the breach and the creditor may not demand immediate repayment. As the agreement was made after the reporting date, the amounts of thHUF 791 505 for the Funding for Growth Hajrá scheme and thHUF 171 428 for the Funding for Growth scheme are recognised in current liabilities.

Short-term loans and borrowings broken down by loan scheme	31/12/2023	31/12/2022	01/01/2022
Merkantil Bank Zrt. investment loan	0	1 992	5 878
MFB GINOP-1.2.3-8-3-4-16-2017-00895 combined loan	13 395	13 395	6 697
Funding for Growth Fix	13 244	13 244	3 311
Funding for Growth Hajrá	791 506	0	0
Funding for Growth Fix	171 428	22 857	0
Working capital loans	600 000	0	0
Funding for Growth Hajrá	500 000	0	0
Revolving working capital loans	560 000	0	0
Széchenyi Liquidity Loan MAX (KAVOSZ)	88 889	0	0
Overdraft facilities denominated in two currencies (HUF and EUR)	626 878	613 506	466 047
Sale and leaseback financing	1 530 622	1 809 160	1 981 745
Total short-term loans and borrowings	**4 895 962**	**2 474 154**	**2 463 678**

40. Other tax liabilities

Other tax liabilities	31/12/2023	31/12/2022	01/01/2022
VAT liability	131 328	401 042	433 538
Tax and contribution liabilities	26 917	30 265	28 257
Other tax liabilities	**158 245**	**431 307**	**461 795**

41. Other current liabilities

Other current liabilities	31/12/2023	31/12/2022	01/01/2022
Factoring of inventory financing	371 614	2 436 638	2 130 064
Advance payments received from customers	290 174	843 346	994 768
Salaries and contributions of employees	37 704	45 659	34 177
Down payment	2 151	21 706	28 439
Grant advances received	0	0	42 803
Other current liabilities	34 305	30 455	18 949
Other current liabilities	**735 948**	**3 377 804**	**3 249 200**

The amount of current liabilities decreased significantly in the current year as a result of lower inventory financing and less advance payments received from customers. This was due to lower sales volumes at year-end compared to previous years, resulting in lower purchases of assets involved in inventory financing, and this also caused a reduction in advance payments received from customers.

42. Current finance lease liabilities

Breakdown of the Company's total lease liabilities into current and non-current liabilities:

Lease liabilities	31/12/2023	31/12/2022	01/01/2022
Current finance lease liabilities	97 374	95 809	66 989
Non-current finance lease liabilities	95 876	96 740	87 555
Total finance lease liabilities	**193 250**	**192 549**	**154 544**

IFRS 16 Leases requires lessees to record a liability and, at the same time, a corresponding right-of-use asset in the balance sheet at the commencement date of the lease. The Company's lease liabilities relate to vehicles and one property.

43. Income tax liabilities

Income tax asset (+) / liability (-)	31/12/2023	31/12/2022	01/01/2022
Local business tax	0	7 491	0
Corporate income tax and dividend tax	0	-4 879	0
Innovation contribution liability	0	3 491	0
Total	**0**	**6 103**	**0**

The aggregate balance of income taxes showed tax assets of thHUF 18 069 as at 31 December 2021 and thHUF 20 216 as at 31 December 2023. As a result, these items were recognised in income tax assets.

44. Accruals

	31/12/2023	31/12/2022	01/01/2022
Prepaid income	68 217	73 914	62 797
Accruals - Deferred income (grants)	58 428	59 229	13 982
Accrued expenses	55 259	32 939	52 256
Total	**181 903**	**166 082**	**129 035**

Accruals - Deferred income (grants)	**31/12/2023**	**31/12/2022**	**01/01/2022**
KMOP-1.2.1.-13/A-2013-0164	0	0	1 884
KMOP-1.2.1.-11/B-2012-0098	12 098	12 098	12 098
GINOP-1.2.3-8-3-4-16-2017-00895	46 330	47 131	0
Total	**58 428**	**59 229**	**13 982**

In accordance with the provisions of IFRS 15, the Company examined the percentage that the fees for warranty services represent in sales prices. As warranty obligations typically arise in 3 or 4 years, these fees were reclassified from revenue to accruals and are recognised as revenue in the period when the warranty obligation is expected to arise.

The balance of accrued expenses is made up of accrued audit fees and overheads, as well as the amount of sales commissions and their payroll taxes for Q4 and deferred interest on loans in all of the periods presented.

Deferred income includes government grants received, which are reclassified to other operating income in proportion to depreciation.

45. Segment information

Strategic decisions involving the Company's operations are made by the Board of Directors. Therefore, management used the reports prepared for the Board of Directors as the basis for preparing these financial statements.

There were no customers responsible for more than 10% of the annual revenue of the Issuer.

SEGMENT INFORMATION for 2023	Sale of machinery	Sale of spare parts	Machinery rental	Servicing	Total
Net sales revenue	7 999 912	914 746	677 826	866 655	10 459 138
Other operating income	30	30	142 837	284	143 181
Income not directly attributable to segments					22 677
Cost of goods sold and mediated services	-7 285 581	-700 669	0	-11 207	-7 997 457
Operating expenses	-134 096	-17 222	-105 680	-588 147	-845 145
Staff costs	-226 884	-99 204	-13 757	-297 793	-637 638
Other expenses	-52 692	-31 517	-11 699	-2 991	-98 899
Allocation between segments					0
Expenses not directly attributable to segments					-655 553
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**300 688**	**66 165**	**689 526**	**-33 199**	**390 304**
Depreciation and impairment	-158	-169	-477 901	-2 331	-480 560
Depreciation and impairment losses not directly attributable to segments					-72 603
Earnings before interest and taxes (EBIT)	**300 531**	**65 995**	**211 625**	**-35 530**	**-162 858**
Finance income	0	0	0	0	0
Finance income not directly attributable to segments					418 365
Finance costs	-139 192	0	0	0	-139 192
Finance costs not directly attributable to segments					-326 340
Profit before tax					**-210 025**
Tax liability					-39 244
Deferred tax liability					21 398
Net profit or loss					**-227 871**
Assets by segment	3 753 335	444 076	1 948 182	137 882	6 283 475
Assets not directly attributable to segments					2 882 443
Total assets	**3 753 335**	**444 076**	**1 948 182**	**137 882**	**9 165 918**
Equity					1 597 826
Liabilities by segment	5 376 857	54 485	634 844	176 591	6 242 777
Liabilities not directly attributable to segments				0	1 325 315
Total equity and liabilities	5 376 857	54 485	634 844	176 591	**9 165 918**

SEGMENT INFORMATION for 2022	Sale of machinery	Sale of spare parts	Machinery rental	Servicing	Total
Net sales revenue	12 476 094	756 429	559 822	676 778	14 469 122
Other operating income	194	1 111	146 087	7	147 399
Income not directly attributable to segments	0				14 746
Cost of goods sold and mediated services	-10 586 084	-582 820	0	-7 886	-11 176 790
Operating expenses	-256 859	-21 557	-107 139	-503 072	-888 628
Staff costs	-246 253	-104 182	-19 428	-266 912	-636 776
Other expenses	-55 065	-35	-1 035	-35 631	-91 765
Allocation between segments					0
Expenses not directly attributable to segments					-713 758
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**1 332 027**	**48 945**	**578 306**	**-136 716**	**1 123 550**
Depreciation and impairment	-728	-782	-231 663	-10 771	-243 945
Depreciation and impairment losses not directly attributable to segments					-220 133
Earnings before interest and taxes (EBIT)	**1 331 299**	**48 163**	**346 643**	**-147 487**	**659 472**
Finance income	0	0	0	0	0
Finance income not directly attributable to segments					277 006
Finance costs	-68 800	0	0	0	-68 800
Finance costs not directly attributable to segments					-739 129
Profit before tax					**128 549**
Tax liability					-61 444
Deferred tax liability					-27 974
Net profit or loss					**39 131**
Assets by segment	6 429 358	629 240	2 371 984	144 457	9 575 040
Assets not directly attributable to segments					2 424 437
Total assets	**6 429 358**	**629 240**	**2 371 984**	**144 457**	**11 999 477**
Equity					1 846 837
Liabilities by segment	8 110 674	40 664	693 795	218 994	9 064 128
Liabilities not directly attributable to segments					1 088 512
Total equity and liabilities	8 110 674	40 664	693 795	218 994	**11 999 477**

B. FINANCIAL INSTRUMENTS

The fair values of financial instruments measured at amortised cost were near their carrying amounts in both years.

31/12/2023	Fair value through profit or loss (FVTPL)	Loans, receivables and liabilities at amortised cost	Fair value through other comprehensive income (FVTOCI)	Total carrying amount	Fair value
Financial assets					
Other non-current financial assets					
Equity instruments	4 412	0	0	**4 412**	**4 412**
Loans granted	0	0	0	**0**	**0**
Bank deposits	0	0	0	**0**	**0**
Finance lease receivables	0	0	0	**0**	**0**
Other	0	0	0	**0**	**0**
Total non-current financial assets	**4 412**	**0**	**0**	**4 412**	**4 412**
Trade and other receivables	0	502 729	0	**502 729**	**502 729**
Finance lease receivables	0	0	0	**0**	**0**
Cash and cash equivalents	0	46 643	0	**46 643**	**46 643**
Equity instruments and securities	0	0	0	**0**	**0**
Other current financial assets					
Loans granted	0	0	0	**0**	**0**
Deposits and down payment	0	10 750	0	**10 750**	**10 750**
Receivables from related parties	0	0	0	**0**	**0**
Other	0	15 796	0	**15 796**	**15 796**
Total current financial assets	**0**	**575 918**	**0**	**575 918**	**575 918**
Total financial assets	**4 412**	**575 918**	**0**	**580 330**	**580 330**

31/12/2023	Fair value through profit or loss (FVTPL)	Loans, receivables and liabilities at amortised cost	Fair value through other comprehensive income (FVTOCI)	Total carrying amount	Fair value
Financial liabilities					
Finance lease liabilities	0	95 876	0	**95 876**	95 876
Long-term loans and borrowings	0	762 387	0	**762 387**	704 760
Total non-current financial liabilities	**0**	**858 263**	**0**	**858 263**	**800 636**
Trade and other payables	0	547 334	0	**547 334**	547 334
Loans (short-term borrowings)	0	4 895 962	0	**4 895 962**	4 562 921
Inventory financing	0	371 614	0	**371 614**	371 614
Advance payments received from the government	0	0	0	**0**	0
ESOP liabilities	0	0	0	**0**	0
Finance lease liabilities	0	97 374	0	**97 374**	97 374
Other current financial liabilities	0	36 456	0	**36 456**	36 456
Total current financial liabilities	0	5 948 740	0	5 948 740	5 615 699
Total financial liabilities	**0**	**6 807 003**	**0**	**6 807 003**	**6 416 335**

31/12/2022	Fair value through profit or loss (FVTPL)	Loans, receivables and liabilities at amortised cost	Fair value through other comprehensive income (FVTOCI)	Total carrying amount	Fair value
Financial assets					
Other non-current financial assets					
Equity instruments	9 554	0	0	**9 554**	**9 554**
Loans granted	0	0	0	**0**	**0**
Bank deposits	0	0	0	**0**	**0**
Finance lease receivables	0	0	0	**0**	**0**
Other	0	0	0	**0**	**0**
Total non-current financial assets	**9 554**	**0**	**0**	**9 554**	**9 554**
Trade and other receivables	0	1 112 453	0	**1 112 453**	**1 112 453**
Finance lease receivables	0	0	0	**0**	**0**
Cash and cash equivalents	0	322 014	0	**322 014**	**322 014**
Equity instruments and securities	0	0	0	**0**	**0**
Other current financial assets					
Loans granted	0	0	0	**0**	**0**
Rental fee deposits	0	11 350	0	**11 350**	**11 350**
Receivables from related parties	0	0	0	**0**	**0**
Other	0	78 921	0	**78 921**	**78 921**
Total current financial assets	**0**	**1 524 738**	**0**	**1 524 738**	**1 524 738**
Total financial assets	**9 554**	**1 524 738**	**0**	**1 534 292**	**1 534 292**

31/12/2022	Fair value through profit or loss (FVTPL)	Loans, receivables and liabilities at amortised cost	Fair value through other comprehensive income (FVTOCI)	Total carrying amount	Fair value
Financial liabilities					
Finance lease liabilities	0	96 740	0	**96 740**	96 740
Long-term loans and borrowings	0	2 682 373	0	**2 682 373**	2 376 953
Total non-current financial liabilities	**0**	**2 779 113**	**0**	**2 779 113**	**2 473 693**
Trade and other payables	0	651 746	0	**651 746**	651 746
Loans (short-term borrowings)	0	2 474 154	0	**2 474 154**	2 485 846
Inventory financing	0	2 436 638	0	**2 436 638**	2 436 638
Advance payments received from the government	0	0	0	**0**	0
ESOP liabilities	0	0	0	**0**	0
Finance lease liabilities	0	95 809	0	**95 809**	95 809
Other current financial liabilities	0	52 161	0	**52 161**	52 161
Total current financial liabilities	0	5 710 508	0	5 710 508	5 722 200
Total financial liabilities	**0**	**8 489 621**	**0**	**8 489 621**	**8 195 893**

C. OFF-BALANCE SHEET ITEMS

Off-balance sheet items as at 31 December 2023 were as follows:

Item	Value of issued guarantee	Currency	Maturity date
Bank guarantee	5 000 000	HUF	01/10/2026
Bank guarantee	400 000	EUR	30/06/2024
Bank guarantee	500 000	EUR	30/06/2024

In addition to the bank guarantees, the Issuer has an overdraft facility of EUR 1 540 000 with MBH Bank. The amount drawn down so far is EUR 1 534 978.94, and the undrawn part of the facility is EUR 5 021.06.

The Issuer has no off-balance sheet receivables.

D. EVENTS AFTER THE REPORTING DATE

- Based on contracts signed with two of our strategic suppliers, Bobcat and Develon, at the beginning of 2024, we acquired exclusive rights to distribute both Bobcat and Develon products in Hungary for another 5 years. Also, the exclusive rights to distribute Develon products in Slovakia were extended.
- 17 January 2024: In its order no. Cg. 13-10-041955/110 dated 17 January 2024, the Registry Court of the Budapest Environs Regional Court deleted two former members of the Board of Directors, Sándor Megyeri and Zsolt Horváth, from the company register as of 31 December 2023.
- On 20 March 2024, the employment contract of Chief Executive Officer László Barnabás Kocsy was terminated by mutual agreement. Ferenc Bátor, Chairman of the Board of Directors and founding owner of the Company, took over as Chief Executive Officer on 21 March 2024. At the same time, on 20 March 2024, László Barnabás Kocsy resigned from his position as a member of the Board of Directors with effect from the date of the next General Meeting to be held before 30 April 2024.
- Events after the reporting date concerning the Company's bank guarantees and loan agreements are presented in section E.

E. THE GOING CONCERN PRINCIPLE

The Company assessed the effects of the Russia-Ukraine war, the Israeli-Palestinian conflict, inflation, the energy crisis and energy inflation and prepared the relevant estimates, and concluded that the following material uncertainties exist in terms of the Company's ability to continue as a going concern:

The Company ended the year 2023 with a loss of HUF 228 million for the reasons described in the financial statements. The bank guarantees necessary for maintaining cooperation with the Company's two key suppliers had expired and were only extended after the reporting date after providing additional collateral. The Company has taken appropriate measures to ensure that its business activities become profitable in 2024. Based on its cash flow statement and business plan, the Company plans to become profitable and maintain its liquidity in 2024. However, for now, late deliveries caused by the delay in the extension of its bank guarantees resulted in losses at the beginning of the year.

At the reporting date the Company did not comply with the covenants on its loans shown in the table. However, MBH and Erste Bank as creditors granted a waiver after the reporting date, waiving any consequences of non-compliance with the covenants. As the banks' waiver was granted after the reporting date, the entire amount of the loans concerned is recognised in current liabilities, in accordance with the provisions of IAS 1.

Name of the loan	Covenants	Loan balance at the reporting date
Erste new construction loan	Debt service coverage ratio: 1.30, EBITDA: HUF 700 million Revenue: from 2022: HUF 13 billion	791 506
Erste investment loan	Debt service coverage ratio: 1.30, EBITDA: HUF 700 million Revenue: from 2022: HUF 13 billion	171 429
MBH working capital loan	Net IBD/EBITDA of no more than 3.0x until the end of 2023	600 000
MBH working capital loan	Net IBD/EBITDA of no more than 3.0x until the end of 2023	500 000

An agreement was made for the extension of the bank guarantees with Erste Bank existing at the reporting date and presented in the table below, after providing additional collateral for thEUR 450.

Value of issued guarantee	Value of issued guarantee	Currency	Maturity date
Bank guarantee	5 000 000	HUF	01/01/2026
Bank guarantee	400 000	EUR	30/06/2024
Bank guarantee	500 000	EUR	30/06/2024

The ERSTE bank loan of HUF 0.5 billion that had matured in 2023 was refinanced with no maturity date. The MBH loans of HUF 1.1 billion that had matured during the reporting period were refinanced by signing new loan agreements, and disbursement took place in the reporting period. The new loan agreements have a maturity of one year, with the covenants being reviewed semi-annually (Net IBD/EBITDA). Future compliance with the financial covenants depends on whether the business plans are achieved.

The Company expects deliveries, and consequently sales, to increase in the coming months. Therefore, the Company believes that, despite the uncertainties surrounding the events described above, it is reasonable to assume that the Company will continue as a going concern for the foreseeable future.

F. AUTHORISATION OF THE FINANCIAL STATEMENTS FOR ISSUE

The financial statements were approved by the Company's Board of Directors on 29 April 2024 and were authorised for issue in this form.

III. MANAGEMENT REPORT

1. The Company's particulars

DM-KER Nyrt. was established by way of a change in company form, with DM-KER Zrt. (and, prior to that, DM-KER Kft.) being its predecessor.

The closing financial statements of DM-KER Kft. for 31 August 2019 (due to its transformation by way of succession) constituted the basis for the preparation of the transformation balance sheets and inventories of assets and liabilities.

As part of the transformation, the Company's share capital was also increased against retained earnings, as a result of which the share capital increased to thHUF 500 000.

On 19 December 2019, the Company's registered capital increased further to thHUF 631 155 through private placement.

Company name	DM-KER Nyilvánosan Működő Részvénytársaság
Short name	DM-KER Nyrt.
Registered office	2310 Szigetszentmiklós, Csepeli út 22.
Phone number	+36-1-257-6261
Central electronic contact information	info@dmker.hu
Website	www.dmker.hu
Company registration number	Cg. 13-10-041955
Tax number	27048090-2-44
EU VAT number	HU27048090
Statistical code	27048090-4663-114-13
Duration of activities	indefinite
Legal form of the Company	public company limited by shares
Date of the effective Statutes	25 September 2023
Principal activity	4663 Wholesale of mining, construction and civil engineering machinery
Financial year	identical to the calendar year
Jurisdiction	Hungarian
Share capital	HUF 631 155 000

Date of admission of the Company's ordinary shares on the Xtend platform of the Budapest Stock Exchange: 30 January 2020. Date of removal from the Xtend platform: 23 March 2022

Date of admission of the Company's ordinary shares in the Standard Market of the Equities section on the regulated market of the Budapest Stock Exchange: 24 March 2022

Place of publication of announcements

In cases where the Company is required to issue announcements in accordance with the Civil Code, Act V of 2006 on Public Company Information, Company Registration and Dissolution Proceedings or Act CXX of 2011 on the Capital Market (hereinafter: "Capital Market Act") or any other statutory regulation, the Company complies with this requirement by publishing its announcements on the Company's website (www.dmker.hu), the website of the Budapest Stock Exchange (www.bet.hu) and, if expressly required under a statutory regulation, the website operated by the National Bank of Hungary (https://kozzetetelek.mnb.hu).

The Company's auditor

CMT Consulting Kft
(Cgj.: 01-09-388885, 1074 Budapest, Vörösmarty utca 16-18. A épület, földszint 1/F)
Person responsible for the audit: Ferencné Móri
Contact details: 1163 Budapest, Somoskő u. 10. Chamber membership number: MKVK 003356
No fees were paid to the auditor during the financial year for other assurance services, tax advisory services or other non-audit services. We provide information on the fees paid to the auditor as requested by the Chamber of Hungarian Auditors.
The audit fee for 2023 was thHUF 6,500.

Composition of share capital

The Company's share capital is HUF 631 155 000, consisting of 126 231 000 units of registered ordinary shares, each with a face value of HUF 5 per share.
Method of creation of the shares: dematerialised shares
ISIN code of the Shares: HU0000176722

Ownership structure

Holders of more than 5% of the Company's capital for the listed series, based on the declarations of the holders:

Name	Ownership share (%)	Number of shares
BF Trustee Kft.	27.42	34 620 000
Intravirtus Kft.	15.54	19 620 000
Ferenc Bátor	15.04	18 980 000
Sándor Megyeri	12.66	15 980 000
Széchenyi Alapok Kockázati Tőkealap Széchenyi Alapok Zrt.	12.65	15 969 321

Authorised signatories at the time of preparation of the financial statements:

Name	Position
Independent signatories:	
Ferenc Bátor	Chairman of the Board of Directors, Chief Executive Officer from 21 March 2024
Joint signatories:	
Barnabás Kocsy	Member of the Board
Judit Szegedi	CFO and Deputy CEO
András Martinák	Director of Commerce

The members of the Board of Directors, the Supervisory Board and the Audit Committee perform their activities through an engagement relationship. The Board of Directors is responsible for creating and terminating the position of CEO and Deputy CEO, appointing the CEO and exercising the employer's rights with respect to the CEO.

Senior executives in 2023:

Members of the Board of Directors for an indefinite period:

Ferenc Bátor	Chairman
Dr. Tamás Hajnal	Member

Members of the Board of Directors until 31 December 2023:

Sándor Megyeri	Member
Zsolt Horváth	Member

Members of the Board of Directors until 29 April 2024:

Barnabás Kocsy	Member

Of the members of the Board of Directors, Ferenc Bátor (18,980,000 shares), Barnabás Kocsy (150,000 shares) and Dr. Tamás Hajnal (100,000 shares) hold ordinary shares in DM-KER Nyrt.

Members of the Supervisory Board and the Audit Committee until 31 May 2026:

Péter Vitkovics	Chairman
Tamás Petőházi	Member
Dr. Tamás Sükösd	Member
Attila Gayer	Member
Miklós Révész	Member

Of the members of the Supervisory Board, Péter Vitkovics holds 4 000 000 ordinary shares in DM-KER Nyrt.

The General Meeting is responsible for appointing and recalling senior executives and the members of the Supervisory Board and the Audit Committee and for amending the Statutes, and the special rules for recalling senior executives and the powers of senior executives and members of corporate bodies are set out in the Statutes.

The Company publishes its Corporate Governance Report and Remuneration Policy on the Company's website (www.dmker.hu) and the website of the Budapest Stock Exchange (www.bet.hu).

Management

The Company's day-to-day operations are managed by the management of DM-KER Nyrt. The members of the management are all employed by the Company in the form of an employment relationship.

Members of the management:	
Barnabás Kocsy	Chief Executive Officer until 20 March 2024
Ferenc Bátor	Chief Executive Officer from 21 March 2024
Judit Szegedi	CFO and Deputy CEO

Barnabás Kocsy (150 000 shares), Ferenc Bátor (18 980 000) and Judit Szegedi (100 000 shares) hold ordinary shares in DM-KER Nyrt.

2. Business environment, activities and strategies of DM-KER Nyrt.

Key milestones in the history of DM-KER Nyrt.

25 April 2008	Foundation of DM-KER Kft., the Company's predecessor.
May 2011	Purchase of the central site in Szigetszentmiklós.
2014	Direct factory contact with Bobcat and Doosan dealers.
2015	Conclusion of a medium-term brand representation contract.
31 August 2019	Transformation of DM-KER Kft. into DM-KER Zártkörűen Működő Részvénytársaság.
October 2019	DM-KER Zrt. enters into a new agreement for the exclusive distribution of Bobcat and Doosan machinery until 31 December 2023.
16 December 2019	Change of the legal form of DM-KER Zrt. to DM-KER Nyilvánosan Működő Részvénytársaság (DM-KER Nyrt.), followed by the admission of its shares to the Xtend multilateral trading system operated by the Budapest Stock Exchange.
30 January 2020	The first trading day of DM-KER Nyrt. in the Xtend trading system.
1 December 2021	DM-KER Nyrt. is granted exclusive distribution rights for Doosan machines in Slovakia.
24 March 2022	Admission to the Standard Market of the Budapest Stock Exchange.
November 2022	Receiving the Best Managed Companies certification.
6 June 2023	Publication of an ESG report.
19 January 2024	Entering into an exclusive distribution contract with HD Hyundai Infracore Europe s.r.o. (formerly Doosan) for a period of 5 years
8 February 2024	Entering into an exclusive distribution contract with Doosan Bobcat Emea s.r.o. for a period of 5 years

The operation of DM-KER Nyrt.

DM-KER is a medium-sized company with more than 13 years of market experience in the distribution, servicing and rental of construction and agricultural machinery and the distribution of spare parts, and its major shareholders possess decades of industry experience. At the start of its operation, DM-KER Nyrt. was mainly engaged in the sale of mining and construction machinery and second-hand machinery in good condition. Thanks to its organic development, it has become the exclusive Hungarian importer and brand ambassador of several renowned international machinery manufacturers over the years, including Bobcat and Doosan.

Until 2021, the Company had focused primarily on serving Hungarian businesses, and in 2022 we acquired the exclusive distribution rights for the Develon brand, in line with the Company's long-term strategy.

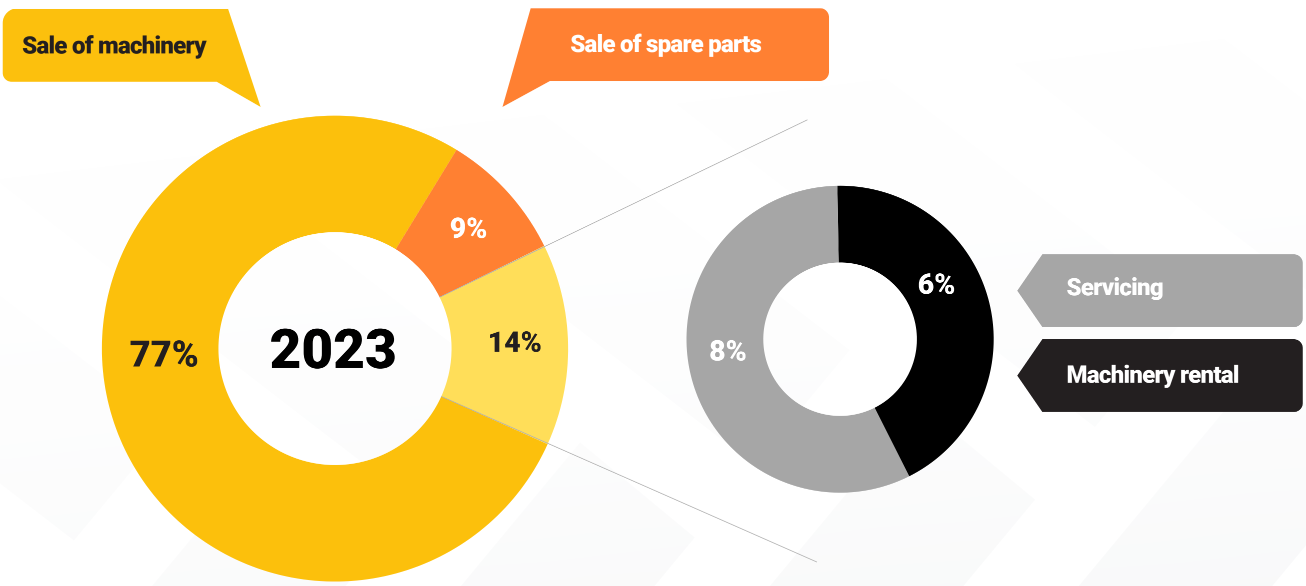
DM-KER Nyrt. acts as a brand dealership for the products of several renowned manufacturers. The most important one is Bobcat manufactured in the Czech Republic, of which the Company is the exclusive distributor and repair shop in Hungary. The Company also has exclusive distribution and servicing rights for the South Korean machinery brand Doosan in both Hungary and the Slovakian market. Our offering includes, amongst others, the products of Epiroc (Chicago Pneumatic), Dynapac and Weycor for construction machinery and AGRIFAC, Storti, Tifone and F.lli Annovi for agricultural machinery. Our product range is expanding continuously, in line with market needs. We maintain a nationwide network of service stations and representatives in order to provide an efficient and professional service.

As a result of its transformation in 2019, the Company's legal form changed from limited liability company to private company limited by shares and then to public company limited by shares, and its shares were admitted to trading in the X-TEND market of the Budapest Stock Exchange. A milestone in the Company's history in 2022 was that its shares were admitted to trading in the Standard category of the stock exchange. As a result, the Company transitioned to the International Financial Reporting Standards on 1 January 2023.

The revenue figures of DM-KER Nyrt. were characterised by continuous growth between 2011 and 2022, followed by a decline during the current year due to the unfavourable economic environment. However, based on sound business plans, management is forecasting further growth in future periods.

Breakdown of DM-KER Nyrt.'s revenue by activity

- revenue from machinery sales: 77%;
- revenue from machinery rental: 9%;
- revenue from the sale of spare parts: 8;
- revenue from servicing activities: 6%.



Source: Data from the Company's management information system.

3. Business units

Sale of machinery

Despite all the difficulties of 2023, the Company continues to be a major player in the sale of construction and agricultural machinery. Similarly to previous years, the majority of the Company's revenue comes from the sale of new machinery. Nearly 80% of turnover related to commercial activities is derived from construction machinery, with agricultural machinery accounting for the remaining 20%, as in previous years. This imbalance is due to the composition of the product range, which originates from past business practice, as DM-KER has been highly influential in the construction industry from the start. By now, however, management has realised that by creating a diverse business with a diversified portfolio, economic exposure to crises in individual sectors can be greatly reduced. Consequently, we began reorganising our agricultural portfolio in 2023, with the aim of offering products that provide the broadest customer reach and the highest profitability when integrated into our current business activity. As a result, we terminated our dealership cooperation and entered into contracts with new suppliers.

Contrary to the trend observed in previous years, the business unit recorded a nearly 40% decline when comparing the figures for 2023 with those for 2022. In assessing these figures, we must consider several critical macroeconomic factors that had substantial impact on the market. The Hungarian economy was fundamentally influenced by the long-term effects of the war that had broken out two years ago. Inflation, runaway energy prices and expectations of an economic downturn were not conducive to large-scale construction projects. The sector was further hit by the twofold effect of the drying up of EU funds, partly because most of the above-mentioned construction projects rely on these funds, and partly because nearly 50% of high-value purchases of machinery are made possible by grant funding. In addition to these factors, the prevailing interest rate environment further dampened investment appetite, with the only reasonable alternatives being the loan and lease financing arrangements offered by Kavosz.

By identifying the characteristics of this unfavourable market environment early on, we implemented proactive measures in the first four months of the year, which covered the Company's entire sales framework. After analysing the changes in market needs, we redesigned our inventory structure. On the one hand, unfavourable financing conditions significantly increased our inventory holding costs, which justified a reduction in the amount of machinery in stock. On the other hand, changing market needs forced us to create a different product mix than before. We renegotiated the structure of orders with suppliers, thus avoiding unnecessary deliveries. This contributed greatly to maintaining a balance between revenues and expenses, despite declining turnover.

The optimisation of procurement processes was not the final step in the transformation of our business strategy. The Company is facing new challenges as the seller's market of recent years was completely replaced by a buyer's market this year, and we adapted our operations accordingly. Generating demand, which was essential for selling off existing inventories, required a completely different approach than simply satisfying demand. To this end, we made our processes data-driven. Through data mining, increased reliance on our CRM system, revamped customer classification, market analysis and the adoption of an active sales approach, we transformed ourselves from a company that satisfies customers' needs to one that actually generates demand. In addition, we realised that our customers require complex solutions instead of just products. We are constantly expanding our product range to cover the widest possible range of customers, exploiting the potential for additional turnover in a longer supply chain.

Changing market conditions forced us to modify our people workflow. We improved the efficiency of our sales team through reorganisation, staff changes and process transformation. Every position was centred on sales, and tasks were prioritised accordingly.

As a result of these measures, we managed to keep all aspects of our business activity under control. Overall, we maintained our market position, losing market share in some segments, but expanding in others.

Compact construction machinery

The Bobcat brand once again proved its resilience in 2023. A significant part of our revenue from construction machinery came from products of this brand. In a crisis situation, price is the primary decision factor, which does not favour the sale of higher quality and higher priced machines. As a result, this strengthened the position of cheaper Far Eastern brands in 2023, taking a significant share of the Hungarian market. Despite a 2% decline in market share, we successfully maintained our position as the market leader in several categories of machinery. In addition to the brand's innovative approach and the ongoing expansion of our portfolio, another key factor in achieving this result was our well-designed pricing policy.

Heavy construction machinery

The name of Doosan, a brand that we represent, was changed during the year, which means that these Korean machines are now being sold under the Develon brand. The change was generally well received by the market, thanks to our marketing efforts in cooperation with the manufacturer. The segment of heavy construction machinery shrank considerably by 34% last year due to the absence of significant investment projects. In such an environment, we had to fight hard for every single customer. Our work enabled us to increase our share in the segment of heavy construction machinery by almost 20%.

Agriculture

As previously mentioned, strengthening our presence in the agricultural sector is our top priority in terms of business development. To this end, we made changes to the existing portfolio. Our cooperation with Agrifac, a Dutch sprayer brand, ended in 2023. We will build on the experience we have gained in this field in recent years with the machines offered by Tecnoma, which has a broader portfolio and a more affordable product range in this segment. The customers targeted by this French manufacturer overlap completely with the customer base we serve with products from other brands.

In previous years, we were present in the market for agricultural machinery with Kuhn products as resellers in Hungary. The primary objective of DM-KER Nyrt. is to be the importer of the brands it distributes in each of the segments where it operates. This is why we began our cooperation with Unia, a brand looking back on a history of over 100 years. The portfolio of Poland's largest manufacturer of agricultural machinery not only offers a wide range of products, but also excellent value for money.

In the current economic climate, market expansion is the key to remaining competitive. On the one hand, this could mean expanding in a given segment. The key to this is the innovation of our existing partners, which allows us to stay one step ahead of competitors, as well as the added value in the given area, which differentiates us from our competitors. An alternative option is looking for new markets, such as presence in various segments of agriculture. The third opportunity is consciously expanding our customer base, even at the expense of our competitors.

Sale of spare parts

In 2023, we continued implementing our strategy formulated in the previous year. The primary objective was to maintain profitability while increasing turnover. As a key part of our strategy, we introduced new online sales channels to expand our range of products. The process of improving the functionality of our online store was successfully completed by year-end, and we began implementing a plan for harmonising the sale of spare parts with the sale of machinery. This also shifts potential customers from the sale of spare parts to the sale of machinery. As a result, our business unit may achieve further growth in turnover.

As an official manufacturer's representative, our most important task is to ensure that the supply of spare parts for the brands we represent is uninterrupted.

Our partners include companies that buy second-hand machines and those who purchase new machinery. The two segments differ significantly in terms of consumer attitude. While buyers of machines imported into Hungary from international markets or bought on the domestic second-hand market are more price-oriented, brand loyalty is higher among buyers of new machinery. The purchasing behaviour of the latter group is also reflected in the purchase of spare parts, which can be reinforced by the service provided during the warranty period.

Our primary competitors are identified by focusing on serving these two target groups. Competitors typically offer aftermarket products. Despite our status as an exclusive OEM distributor in Hungary, competitors may also source OEM parts from official distributors in other countries due to the special nature of the internal market in the European Union. This creates competition for private label products.

In addition to the territorial segmentation established in previous years, we strengthened our presence in Hungary with resellers, a move that allows us to save costs and cover areas where we have not been present before. In our resellers' shops, individuals can also buy from our external consignment warehouses without any issues.

The economic decline posed serious challenges for the spare parts business as well. In response to shrinking demand, reorganisation has taken place within the sector, which has also affected staff numbers. By the end of 2023, regional sales had been replaced by a network of resellers and online sales. Based on experience from the previous year, we can conclude that today's fast-paced world is offering more and more opportunities for online sales, which is sometimes a disadvantage as it increases competition in the market. Management had set a target growth rate of 20% for 2023. By implementing a carefully developed strategy, we were able to not only achieve our goals, but surpass them.

Boosting sales and increasing the efficiency of our procurement efforts were crucial for achieving our objectives. Therefore, we modified our inventory structure based on our analysis of the machinery population in Hungary. As a result, turnover increased as inventory levels dropped.

In response to changes in the liquidity of our customers, we further expanded our supplier base in order to provide our clients not only with OEM parts, but also with high quality aftermarket products.

In 2023, we carried on what we started in 2022 and continued to focus heavily on market analysis and market positioning in terms of the sale of spare parts.

In 2024, we will be continuing along the strategy that we started implementing in previous years. We are expanding our online store to ensure that in-demand parts are available for all of the brands we distribute. We would like to make as many of the fastest delivery methods available for online orders as possible. We are further expanding our network of resellers by setting up consignment warehouses in areas around the country where we do not have our own sites. Ongoing human resource development will continue to play an important role in the future, which is why we will continue to participate in training courses organised by us and our suppliers. A new system is being introduced within the company to harmonise the relationship among the sale of spare parts, the sale of machinery and servicing activities.

Rental machinery business

The difficulties caused by the domestic and international economic situation have led to an increase in demand for rental and second-hand machinery. Responding to these changes, the goal of DM-KER Nyrt. for 2023 was to optimise its fleet of rental machinery and meet the needs of its customers. Construction projects remained unpredictable in 2023 due to the consequences of the crisis, which is why more customers turned to rental machinery providers, and this extra demand was observed by the Company as well. There was also greater demand among our client base in the construction industry. Our strategy focused on expanding our business of renting out construction machinery, in addition to meeting the current demand coming mainly from the agricultural sector. Accordingly, in order to be able to respond to challenges in the market, we will need to focus more on machines optimised for the requirements of the construction industry in the future. We need to constantly monitor the fleet of machinery we have rented out, while scheduling the replacement and refurbishment of these machines.

In 2023, we maintained our market share in the waste treatment industry and among renewable energy companies.

Like before, the current fleet of rental machinery of DM-KER Nyrt. makes it a strong medium-sized business among companies involved in machinery rental. A key competitive advantage of the Company is its thorough knowledge of the market, which comes from our position as a market leader in sales. We need to strengthen our presence in the online space and, to this end, we will soon be redesigning the website of the business unit. We are continuously monitoring our competitors and are adjusting our pricing accordingly. In 2023, we reviewed our rental fees with the aim of aligning them realistically with the market, and we raised our prices slightly.

In line with industry practices, the Company usually rents out its machines without an operator. When planning our fleet of rental machinery, we take into account the seasonality of the agricultural sector and the fluctuations typical of the construction industry. Suppliers' prices in foreign currency are rising unpredictably, which is aggravated by the steady decline of the forint. In the midst of such changes, a move to euro-based pricing should be considered, as otherwise it would not be possible to mitigate financing risks. Rising energy and fuel prices are making operations even more expensive, and potential interest expenses also need to be covered.

The development of the servicing activities of DM-KER Nyrt. also has a positive impact on the rental machinery business, as we are able to rent out machines that are ready for use and quickly and efficiently hand over the machines to new customers after use in good condition. We are working towards rejuvenating our fleet of rental machinery in an effort to reduce our servicing costs.

All in all, changes are constantly occurring, with more and more factors to contend with than ever before. To do this successfully, the business organisation needs to be open to and capable of facing this situation, taking a pragmatic approach, and adapting and finding solutions in both the short and long term.

Machinery rental arrangements are expected to continue to play an increasing role in the market in the coming years as well, and the ideal number of machines that we keep available for rental will need to be determined accordingly.

Machine rental is a separate business unit within the Company, but it also works closely with the sale of new and second-hand machinery, as well as servicing and the sale of spare parts, which allows us to promote our services on an even wider scale. We also have a massive market edge in that our supply of spare parts is relatively fast and predictable, thanks to our own brands. As a result of the rejuvenation and replacement of rental machinery, we are also involved in selling returned machines on the second-hand market, as well as the trade-in of second-hand machinery when selling new machinery. As for the latter, we need to restrict ourselves to the brands we sell, which means trading in machines that we have previously sold new and have serviced ourselves on an ongoing basis. We have access to the history of these machines and, thanks to our own servicing activities and the availability of spare parts, we can sell them on our secondary market for second-hand machinery at a relatively low cost and with a favourable mark-up.

Servicing business

In 2023, after analysing the slowdown in the economy, the servicing business of DM-KER Nyrt. focused heavily on increasing cost efficiency with an optimised team and a larger fleet of its own service vehicles.

As is the case every year, our business unit improved the quality of servicing activities through excellent internal training courses. In addition to internal training, there was also ongoing training abroad, which played a crucial role in keeping up to date with technologies used by manufacturers. We developed the professional skills of our mechanics throughout the year, enabling them to do their job faster and more accurately.

With upgrades and improvements to service vehicles and service tools, we now have access to cutting-edge diagnostic equipment and tools to perform repairs. Thanks to the optimised maximum capacity of our team of mechanics, we are now able to serve the ever-increasing service needs of customers at our sites around the country as well, in addition to our headquarters in Budapest. Stronger personal relations and relationships with customers and partners also support the sale of machinery and spare parts and the machinery rental business.

As for our past objectives aimed at improving the standard of our services, we managed to reduce our response time compared to previous years. One of our short-term objectives was to respond to all customer requests in one week at most, which we successfully achieved, meaning that we are now able to fulfil service requests within one week on average. Thanks to our growing presence in the Slovakian market, our servicing staff regularly visited our partners' Doosan-Bobcat and Develon machines in 2023.

Our newly established service station in Vámosszabadi was equipped and opened, allowing us to offer much more flexible services to our clients in the vicinity of the site and be close to our new Slovakian customers.

Throughout the year, we offered various promotions and discounts to our customers, both new and old, as a reward for the owners of the machines we distribute.

Further training enables our mechanics to carry out servicing activities with a high level of technical knowledge. A GPS telemetry system installed in the machines by the manufacturers facilitates the way we organise our work, thus improving the efficiency of servicing activities. This allowed us to shorten service intervals as the service station is immediately informed of the tasks to be carried out.

Since the first half of 2023, our staff has been using the new electronic record-keeping and worksheet management system and have been able to enjoy its benefits in their day-to-day work. This sped up the recording, tracking and allocation of incoming service requests to mechanics and allowed worksheets to be generated and invoices to be issued more quickly. In addition, as a result of continuous improvement, the system automatically sends customers photos of the repairs along with the digital worksheets, giving them a more accurate picture of the condition of their machines and repairs.

Long-term goals include establishing service stations at other sites of the Company and increasing our coverage to a level where we have a service technician within 150 kms of every client to improve efficiency further.

Another objective for 2023 was to increase the number of mechanics specialised in air conditioners, which we successfully achieved.

The breakdown of revenue by business unit is presented in the following table:

data in thHUF

Business	Domestic sales	Export sales	Total revenue	Composition (%)
Sale of machinery	7 228 522	771 390	7 999 912	77%
Sale of spare parts	747 399	167 347	914 746	9%
Servicing business	685 387	181 268	866 655	8%
Rental machinery business	677 825	0	677 825	6%
Total	**9 339 133**	**1 120 005**	**10 459 138**	**100%**

Source: Data from the Company's management information system.

4. Sites

The registered office of DM-KER Nyrt. is located on its own property. In order to construct a new and larger headquarters, a reasonably sized plot of land was purchased in 2019 to allow the headquarters and the service station to be located on the same property. The objective is not to incur any rental costs after construction is completed.

Construction did not start in 2020 due to the pandemic, and the reason why the project failed to commence in 2021 was the approval of the amendment to the building permit. However, construction began in 2022 and we are still planning to complete the project in its entirety.

The Company has another rented site in Szigetszentmiklós, which is located at 2310 Szigetszentmiklós, Csepeli út 39. The rental arrangement will be cancelled once construction is completed.

Other sites owned by the Company are located in Bátaszék, Tiszafüred and Vámosszabadi. The construction project in Tiszafüred was completed and the Company received the occupancy permit for the property in mid-December 2022, and all other sites have an operating permit.

2310 Szigetszentmiklós, Csepeli út 22.	0182/42 hrsz.
9064 Vámosszabadi, Külterület 059/94.	059/94 hrsz.
5350 Tiszafüred, Húszöles út 21.	1416/6 hrsz.
7140 Bátaszék, Gauser Telep 1/6.	1/6/A/2 hrsz.

The organisation of DM-KER Nyrt. supports growth, and its staff is flexible and possesses the expertise necessary for providing the best solutions to its clients. The Company's day-to-day operations are supported by cloud computing systems, a corporate governance system that is being developed, and disciplined financial management.

Our services are now available nationwide, thanks to the expansion and development of our sites.

DM-KER Nyrt. focuses on distributing the products of innovative manufacturers.

DM-KER Nyrt. pays special attention to efficient operations and maintaining costs at an optimal level by monitoring shifts in the current unpredictable global economic situation and adapting to the changing market environment. Despite becoming a large enterprise, the Company has managed to preserve its flexibility. By monitoring the market on an ongoing basis, the Company is able to respond to changes proactively and quickly.

5. Risk management

In order to manage risks, the Issuer has developed its own internal "line of defence", which is designed to identify risks in a timely manner. Detecting risks ensures that the Company is able to effectively use the available resources to implement countermeasures and prepare for expected failures by properly communicating risks.

The key elements are as follows:

Risk management principles and strategies were outlined. Areas where the detection of risks ensures the proper functioning of the Company on an ongoing basis were identified. The Company's Board of Directors is ultimately responsible for coordinating risk management processes.

Control points designed to notify the Company's management in a timely manner have been integrated into the corporate governance system.

The controlling function is responsible for monitoring finances. The controlling function reports on the Company's operations every two months.

The Company has a Supervisory Board and an Audit Committee in place which independently monitor and evaluate the risks affecting the Company.

The Company has internal controls in place. The results of audits are reported to the Company's management and the Chairman of the Supervisory Board/Audit Committee.

The risks directly affecting the Issuer and the key market and industry risks are as follows:

Risks involving the implementation of projects

• If the manufacturer's delivery of the assets ordered by the Issuer is delayed, then this will also delay the stocking of those assets and their sale to third parties, causing the Issuer to lose revenue and fall short of its annual revenue targets.
• In the event of defective performance by the manufacturer when delivering a newly ordered asset, and if the asset cannot be repaired, that asset will need to be replaced or remanufactured, which can take up to 8 to 12 months. If such an event occurs, the Issuer will effectively only be able to stock and sell the ordered asset one year later, which will have an adverse impact on the Issuer's profitability.

• The Issuer's operations are exposed to delays on the client's end, which may result in a loss of revenue and an increase in inventory levels for the Issuer. This is due to the fact that, in case of a delay on the client's end, the Issuer will not be able to sell the asset as planned and, given the short timeframe, the probability that the Issuer will be able to successfully sell the asset to a third party is low.

• If a significant project is unsuccessful or loss-making, then this may negatively affect the Issuer's profitability. It may happen that, due to a delay on the client's end, the assets ordered do, in fact, become available for sale by the Issuer, but the Issuer is unable to sell them in the short time available. Therefore, the Issuer is exposed to delays on the client's end, and these may result in a loss of revenue and an increase in inventory levels for the Issuer.

• Despite making sure that the work carried out is accurate, precise, well-prepared and carefully designed and completed, errors occurring in the course of the Issuer's rental and servicing activities may cause serious damage and, to avoid these, the Issuer strictly adheres to its internal regulations, which are stricter than the statutory regulations, and has substantial general and, if necessary, specific liability insurance policies in place. Although the Issuer has liability insurance with high limits, for which supplemental insurance is taken out as required, the risk that any damage caused during work is not fully covered by such insurance and the Issuer is liable for the damage cannot be ruled out.

• Productivity in the construction and agricultural sectors affects the performance of all of the Issuer's businesses. Any stagnation or slowdown in these segments could adversely impact the Issuer's profitability. Changes in demand, technological development and transformation in the industrial manufacturing sector could all have a significant effect on the Issuer's revenues, profitability and strategic expansion plans.

Risks involving the Company's economic performance

• The Company's economic performance depends on the number and nature of the project orders received and the scope of the tasks involved.

• The Company's economic performance depends on the proper functioning of its assets, which may be influenced by numerous factors. Aging assets increase repair and maintenance costs, and the Issuer's revenues could decline if these assets cannot be used during production. Therefore, the Issuer is constantly seeking to renew its fleet of assets in order to reduce the risks caused by the resulting negative effects.

• If demand for the assets used by the Issuer declines in the secondary market, or if the selling price of used assets declines for any reason while the assets to be sold no longer contribute adequately to the Issuer's revenues and profits, the Issuer may incur a loss when selling these assets.

• The Issuer engages subcontractors to fulfil some of its orders; therefore, the Issuer's operations are exposed to the quality and availability of the work performed by subcontractors, as well as the current price of the service used.

• In the case of significant engagement contracts, if the client fails to provide proof of performance or is unable to make payment as set out in the contract, such failed transactions could result in short-term or long-term liquidity issues for the Issuer. In order to mitigate risks, the Issuer uses debt collection to secure its receivables.

• The current and future continuous increase in the price of fuels, lubricants and services provided by subcontractors and their reduced availability from time to time will have a negative impact on the Issuer's profitability. Inflation may have a short-term effect on the Issuer's profitability since the Issuer cannot hike its offered prices at the rate at which the price of materials used increases, as such increase cannot be fully passed on to consumers under the current market conditions (price sensitivity).

• The Issuer is making every reasonable effort to ensure compliance with legal and administrative requirements. However, the possibility that official investigations will result in findings which will require the Issuer to invest significant amounts in ensuring compliance or that the competent authorities will impose certain sanctions on the Issuer (such as fines, suspension of operations or withdrawal of its operating licences) cannot be ruled out.

• Changes in demand, technological development and transformation in the industrial manufacturing sector could have a significant effect on the Issuer's revenues, profitability and strategic expansion plans.

• The Issuer's activities are, in part, financed by bank loans. The Company uses its best efforts to comply with the covenants and conditions set out in its banking agreements, but changes in the circumstances applicable at the time when the conditions were laid down may result in non-compliance with such conditions.

Risks involving operating licences

• In the event that the certifications, certificates, licences and insurances required for the Issuer's operations are revoked or not renewed, this may significantly restrict the Issuer's operations, which could have a serious negative impact on profitability.

Risks involving grants received

• The Issuer's operations and expansion efforts are financed using investment loans, working capital loans and overdraft facilities, while the Issuer leases its fleet of assets based on financial lease contracts and receives grants as well. Certain loans and leases subject to preferential terms and grant awards may only be available to SMEs as defined in the SME Act. The Issuer has no way of monitoring the acquisition of shareholdings in the regulated market. Under the current regulations, the possibility that the Issuer is required to pay back the relevant amount cannot be ruled out in cases where the shareholding of a shareholder that does not qualify as an SME or an individual reaches 33%, or the shareholding of several shareholders that do not qualify as SMEs or individuals exceeds 33% for two consecutive years (or 25% in the case of entities owned by the state or a municipality).

Regulatory risks

• The Issuer is making every reasonable effort to ensure that its operations comply with the regulations; even so, the possibility of the Issuer incurring a significant tax liability as a result of a future tax audit cannot be ruled out.
• The Issuer is not a party to any lawsuit or other legal proceeding where the amount contested in the lawsuit or proceeding would exceed 10% of the Issuer's equity. In the course of the Issuer's operations, the possibility that lawsuits or other legal proceedings are brought against the Issuer where an unfavourable outcome could have an adverse effect on the Issuer's operations cannot be ruled out.

Changes in foreign exchange rates

• If the Issuer's income/revenues and its expenses/liabilities are denominated in different currencies, fluctuations in the relevant exchange rates may result in foreign exchange risks and foreign exchange losses.

Loss of expertise

• The salary level necessary for retaining expertise, which may increase due to labour market circumstances outside the Issuer's control, could significantly impact the Issuer's profits.

Risks involving damage not covered by insurance

• In the event of any failure to settle liabilities relating to the Issuer's operations which are not covered by insurance, the related damages and fines must be borne by the Issuer.

IT risks

• The proper functioning of the IT systems used by the Issuer could have a significant effect on its operations. The improper functioning of IT systems, devices and software may have an adverse impact on the Issuer's operations and profitability.

Market and industry risks

• Unfavourable changes in the macroeconomic environment could negatively impact the profitability of certain operations of the Issuer in the strategic target markets of the Issuer.

• Negative economic impacts could adversely affect the operations of the Issuer in the target markets and may also cause the investment rate to decline.

• The laws of Hungary and certain strategic target markets of the Issuer are frequently amended, which may result in unforeseen changes to the laws governing the operations of the Issuer. Furthermore, the practice of authorities and courts is subject to ongoing change as well, and newly adopted decisions can override existing case law as law enforcement evolves. This makes the decisions of authorities and courts unpredictable and, in some cases, difficult to make sense of, which could also have an adverse impact on the Issuer's operations.

• There is a risk of seasonality during the year, which may limit the volume of orders that the Issuer can accept and fulfil, depending on the capacity available.

• Extraordinary events could occur which may require the Issuer to provide compensation for damages or may lead to the imposition of fines or the enforcement of claims against the Issuer.

• A significant percentage of the orders received by the Issuer originate from industrial manufacturing companies, and agreements with such companies have a considerable impact on the outcome of projects involving the machine installation business in particular, while any expansion or downturn in the industrial manufacturing sector may have both positive and negative effects on the Company's revenues.

• Productivity in the construction and agricultural sectors affects the performance of the Issuer's business. Any stagnation or slowdown in these segments could adversely impact the Issuer's profitability. Changes in demand, technological development and transformation in the industrial manufacturing sector could have a significant effect on the Issuer's revenues, profitability and strategic expansion plans.

• A potential next wave of the COVID-19 pandemic or any other future epidemic or the effects of the conflict between Ukraine and Russia could negatively impact the Issuer's revenues. The Issuer uses its best efforts to mitigate any negative effects, and the Company's management has complete faith in the resilience of the Issuer's operations.

6. Research and development

The Company is not engaged in research and experimental development and is not planning to do so in the future. There were no investment projects and no expenses were incurred in this regard.

7. Environmental protection

DM-KER Nyrt. uses materials which are harmful to the environment, such as engine oil and oily rags. It fulfils its obligations under the act on waste management and entered into a contract with Faragó Környezetvédelmi Kft. for the disposal and removal of hazardous waste. The disposal of hazardous waste containing oil is also carried out with the assistance of Faragó Környezetvédelmi Kft. In the current year, we incurred a total of thHUF 11,865 in waste removal expenses.

We comply with our annual waste reporting obligations.

8. Events in 2023

The Issuer adopted IFRSs on 1 January 2022.

The annual general meeting of DM-KER Nyrt. approved the Company's financial statements for 2022, its Corporate Governance Report, its Remuneration Report and its Remuneration Policy, adopted decisions on the use of the profit after tax for 2022, on transferring the profit after tax to retained earnings, on the payment of dividends against retained earnings, on issuing the hold-harmless warrant to the members of the Board of Directors and on amending the Statutes, and authorised the Board of Directors to launch a new ESOP programme (ESOP IV) at its own discretion after evaluating the options identified, to adopt the relevant decisions (participants, payment terms and schedules, etc.) and to amend and execute the necessary documents. The General Meeting authorised the Board of Directors to purchase and acquire treasury shares for the purposes of the Employee Stock Ownership Programme for a period of 18 months from the date of the annual general meeting of 2022.

The Company had previously announced that the conditions set by the Board of Directors for the improvement of business performance as part of the ESOP II programme were not fully met. Therefore, at the end of the vesting period, the participants of the ESOP II programme did not become entitled to the 400,000 ordinary shares of DM-KER Nyrt. with a face value of HUF 5 which were available through the ESOP II programme.

The Founder launched its ESOP IV programme in the first half of 2023, as part of which 10 employees are eligible for a total of 300,000 ordinary shares of DM-KER Nyrt. The Founder must transfer these ordinary shares to the ESOP Organisation at the end of the programme, and the Founder will have a call option to purchase such shares at their face value, provided that the conditions of the ESOP IV programme are fulfilled. The programme can be considered successful if the profit after tax of DM-KER Nyrt. at the end of the vesting period amounts to at least thHUF 310,000 and this is equivalent to at least 1.90% of annual revenue.

Based on Resolution No. 11/2023. (04.26.) of the General Meeting, Chief Executive Officer László Barnabás Kocsy is entitled to purchase up to 4,000,000 (four million) ordinary shares of DM-KER Nyrt. from the Company during the option period between 15 May 2023 and 31 December 2027 by exercising his call option. The purchase price of the ordinary shares purchased on the basis of the call option (strike price) is HUF 48 (forty-eight forints) per share, and the consideration for the call option (option fee) is HUF 500,000 (five hundred thousand forints).

DM-KER Nyrt. prepared its first ESG report for FY 2022. The document was prepared as part of the GINOP-1.1.7-17-BÉT-6 programme entitled "Pilot ESG Advisory Programme" launched by Budapest Értéktőzsde Zrt. (hereinafter: Budapest Stock Exchange). The purpose of the programme is to improve the competitiveness of Hungarian small and medium-sized enterprises by providing access to a wide range of ESG advisory services. The project involved an ESG readiness assessment based on the ESG methodology of the Budapest Stock Exchange, the identification of key sustainability issues and the preparation of an ESG strategy and an ESG report, for which a non-refundable grant was awarded by the Budapest Stock Exchange.

In October, the Company started negotiations with two of its strategic suppliers, Bobcat and Develon, to extend their exclusive distribution agreements that had an initial term of 5 years. Although these negotiations were delayed until 2024, they were eventually successful. As a result, the Company acquired exclusive rights to distribute both Bobcat and Develon products in Hungary for another 5 years. In addition, the right to distribute Develon products in Slovakia was also extended.

9. Results for 2023

The Company has served nearly 20,000 customers over the past 10 years. Of these, we have direct sales relationships with an average of more than 2,500 customers each year. In 2023, goods or services were sold to a total of 2,560 customers. Products are sold exclusively via B2B channels, which means that all of our customers are business clients, i.e. sole traders, business associations, municipalities or independently administered institutions.

The year 2023 posed serious challenges for our industry. Many of these challenges were caused by political and geopolitical events taking place within and outside the European Union. The prolonged war has had severe adverse economic consequences for the European Union, resulting in a drying up of financial resources in a number of areas.

The construction sector was characterised by a sharp decline in terms of both government projects and private construction projects. The cancellation of the majority of government projects and the high interest rate environment had an extremely negative impact on the machinery sales business.

As the key market sector of DM-KER Nyrt. is construction, the Company had to react quickly to these dramatic changes in its environment. For certain products, shortage in the market was replaced by oversupply in a matter of moments, causing both the number of units sold and the available margin to decline at the same time.

Market players had to adapt to changes rapidly, and we implemented effective cost reduction measures in all areas of the industry.

A key objective for the Company during the year was to radically reduce the previously inflated inventory levels while maintaining business continuity. This caused substantial difficulties in 2023 in a market that had shrunk significantly.

Sustaining the competitiveness and integrity of our business was critical in this challenging period. Despite all external circumstances, DM-KER Nyrt. successfully maintained its position in the market, and even managed to improve its position in the case of Develon products.

The market for the sale of new machinery came to a complete stop. At the beginning of the year, several transactions carried over from the previous year kept the business going, but from the second quarter onwards, both revenue and profitability declined noticeably.

As our sales of new machinery declined, we continued to concentrate on our after-sales businesses.

We reorganised our spare parts business, which resulted in further revenue growth. A feature of this product range is that margins are significantly higher than in the case of machinery. In an environment of excessive oversupply, the sector managed to achieve this by keeping margins at a constant level.

In times of crisis in the construction industry, contractors are mostly interested in renting machinery. Our company also experienced this growing interest, and so we were able to continue to rationalise our fleet and stores while acquiring new stores.

We implemented efficiency improvement measures in our second-hand machinery business. Thanks to the new trade-in policy, we managed to increase our revenue in 2023. At the same time, profitability also improved.

Our servicing business unit grew while maintaining its headcount during 2023. We pay particular attention to training, and the significant efficiency gains come from the expanding knowledge of younger staff.

Overall, our after-sales business activities grew consistently, thereby partially compensating for the lack of revenue and profit from machinery sales.

Despite all the difficulties, we believe that development is important, which is why we prepared our first ESG report this year.

ESG factors are of paramount importance for listed companies as they affect long-term sustainability, financial performance and credibility. Focusing on ESG factors helps minimise environmental footprint, improves social impacts and increases transparency and accountability in the management of a company. As for our previously declared strategic objectives, we prepared and published an ESG report describing the Company's sustainability efforts. In addition, ESG practices can make a company more attractive to investors and customers, improving competitiveness and creating long-term value. Our commitment to responsible business practices is fundamental to promoting the sustainable development of the Company.

To close out the year, we entered into agreements with two manufacturers of agricultural machinery at the beginning of 2024. Both suppliers have well-known product offerings that provide excellent value for money.

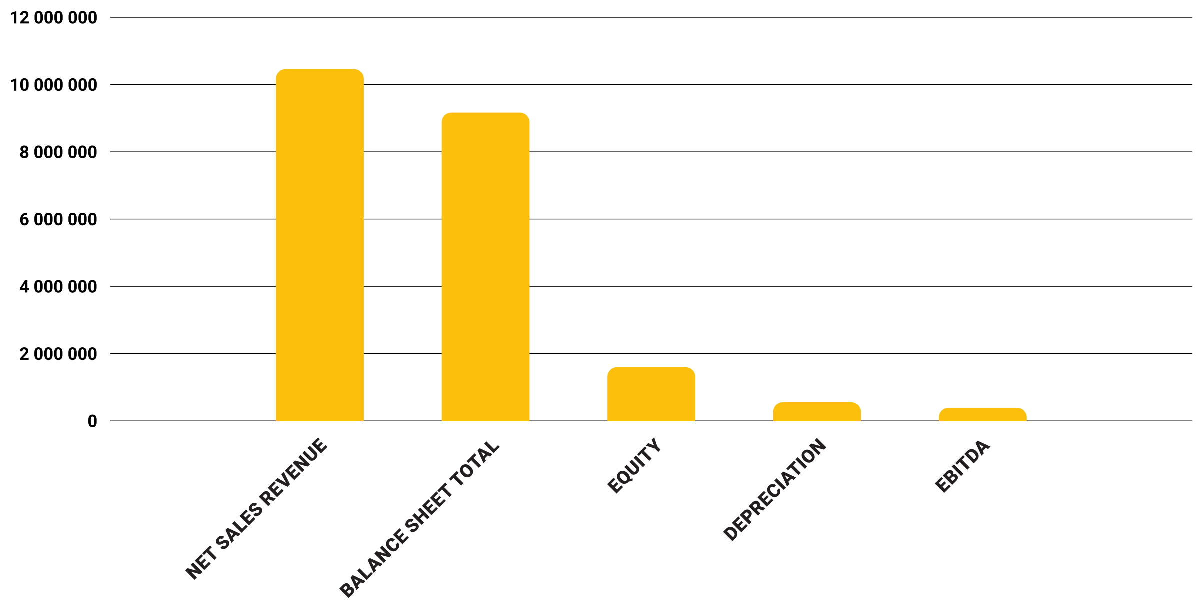
Based on contracts signed with two of our strategic suppliers, Bobcat and Develon, at the beginning of 2024, we acquired exclusive rights to distribute both Bobcat and Develon products in Hungary for another 5 years. Also, the exclusive rights to distribute Develon products in Slovakia were extended.

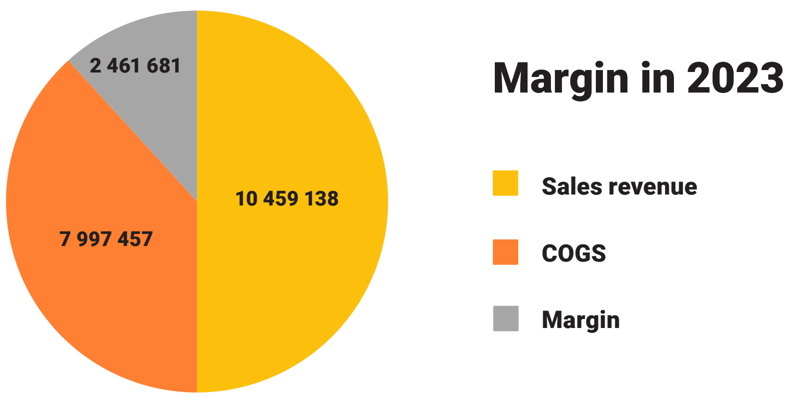
According to our plans, we expect the current situation to change and our revenue and profitability to improve steadily in 2024, and our forecast is that the Company will close out the year 2024 with a profit.

DMKER

Summary data

Statement of comprehensive income	reference	31/12/2023	31/12/2022
Net sales revenue	9	10 459 138	14 469 122
Other operating income	10	165 859	162 145
Goods and services sold	11	-7 997 457	-11 176 790
Operating expenses	12	-1 141 255	-1 281 950
Staff costs	13	-960 556	-969 472
Other expenses	14	-135 425	-79 505
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**390 304**	**1 123 550**
Depreciation and impairment	15	-553 162	-464 078
Earnings before interest and taxes (EBIT)		**-162 858**	**659 472**
Finance income	16	418 365	277 006
Finance costs	16	-465 532	-807 929
Profit before tax		**-210 025**	**128 549**
Tax liability	17	-39 244	-61 444
Deferred tax liability		21 398	-27 974
Net profit or loss		**-227 871**	**39 131**
Other comprehensive income	18	0	0
Other comprehensive income		**0**	**0**
Total comprehensive income		**-227 871**	**39 131**





Source: Data from the Company's management information system.

Key indicators

The Company's net sales revenue was down by 28% in comparison with the same period of the previous year, with its margin staying about the same. Our margin was around 23-24% in both years.

Our material costs were down by 11%, a result that could only be achieved by adhering to a strict cost-cutting policy in the high-inflation environment of 2023. COGS dropped by 28%, at the same rate as revenue.

Other income and other expenses increased by 2% and 70%, respectively, the latter being due to a large-scale effort to rationalise and scrap some of our inventories in the current year.

Depreciation was up by 19% due to a rise in the depreciation of right-of-use assets in the current year.

Manufacturing companies reimburse us for warranty costs in accordance with our contracts with them, the recovery rate being 86.31% in the current year compared to 80.24% in the previous year. The Company recognises an amount of thHUF 39 542 in this regard, which relates to the warranty obligations of the servicing business.

Of the risks facing the Company, the EUR exchange rate risk affecting the line item "Profit or loss from financial transactions" was particularly prominent this year, similarly to the previous year. Accordingly, our biggest risk was related to exchange rate fluctuations. Profit or loss from financial transactions contains impairment losses on financial assets, including trade receivables and other receivables, as well as their reversals.

Profit or loss from financial transactions was a loss of thHUF 47 167 in 2023 and a loss of thHUF 530 923 in 2022.

The Company's staff costs dropped slightly by 1% compared to the same period of the previous year, which was caused in part by the reduction in our headcount from 91 to 86.

The aggregate effect of the above factors was a decline in the Company's EBITDA to thHUF 390 304. After the payment of taxes, the Company's net profit or loss was a loss of thHUF 227 871, compared to the profit of thHUF 39 131 achieved in 2022.

The solvency of our customer base remains solid, thanks to both our long-standing and stable clientele and the continuous and rigorous monitoring of our customer base.

Summary

The war was another factor immediately following the COVID-19 pandemic that has posed a challenge for market processes in recent years, affecting all segments of the economy.

Machinery sales had already slowed down in 2022 due to the phasing out of government subsidies. In addition, the breakout of the war, hyperinflation and an economic situation that is heading towards a global crisis have all reduced the availability of financing. The crisis caused a downturn in the Hungarian construction industry, making it difficult for our clients to plan large-scale investments in assets due to a lack of work.

As the market shrank in 2023, we saw a decline in demand in terms of machinery sales, a trend that continued in the second half of the year. The volatility of the EUR exchange rate made life extremely difficult for import companies, and the Company was also affected. The main task of our management is to maintain the stability of the Company even in such a challenging economic environment.

According to our plans, we expect the current situation to change and our revenue and profitability to improve steadily in 2024, and our forecast is that the Company will close out the year 2024 with a profit.

10. Events after the interim period

- Based on contracts signed with two of our strategic suppliers, Bobcat and Develon, at the beginning of 2024, we acquired exclusive rights to distribute both Bobcat and Develon products in Hungary for another 5 years. Also, the exclusive rights to distribute Develon products in Slovakia were extended.
- 17 January 2024: In its order no. Cg. 13-10-041955/110 dated 17 January 2024, the Registry Court of the Budapest Environs Regional Court deleted two former members of the Board of Directors, Sándor Megyeri and Zsolt Horváth, from the company register as of 31 December 2023.
- On 20 March 2024, the employment contract of Chief Executive Officer László Barnabás Kocsy was terminated by mutual agreement. Ferenc Bátor, Chairman of the Board of Directors and founding owner of the Company, took over as Chief Executive Officer on 21 March 2024. At the same time, on 20 March 2024, László Barnabás Kocsy resigned from his position as a member of the Board of Directors with effect from the date of the next General Meeting to be held before 30 April 2024.

STATEMENT

DM-KER Nyilvánosan Működő Részvénytársaság (registered office: 2310 Szigetszentmiklós, Csepeli út 22., incorporated by the Registry Court of the Budapest Environs Regional Court, company registration number: 13-10-041955, hereinafter: "Company") hereby declares that

- the 2023 annual financial statements, which were prepared in accordance with the applicable accounting regulations and to the best of the Company's knowledge, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and
- the management report gives a true and fair view of the current position, evolution and performance of the Company and describes the key risks and uncertainties affecting the remaining six months of the financial year.

I accept responsibility for the figures presented in this report for 2023 and for the accuracy of the analyses and conclusions.

Szigetszentmiklós, 29 April 2024

Barnabás Kocsy	Judit Szegedi
DM-KER Nyrt.	DM-KER Nyrt.
Chief Executive Officer	Chief Financial Officer

AGRICULTURAL & CONSTRUCTION MACHINERY

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