



MEZŐGAZDASÁGI ÉS ÉPÍTŐIPARI GÉPEK

DM-KER Nyilvánosan Működő Részvénytársaság  
2310 Szigetszentmiklós, Csepeli út 22.

**Semi-annual report**  
**1 January 2023 to 30 June 2023**

IFRS Interim Financial Statements  
unaudited

**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**



**STANDARD  
KATEGÓRIA**

A Budapesti Értéktőzsdén  
Standard kategóriában jegyezve

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## 1. Executive Summary

The main environmental impacts in the first half of 2023 included the escalation of the war and, as a result, the drying up of EU funds and the economic slowdown due to political seasonality. 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. The key to profitability is adapting rapidly, which is achieved through cost reduction and negotiations with suppliers. A factor that was to our advantage in this process was the fact that the market in Central and Eastern Europe had not yet experienced the negative trends. Therefore, our manufacturing partners were able to mitigate their risk by reallocating their production capacities to Hungary.

As a positive strategic decision of 2021 and 2022, there was a significant increase in inventory levels along with sales revenue. Runaway inflation, as well as the high interest rate environment that manifested itself through inventory financing, suddenly imposed a considerable burden on the Company because of the costs. Therefore, a key objective for the first half of the year was to radically reduce the previously inflated inventory levels, without making it impossible for the Company to operate. However, this caused substantial difficulties in a market that had shrunk significantly. The Company quickly implemented cost reduction measures and efficiency improvements in all areas. The fact that the Company managed to maintain its integrity even in a situation like this goes to show how competitive the Company is.

As our sales of new machinery declined, we began concentrating on our after-sales businesses. In order to expand our sales in the spare parts business, we strengthened our relationships with several partners from neighbouring countries, allowing us to achieve a significant increase in revenue in this area. This market environment has a positive impact on both the machinery rental business and the sale of second-hand machinery. In these areas, we began optimising the composition of our fleet and raising rental fees to market levels. The number of orders for our servicing business was also up during this period; therefore, we maintained the headcount of mechanics at the same level and implemented measures aimed at improving efficiency. As a result of the above, these business lines are instrumental in maintaining the Company's profitability.

As for our previously declared strategic objectives, we prepared and published an ESG report describing the Company's sustainability efforts. In addition to being committed to sustainable operations as individuals ourselves, this is an important milestone for the Company as well, being a key area of focus on the stock exchange.

<b>data in thHUF</b>	<b>30/06/2023</b>	<b>30/06/2022</b>
Net sales revenue	6 044 444	6 929 118
Depreciation and impairment	275 749	205 321
Earnings before interest and taxes (EBIT)	-116 954	396 163
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	158 795	601 484
<b>Net profit or loss</b>	<b>14 219</b>	<b>201 585</b>

## 2. Introduction to DM-KER Nyrt.

### a) 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	Cgj. 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	26 April 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 (www.kozzetetelek.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.

### 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 (%)
BF Trustee Kft	27,42
Intravirtus Kft	15,54
Ferenc Bátor	15,04
Sándor Megyeri	12,66
Széchenyi Alapok Kockázati Tőkealap Széchenyi Alapok Zrt	12,65

## Authorised signatories:

Name	Position
<b>Ferenc Bátor</b>	Chairman of the Board of Directors
Joint signatories:	
<b>Sándor Megyeri</b>	Member of the Board of Directors
<b>Barnabás Kocsy</b>	Chief Executive Officer, Member of the Board of Directors
<b>Judit Szegedi</b>	CFO and Deputy CEO
<b>András Martinák</b>	Director of Commerce

Senior executives and 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

Members of the Board of Directors for an indefinite period:

Name	Position
<b>Ferenc Bátor</b>	Chairman
<b>Sándor Megyeri</b>	Member
<b>Barnabás Kocsy</b>	Chief Executive Officer, Member of the Board of Directors
<b>Dr. Tamás Hajnal</b>	Member
<b>Zsolt Horváth</b>	Member

Of the members of the Board of Directors, Ferenc Bátor (18,980,000 shares), Sándor Megyeri (15,980,000 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 30 September 2024:

Name	Position
<b>Péter Vitkovics</b>	Chairman
<b>Tamás Petóházi</b>	Member
<b>Dr. Tamás Sükösd</b>	Member
<b>Attila Gayer</b>	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 amending the Statutes, and the special rules for recalling senior executives and the powers of senior executives are set out in the Statutes.

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

Name	Position
Barnabás Kocsy	Chief Executive Officer
Judit Szegedi	CFO and Deputy CEO

Barnabás Kocsy and Judit Szegedi hold 150,000 and 100,000 ordinary shares in DM-KER Nyrt., respectively.

## 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 Éva Rozbroy is responsible for the development and operation of the accounting information system. Home address: 2112 Veresegyház, Tövis u. 1. Registration number: PM 118425

## b) 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.

## c) 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, Doosan and Agrifac.

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.

### 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 Vámoszabadi. The construction project in Tiszafüred was completed and the Company received the occupancy permit for the property in mid-December, and all other sites have an operating permit.

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



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.

### 3. Interim IFRS financial statements

Data in thousand HUF.

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 c) in the Statement of changes in equity.

#### a) Statement of comprehensive income (Income statement)

Separate statement of comprehensive income	reference	30/06/2023	30/06/2022	
Net sales revenue	6	6 044 444	6 929 118	
Other operating income	6	59 687	43 633	
Goods and services sold	7	-4 764 202	-5 289 832	
Operating expenses	8	-639 362	-550 699	
Staff costs	9	-508 777	-485 713	
Other expenses	10	-32 995	-45 023	
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>158 795</b>	<b>601 484</b>	
Depreciation and impairment	11	-275 749	-205 321	
<b>Earnings before interest and taxes (EBIT)</b>		<b>-116 954</b>	<b>396 163</b>	
Finance income	12	336 272	132 657	
Finance costs	12	-184 310	-296 524	
<b>Profit before tax</b>		<b>35 008</b>	<b>232 296</b>	
Tax liability	13	-20 789	-30 711	
Deferred tax liability				
<b>Net profit or loss</b>		<b>14 219</b>	<b>201 585</b>	
Other comprehensive income	14	0	0	
<b>Other comprehensive income</b>		<b>0</b>	<b>0</b>	
<b>Total comprehensive income</b>		<b>14 219</b>	<b>201 585</b>	
Earnings per share (HUF)	Basic	15	0,12	1,61
	Diluted	15	0,11	1,61

**b) Statement of financial position (Balance sheet)**

<b>Separate statement of financial position</b>	<b>reference</b>	<b>30/06/2023</b>	<b>31/12/2022</b>	<b>01/01/2022</b>
<b>Property, plant and equipment</b>	16	3 778 072	3 872 085	2 767 816
Intangible assets	17	152 461	100 230	76 732
Right-of-use assets	18	222 664	188 381	154 544
Deferred tax assets		0	0	0
Goodwill		0	0	0
Shareholdings		0	0	0
Other non-current assets	19	6 769	9 554	34 293
<b>Non-current assets</b>		<b>4 159 966</b>	<b>4 170 250</b>	<b>3 033 385</b>
Cash and cash equivalents	20	265 446	322 014	541 429
Trade receivables	21	642 862	1 272 153	1 655 057
Other receivables	22	126 124	372 461	355 235
Prepayments	22	155 796	159 012	281 033
Securities		0	0	880
Inventories	23	5 027 727	5 851 960	6 199 341
Corporate income tax assets	24	4 593	0	18 069
Receivables from related parties		0	0	0
<b>Current assets</b>		<b>6 222 548</b>	<b>7 977 600</b>	<b>9 051 044</b>
<b>Total assets</b>		<b>10 382 514</b>	<b>12 147 850</b>	<b>12 084 429</b>

<b>Separate statement of financial position</b>	<b>reference</b>	<b>30/06/2023</b>	<b>31/12/2022</b>	<b>01/01/2022</b>
Share capital	25	631 155	631 155	631 155
Repurchased treasury shares		-188 685	-184 268	-60 000
Share premium		880 513	880 513	880 513
Share-based payments reserve	26	2 083	0	23 603
Retained earnings		638 599	582 399	620 968
Profit or loss for the year		14 219	80 732	250 843
<b>Equity</b>		<b>1 977 884</b>	<b>1 990 531</b>	<b>2 347 082</b>
Provisions for expected liabilities	27	99 146	97 145	65 790
Long-term loans and borrowings	28	1 161 074	2 682 373	2 307 585
Deferred tax liabilities	29	75 299	75 299	43 881
Non-current finance lease liabilities	30	134 243	96 740	87 555
<b>Non-current liabilities</b>		<b>1 469 762</b>	<b>2 951 557</b>	<b>2 504 811</b>
Trade payables	31	718 782	651 746	854 801
Liabilities to related parties		0	0	0
Short-term loans and borrowings	32	3 554 989	2 474 154	2 463 678
Other tax liabilities	33	253 868	431 307	461 021
Other current liabilities	34	2 161 492	3 377 804	3 249 974
Provisions for expected liabilities	27	2 757	2 757	7 038
Current finance lease liabilities	35	94 936	95 809	66 989
Corporate income tax liabilities	36	0	6 103	0
Accruals	37	148 044	166 082	129 035
<b>Current liabilities</b>		<b>6 934 868</b>	<b>7 205 762</b>	<b>7 232 536</b>
<b>Total equity and liabilities</b>		<b>10 382 514</b>	<b>12 147 850</b>	<b>12 084 429</b>

### c) Statement of changes in equity

	Share capital	Repurchased treasury shares	Share premium	Retained earnings	Share-based payments reserve	Total equity
<b>Balance at 1 January 2022</b>	631 155	-60 000	880 513	871 811	23 603	2 347 082
Issue of treasury shares	0		0			0
Repurchase of treasury shares		-124 268				-124 268
Dividend approved				-289 411		-289 411
Share-based payments +/-					-23 603	-23 603
Total comprehensive income				80 732		80 732
<b>Balance at 31 December 2022</b>	631 155	-184 268	880 513	663 132	0	1 990 532
Issue of treasury shares						0
Repurchase of treasury shares		-4 417				-4 417
Dividend approved				-24 533		-24 533
Share-based payments +/-					2 083	2 083
Total comprehensive income				14 219		14 219
<b>Balance at 30 June 2023</b>	631 155	-188 685	880 513	652 818	2 083	1 977 884

The following tables contain a reconciliation of the amount of equity under the Hungarian accounting rules and the amount of equity under IFRS for 31 December 2022 and 30 June 2023.

<b>31/12/2022</b>			
<b>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*</b>	<b>Under the Hungarian accounting rules</b>	<b>Under IFRS</b>	<b>difference</b>
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	582 400	-199 073
Tied-up reserve	399 853	0	399 853
Share-based payments reserve	0	0	0
Profit or loss for the period	50 222	80 732	-30 510
<b>Equity</b>	<b>2 345 070</b>	<b>1 990 532</b>	<b>354 538</b>

\* Date of transition to IFRS: 1 January 2023

30/06/2023

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	-188 685	188 685
Share premium	880 513	880 513	0
Retained earnings	418 496	638 599	-220 103
Tied-up reserve	390 374	0	390 374
Share-based payments reserve	0	2 083	-2 083
Profit or loss for the period	3 297	14 219	-10 922
<b>Equity</b>	<b>2 323 835</b>	<b>1 977 884</b>	<b>345 951</b>

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

	30/06/2023	31/12/2022
<b>Retained earnings under the Hungarian accounting rules</b>	418 496	383 327
Tied-up reserve	390 374	399 853
Development reserve	190 000	190 000
<u>Modifying items under IFRS</u>		
Intangible assets and their depreciation	-4 043	-32 694
Right-of-use assets and their depreciation	-2 347	-4 168
Share-based payments	23 064	25 147
Adjustments for treasury shares	-174 418	-174 418
Adjustments for sale and leaseback transactions	-21 172	-21 172
Adjustments to revenue for warranties	-47 215	-49 782
Recognition of deferred tax liabilities	-75 299	-75 299
Provisions	-20 846	-20 846
Other	-37 995	-37 548
Total adjustments to retained earnings under IFRS	-360 271	-390 780
<b>Retained earnings under IFRS</b>	<b>638 599</b>	<b>582 400</b>

The following table presents the differences between the Company's profit or loss for H1 2022 under the Hungarian accounting rules and under IFRS:

<b>01/01/2022 - 30/06/2022</b>	
<b>Profit or loss under the previous accounting rules</b>	162 794
Subsequent adjustments to profit or loss under the previous accounting rules	0
<u>Modifying items under IFRS</u>	
Intangible assets and their depreciation	40 243
Right-of-use assets and their depreciation	-1 581
Share-based payments	12 769
Adjustments for treasury shares	7 459
Adjustments for sale and leaseback transactions	0
Adjustments to revenue for warranties	-6 033
Recognition of deferred tax liabilities	0
Provisions	0
Other	-14 066
Total adjustments to profit or loss under IFRS	38 791
<b>Profit or loss under IFRS</b>	<b>201 585</b>

## d) Statement of cash flows

Item	30/06/2023	30/06/2022
Profit after tax	14 219	201 585
<u>Items modifying profit or loss:</u>		0
Depreciation of property, plant and equipment and intangible assets	-275 749	-205 321
Impairment	-7 744	-17 993
Provisions	2 000	1 875
Changes in the share-based payments reserve under IFRS 2	2 083	8 331
Repurchased treasury shares	-4 417	-7 578
Interest	137 260	176 235
<u>Changes in current assets and current liabilities:</u>		
Trade receivables, other receivables, prepayments	886 589	-61 880
Inventories	824 233	57 806
Trade payables	67 036	654 042
Other liabilities, accruals	-1 422 485	144 079
<b>Net cash from operating activities</b>	<b>223 025</b>	<b>951 181</b>
Disposal (purchase) of property, plant and equipment	338 264	-425 280
Purchase of intangible assets	-52 231	3 397
<b>Net cash from investing activities</b>	<b>286 033</b>	<b>-421 883</b>
Proceeds from (repayments of) loans and borrowings	-440 464	-351 906
Proceeds from (repayments of) finance leases	36 630	78 640
Interest	-137 260	-176 235
Dividends paid	-24 532	-289 411
<b>Net cash from financing activities</b>	<b>-565 626</b>	<b>-738 912</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>-56 568</b>	<b>-209 614</b>
Opening balance of cash and cash equivalents	322 014	541 429
Closing balance of cash and cash equivalents	265 446	331 815
Changes in cash and cash equivalents	-56 568	-209 614



## 4. The basis of accounting

The financial statements were prepared in accordance with the effective standards and IFRIC interpretations issued before 30 June 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 30 June 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.

## 5. 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..

### Reporting currency and foreign currency balances

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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.

### **Recognition of revenue under IFRS 15**

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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.

### **Performance obligations**

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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.

### **Determining the transaction price**

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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.

### **Main types of revenue:**

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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).

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.

## Property, plant and equipment

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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 of 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 does not have any assets with indefinite useful lives.

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.

## **Intangible assets**

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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 5 years.

## **Impairment**

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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.

## **Inventories**

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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.

## **Receivables**

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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).

## **Cash and cash equivalents**

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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.

## **Share capital**

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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.

## **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.

Az értékvesztés értékeléséhez és elszámolásához az egyszerűsített és az általános megközelítések alkalmazandók.

#### *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.

### **Pénzügyi kötelezettségek**

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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.

## **Provisions**

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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.

A restructuring provision is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Estimated future costs of dismantling and removing an asset and restoring the site on which it is located are recognised by the Company as provisions, and such costs must be included in the historical cost of an item of property, plant and equipment or right-of-use assets. Such legal obligation may be direct if it requires the dismantling and/or restoration of the site, or indirect if the regulations require the remediation of environmental damage and this can only be achieved by dismantling items of property, plant or equipment.

Even if it is certain and foreseeable that, after a specified period of time, circumstances will arise that will probably require the dismantling of the assets and the restoration of their site, the estimated costs of dismantling must be capitalised if the expected cost to be incurred when dismantling the asset can be determined when the asset is capitalised. These future costs must be recognised as provisions until they are incurred. No decommissioning provisions may be recognised and capitalised on assets for which the Company does not have a legal or constructive obligation.

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, the amount of which is reviewed annually.

## **Corporate income tax**

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The amount of corporate income tax is calculated based on the tax liability under the Act on Corporate Tax and Dividend Tax and the Local Business Tax Decree, and is modified by deferred taxes. Corporate income 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.

Current and deferred tax are recognised directly in equity if they relate to items which were also recognised in equity in the same period or another period, including changes to the opening balances of reserves due to retrospective amendments to the accounting policy.



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.

## **Lease**

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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.

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.

## **Employee Stock Ownership Programme – ESOP**

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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.

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## **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.

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## **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.

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## **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.

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## **Dividends**

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

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## **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.

## **Profit or loss from financial transactions**

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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.

## **Government grants**

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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.

## **Events after the reporting date**

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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.

## **Sources of uncertainty**

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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.

## **Impairment losses on uncollectible and doubtful receivables**

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The Company recognises impairment losses to cover uncollectible and doubtful receivables, as well as losses occurring in cases where customers are unable to pay. The estimates used in evaluating the adequacy of

impairment losses on uncollectible and doubtful receivables are based on the aging of the receivables, the customer's creditworthiness and changes in the payment patterns of the customer.

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## **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.

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## **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.

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## **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.

## 6. Net sales revenue and other operating income

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.

For 2022, the Company examined the percentage that the fees for warranty services represent in sales prices. Based on this, warranty obligations typically arise in 3 years. Therefore, these fees were reclassified from revenue to accruals and are recognised as revenue in the period when the warranty obligation is expected to arise.

Based on the above, we examined the Company's revenue for previous years and recorded accruals for thHUF 61,848 on this basis as of 1 January 2022.

### 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 revenues 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 H1 2023 and the same period of the previous year:

Adjustments to revenue	30/06/2023	30/06/2022
<b>Revenue under the Hungarian accounting rules</b>	<b>7 145 421</b>	<b>8 406 020</b>
Fees for warranty services	2 566	-6 033
Adjustments for sale and leaseback transactions	-1 103 543	-1 470 336
Reclassification of subsequent discounts given	0	-533
<b>Revenue under IFRS 15</b>	<b>6 044 444</b>	<b>6 929 118</b>

The Company's revenue declined by 13% or thHUF 884,674 compared to the same period of the previous year.

<b>Revenue and other operating income</b>	<b>30/06/2023</b>	<b>30/06/2022</b>
Net sales revenue	6 044 444	6 929 118
Other operating income	59 687	43 633
<b>Total</b>	<b>6 104 131</b>	<b>6 972 751</b>
<b>Breakdown of revenue by main type:</b>		
Supply of goods	<b>5 258 477</b>	<b>6 321 605</b>
Supply of services	<b>785 967</b>	<b>607 513</b>
Items of other operating income were as follows:		
<b>Other operating income</b>	<b>30/06/2023</b>	<b>30/06/2022</b>
Gain on disposal of assets	53 033	40 129
Other income	5 089	3 276
Grants received	878	0
Income from damage events and indemnification	459	329
Own performance capitalised	228	-101
<b>Total</b>	<b>59 687</b>	<b>43 633</b>

As a result of the continuous expansion of its fleet of assets, the Company sold several production assets in H1 2023 which were obsolete and no longer economical to maintain.

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

<b>Grants received</b>	<b>30/06/2023</b>	<b>30/06/2022</b>
Government grants	480	0
Competitive grants	398	0
<b>Total</b>	<b>878</b>	<b>0</b>

## 7. 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 revenues 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 H1 2023 and the same period of the previous year:

<b>Adjustments to cost of goods sold</b>	<b>30/06/2023</b>	<b>30/06/2022</b>
<b>Cost of goods sold under the Hungarian accounting rules</b>	<b>5 869 735</b>	<b>6 763 117</b>
Adjustments for sale and leaseback transactions	-1 103 543	-1 470 336
Reclassification of subsequent discounts received	-10 746	-14 399
<b>Cost of goods sold under IFRS</b>	<b>4 755 446</b>	<b>5 278 382</b>
<b>Goods and services sold</b>	<b>30/06/2023</b>	<b>30/06/2022</b>
Cost of goods sold	4 755 446	5 278 382
Cost of services sold (mediated)	8 756	11 450
<b>Total</b>	<b>4 764 202</b>	<b>5 289 832</b>

Cost of goods sold and cost of services sold (mediated) declined by 10% from the same period of the previous year.

## 8. Operating expenses

<b>Operating expenses</b>	<b>30/06/2023</b>	<b>30/06/2022</b>
Material costs	360 059	279 155
Value of services used	244 249	242 572
Value of other services	35 054	28 972
<b>Total</b>	<b>639 362</b>	<b>550 699</b>

Operating expenses increased by 16% compared to the same period of the previous year. The main reason behind this increase is the significant rise in prices observed since H1 2022.

The most substantial increase was in material costs at 29%. 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 in the first months of the year.

The value of other services was up by 21%, 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.

## 9. Staff costs

Staff costs	30/06/2023	30/06/2022
Payroll costs	417 733	397 811
Other payments to staff	31 692	31 608
Payroll taxes	59 352	56 294
<b>Total</b>	<b>508 777</b>	<b>485 713</b>

The Company's average headcount was 93 in H1 2023 and 91 in H1 2022.

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

## 10. Other expenses

Other expenses	30/06/2023	30/06/2022
Loss on disposal of property, plant and equipment	6 258	0
Indemnification and penalties paid	5 765	515
Expenses related to damage events	25	0
Other taxes	9 483	12 073
Local taxes	807	273
Other miscellaneous expenses	10 657	32 162
<b>Total</b>	<b>32 995</b>	<b>45 023</b>

## 11. Depreciation and impairment

Depreciation and impairment	30/06/2023	30/06/2022
Depreciation	275 749	205 321
Impairment	0	0
<b>Total</b>	<b>275 749</b>	<b>205 321</b>

The main reason behind the 34% increase in depreciation was the rise in depreciation on right-of-use assets, which amounted to thHUF 62,574 in H1 2023 and thHUF 40,648 in H1 2022.



## 12. Profit or loss from financial transactions

Finance income	30/06/2023	30/06/2022
Reversal of impairment losses on trade receivables	-447	-14 065
Dividends received	0	0
Interest on investments	0	76
Other interest received (due)	10 190	4 248
Other finance income	326 529	142 398
<b>Total</b>	<b>336 272</b>	<b>132 657</b>

Finance costs	30/06/2023	30/06/2022
Payable interest and similar expenditure	137 260	65 992
Impairment losses on shareholdings	0	440
Other finance costs	47 050	230 092
<b>Total</b>	<b>184 310</b>	<b>296 524</b>

## 13. Tax liability

Tax liability	30/06/2023	30/06/2022
Corporate income tax	0	0
Deferred tax	0	0
Local business tax	18 068	26 654
Innovation contribution	2 721	4 057
<b>Total</b>	<b>20 789</b>	<b>30 711</b>

## 14. Other comprehensive income

	30/06/2023	30/06/2022
Profit after tax (net)	14 219	201 585
<b>Total</b>	<b>14 219</b>	<b>201 585</b>

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	30/06/2023	30/06/2022
Profit after tax (net)	14 219	201 585
Other comprehensive income	0	0
<b>Total comprehensive income</b>	<b>14 219</b>	<b>201 585</b>

## 15. Earnings per share

Basic EPS:		
Earnings per share (EPS)	Current year	
<u>net profit or loss for the period</u>	14 219	= <b>0,00012</b>
average number of voting shares	122 614 677	

Earnings per share (EPS)	Comparative year	
<u>net profit or loss for the period</u>	201 585	= <b>0,00161</b>
average number of voting shares	124 831 000	

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.

Number of shares	30/06/2023	30/06/2022
Number of ordinary shares (units)	126 231 000	126 231 000
Number of treasury shares - DM-KER Nyrt. (units)	3 616 323	400 000
Number of treasury shares - ESOP Organisation (units)	-	1 000 000
<i>Number of voting shares (units)</i>	<i>122 614 677</i>	<i>124 831 000</i>

Diluted EPS:		
Earnings per share (EPS)	Current year	
<u>net profit or loss for the period</u>	14 219	= <b>0,00011</b>
average number of voting shares	126 614 677	

Earnings per share (EPS)	Comparative year	
<u>net profit or loss for the period</u>	201 585	= <b>0,00161</b>
average number of voting shares	124 831 000	

<b>Number of shares</b>	<b>30/06/2023</b>	<b>30/06/2022</b>
Number of ordinary shares (units)	126 231 000	126 231 000
Number of treasury shares – DM-KER Nyrt. (units)	3 616 323	400 000
Number of treasury shares – ESOP Organisation (units)	-	1 000 000
CEO stock option (units)	4 000 000	-
<i>Number of voting shares (units)</i>	<i>126 614 677</i>	<i>124 831 000</i>

## 16. Property, plant and equipment

Property, plant and equipment	Technical machinery and equipment	Other equipment	Land and buildings and related valuable rights	Construction in progress	Total
<b>Gross value</b>					
<b>01/01/2022</b>	<b>2 370 467</b>	<b>84 860</b>	<b>690 684</b>	<b>554 667</b>	<b>3 700 678</b>
Increase and reclassification	1 473 380	23 252	402 071	2 066 161	3 964 864
Decrease and reclassification	-704 902	-1 874	0	-2 092 148	-2 798 924
<b>31/12/2022</b>	<b>3 138 945</b>	<b>106 238</b>	<b>1 092 755</b>	<b>528 680</b>	<b>4 866 618</b>
Increase and reclassification	369 564	823	119	465 863	836 369
Decrease and reclassification	-501 702	-152	0	-378 072	-879 926
<b>30/06/2023</b>	<b>3 006 807</b>	<b>106 909</b>	<b>1 092 874</b>	<b>616 471</b>	<b>4 823 061</b>
<b>Accumulated depreciation</b>					
<b>01/01/2022</b>	<b>820 077</b>	<b>65 062</b>	<b>47 723</b>	<b>0</b>	<b>932 862</b>
Annual depreciation	320 789	9 502	9 978	0	340 269
Decrease and reclassification	-277 171	-1 427	0	0	-278 598
<b>31/12/2022</b>	<b>863 695</b>	<b>73 137</b>	<b>57 701</b>	<b>0</b>	<b>994 533</b>
Annual depreciation	181 729	5 649	7 907	0	195 285
Decrease and reclassification	-144 755	-74	0	0	-144 829
<b>30/06/2023</b>	<b>900 669</b>	<b>78 712</b>	<b>65 608</b>	<b>0</b>	<b>1 044 989</b>
<b>Net carrying amount</b>					
<b>01/01/2022</b>	<b>1 550 390</b>	<b>19 798</b>	<b>642 961</b>	<b>554 667</b>	<b>2 767 816</b>
<b>31/12/2022</b>	<b>2 275 250</b>	<b>33 101</b>	<b>1 035 054</b>	<b>528 680</b>	<b>3 872 085</b>
<b>30/06/2023</b>	<b>2 106 138</b>	<b>28 197</b>	<b>1 027 266</b>	<b>616 471</b>	<b>3 778 072</b>

## 17. Intangible assets

Intangible assets	Valuable rights	Intellectual property	Total
<b>Gross value</b>			
<b>01/01/2022</b>	<b>101 736</b>	<b>110</b>	<b>101 846</b>
Increase and reclassification	37 276	4	37 280
Decrease and reclassification	0	0	0
<b>31/12/2022</b>	<b>139 012</b>	<b>114</b>	<b>139 126</b>
Increase and reclassification	62 555	0	62 555
Decrease and reclassification	0	0	0
<b>30/06/2023</b>	<b>201 567</b>	<b>114</b>	<b>201 681</b>
<b>Accumulated depreciation</b>			
<b>01/01/2022</b>	<b>25 114</b>	<b>0</b>	<b>25 114</b>
Annual depreciation	13 782	0	13 782
Decrease and reclassification	0	0	0
<b>31/12/2022</b>	<b>38 896</b>	<b>0</b>	<b>38 896</b>
Annual depreciation	10 324	0	10 324
Decrease and reclassification	0	0	0
<b>30/06/2023</b>	<b>49 220</b>	<b>0</b>	<b>49 220</b>
<b>Net carrying amount</b>			
<b>01/01/2022</b>	<b>76 622</b>	<b>110</b>	<b>76 732</b>
<b>31/12/2022</b>	<b>100 116</b>	<b>114</b>	<b>100 230</b>
<b>30/06/2023</b>	<b>152 347</b>	<b>114</b>	<b>152 461</b>

## 18. Right-of-use assets

The Company recognised 48 motor vehicles and one property as leased assets in H1 2023.

Breakdown of assets (leases) presented in the line item "Right-of-use assets" and changes over time:

Lease liabilities	30/06/2023	31/12/2022	01/01/2022
Current finance lease liabilities	94 936	95 809	66 989
Non-current finance lease liabilities	134 243	96 740	87 555
<b>Total finance lease liabilities</b>	<b>229 179</b>	<b>192 549</b>	<b>154 544</b>

Changes in right-of-use assets under IFRS 16	Other equipment, vehicles	Technical machinery, equipment, vehicles	Land and buildings	Total
<b>Gross value</b>				
<b>01/01/2022</b>	<b>57 885</b>	<b>73 935</b>	<b>22 724</b>	<b>154 544</b>
Increase	107 032	18 579	1 818	127 429
Decrease	0	0	0	0
<b>31/12/2022</b>	<b>164 917</b>	<b>92 514</b>	<b>24 542</b>	<b>281 973</b>
Increase	22 777	73 179	1 247	97 203
Decrease	-58	-5 365	0	-5 423
<b>30/06/2023</b>	<b>187 636</b>	<b>160 328</b>	<b>25 789</b>	<b>373 753</b>
<b>Accumulated depreciation</b>				
<b>01/01/2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Increase	43 445	38 129	12 018	93 592
Decrease	0	0	0	0
<b>31/12/2022</b>	<b>43 445</b>	<b>38 129</b>	<b>12 018</b>	<b>93 592</b>
Increase	27 680	28 374	6 521	62 575
Decrease	-27	-5 051	0	-5 078
<b>30/06/2023</b>	<b>71 098</b>	<b>61 452</b>	<b>18 539</b>	<b>151 089</b>
<b>Net carrying amount</b>				
<b>01/01/2022</b>	<b>57 885</b>	<b>73 935</b>	<b>22 724</b>	<b>154 544</b>
<b>31/12/2022</b>	<b>121 472</b>	<b>54 385</b>	<b>12 524</b>	<b>188 381</b>
<b>30/06/2023</b>	<b>116 538</b>	<b>98 876</b>	<b>7 250</b>	<b>222 664</b>
<b>Lease interest expense in 2022</b>				<b>12 484</b>
<b>Lease interest expense in H1 2023</b>				<b>11 899</b>

Undiscounted contractual cash flows	30/06/2023	31/12/2022
Due within 3 months	34 934	28 694
Due between 3 months and 1 year	79 441	76 793
Due between 1 and 3 years	134 528	96 426
Due between 3 and 5 years	18 605	7 243
Due in more than 5 years	0	0
<b>Total lease payments:</b>	<b>267 508</b>	<b>209 156</b>

## 19. Other non-current assets

Other non-current assets recognised by the Company include its shareholding in Megakrán Nyrt. The Company held 1,805,000 shares as at 30 June 2023.

## 20. Cash and cash equivalents

Cash and cash equivalents	30/06/2023	31/12/2022	01/01/2022
Cash on hand	314	1 386	262
Cash in bank	265 132	320 628	541 167
<b>Total</b>	<b>265 446</b>	<b>322 014</b>	<b>541 429</b>

## 21. Trade receivables

Trade receivables	30/06/2023	31/12/2022	01/01/2022
Trade receivables	729 806	1 352 820	1 711 538
Impairment losses on trade receivables	-86 944	-80 667	-56 481
<b>Total</b>	<b>642 862</b>	<b>1 272 153</b>	<b>1 655 057</b>

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 2021, 31 December 2021 and 31 December 2022 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 recognised expected credit losses for thHUF 6,909 in its books for the comparative period. In line with the principle of prudence, the opening value shown in the balance sheet was not reduced by the Company on 31 December 2022.

## 22. Other receivables, prepayments

Breakdown of other receivables	30/06/2023	31/12/2022	01/01/2022
Advances given	54 357	114 703	120 266
Other receivables	71 767	257 758	234 969
<b>Total</b>	<b>126 124</b>	<b>372 461</b>	<b>355 235</b>

Breakdown of prepayments	30/06/2023	31/12/2022	01/01/2022
Accrued income	34 261	8 135	82 808
Prepaid expenses	121 535	150 877	198 225
<b>Total</b>	<b>155 796</b>	<b>159 012</b>	<b>281 033</b>

## 23. Inventories

Inventories	30/06/2023	31/12/2022	01/01/2022
Materials	4 104	4 104	2 417
Finished goods	430	203	331
Goods	5 023 193	5 847 653	6 196 593
<b>Total</b>	<b>5 027 727</b>	<b>5 851 960</b>	<b>6 199 341</b>

### 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.

Machines are typically purchased and financed in euros. Therefore, during transition to IFRS, we also examined whether there was any difference between the historical cost and the leaseback value and, if so, whether such difference was considered significant.

For this reason, in the case of sale and leaseback transactions, the Company must also examine at each reporting date whether a given machine is still recorded in inventories:

- if the machine in question is recorded in inventories, the difference attributable to that machine is recognised as an adjustment to inventories,
- if the machine in question is no longer recorded in inventories (the machine has been sold), the difference is recognised as an adjustment that reduces cost of goods sold.

Based on the above, during transition to IFRS, we examined the financing arrangements at each of our sites to determine which machines were still recorded in inventories at the reporting date and which of them had already been sold. The calculated difference was deemed significant, and the value of inventories was reduced by thHUF 21,172 on 31 December 2022.



## 24. Corporate income tax assets

Income tax asset (+) / liability (-)	30/06/2023	31/12/2022	01/01/2022
Corporate income tax and dividend tax	388	4 879	29 179
Local business tax	5 190	-7 491	-8 112
Innovation contribution liability	-985	-3 491	-2 998
<b>Total</b>	<b>4 593</b>	<b>-6 103</b>	<b>18 069</b>

## 25. Equity

Share capital	30/06/2023	31/12/2022	01/01/2022
Opening value	631 155	631 155	631 155
Increase	0	0	0
Decrease	0	0	0
<b>Closing value</b>	<b>631 155</b>	<b>631 155</b>	<b>631 155</b>
Share premium	30/06/2023	31/12/2022	01/01/2022
Opening value	880 513	880 513	880 513
Increase	0	0	0
Decrease	0	0	0
<b>Closing value</b>	<b>880 513</b>	<b>880 513</b>	<b>880 513</b>
Share premium	30/06/2023	31/12/2022	01/01/2022
Opening balance of retained earnings	638 599	582 399	620 698
Dividends	0	0	0
Share-based payments reserve	2 083	0	23 603
Profit or loss for the period	14 219	80 732	250 843
<b>Total retained earnings:</b>	<b>654 901</b>	<b>663 131</b>	<b>895 144</b>

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

## 26. Share-based payments

### ESOP programmes

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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.

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.

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

### CEO stock option

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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).

The value of the option is calculated by the Company using the Black-Scholes model and 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.

## 27. Provisions for expected liabilities

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.

During transition to IFRS, the Company recognised provisions of thHUF 7,038 for the start of the comparative period for unused leave from the previous period. Such provisions were reversed in 2022. At 31 December 2022, the Company recognised provisions of thHUF 2,757 for unused leave.

Provisions	30/06/2023	31/12/2022	01/01/2022
Provisions for unused leave	2 757	2 757	7 038
Provisions for other expected liabilities	99 146	97 145	65 790
<b>Total provisions</b>	<b>101 903</b>	<b>99 902</b>	<b>72 828</b>

## 28. Long-term loans and borrowings

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

Loans and borrowings	30/06/2023	31/12/2022	01/01/2022
Short-term loans and borrowings	3 554 989	2 474 154	2 463 678
Long-term loans and borrowings	1 161 074	2 682 373	2 307 585
<b>Hitelek és kölcsönök összesen</b>	<b>4 716 063</b>	<b>5 156 527</b>	<b>4 771 263</b>

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 interest rates.

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

Long-term loans and borrowings broken down by loan scheme	30/06/2023	31/12/2022
Merkantil Bank Zrt. investment loan	0	0
MFB GINOP-1.2.3-8-3-4-16-2017-00895 combined loan	57 951	66 310
Funding for Growth Fix	92 454	95 908
Funding for Growth Hajrá	107 417	79 857
Funding for Growth Fix	159 999	171 429
Working capital loans	0	600 000
Funding for Growth Hajrá	0	500 000
Revolving working capital loans	0	560 000
Széchenyi Liquidity loan MAX (KAVOSZ)	140 741	0
Sale and leaseback financing	602 512	608 869
<b>Total long-term loans and borrowings</b>	<b>1 161 074</b>	<b>2 682 373</b>

## 29. 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	31/12/2022	01/01/2022
Property, plant and equipment	-73 828	-37 797
Provisions	8 991	6 555
Development reserve	-17 100	-17 100
Loss carryforward	0	0
Impairment losses on receivables	6 638	4 461
<b>Total</b>	<b>-75 299</b>	<b>-43 881</b>

## 30. Non-current finance lease liabilities

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

Lease liabilities	30/06/2023	31/12/2022	01/01/2022
Current finance lease liabilities	94 936	95 809	66 989
Non-current finance lease liabilities	134 243	96 740	87 555
<b>Total finance lease liabilities</b>	<b>229 179</b>	<b>192 549</b>	<b>154 544</b>

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.

## 31. Trade payables

Trade payables	30/06/2023	31/12/2022	01/01/2022
Trade payables	718 782	651 746	854 801
<b>Total trade payables</b>	<b>718 782</b>	<b>651 746</b>	<b>854 801</b>

## 32. 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.

<b>Short-term loans and borrowings broken down by loan scheme</b>	<b>30/06/2023</b>	<b>31/12/2022</b>
Merkantil Bank Zrt. investment loan	0	1 992
MFB GINOP-1.2.3-8-3-4-16-2017-00895 combined loan	13 395	13 395
Funding for Growth Fix	13 244	13 244
Funding for Growth Hajrá	40 000	0
Funding for Growth Fix	22 857	22 857
Working capital loans	600 000	0
Funding for Growth Hajrá	500 000	0
Revolving working capital loans	560 000	0
Széchenyi Liquidity loan MAX (KAVOSZ)	59 259	0
Overdraft facilities denominated in two currencies (HUF and EUR)	574 731	613 506
Sale and leaseback financing	1 171 503	1 809 160
<b>Total short-term loans and borrowings</b>	<b>3 554 989</b>	<b>2 474 154</b>

## 33. Other tax liabilities

<b>Other tax liabilities</b>	<b>30/06/2023</b>	<b>31/12/2022</b>	<b>01/01/2022</b>
Tax and contribution liabilities	36 302	30 265	27 483
VAT liability	217 566	401 042	433 538
<b>Other tax liabilities</b>	<b>253 868</b>	<b>431 307</b>	<b>461 021</b>

## 34. Other current liabilities

Other current liabilities	30/06/2023	31/12/2022	01/01/2022
Advance payments received from customers	328 294	843 346	994 768
Grant advances received	0	0	42 803
Down payment	6 651	21 706	28 439
Salaries and contributions of employees	46 193	45 659	34 951
Factoring of inventory financing	1 780 354	2 436 638	2 130 064
Other current liabilities	0	30 455	18 949
<b>Other current liabilities</b>	<b>2 161 492</b>	<b>3 377 804</b>	<b>3 249 974</b>

## 35. Current finance lease liabilities

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

Lease liabilities	30/06/2023	31/12/2022	01/01/2022
Current finance lease liabilities	94 936	95 809	66 989
Non-current finance lease liabilities	134 243	96 740	87 555
<b>Total finance lease liabilities</b>	<b>229 179</b>	<b>192 549</b>	<b>154 544</b>

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.

## 36. Corporate income tax liabilities

Income tax asset (+) / liability (-)	30/06/2023	31/12/2022	01/01/2022
Corporate income tax and dividend tax	388	4 879	29 179
Local business tax	5 190	-7 491	-8 112
Innovation contribution liability	-985	-3 491	-2 998
<b>Total</b>	<b>4 593</b>	<b>-6 103</b>	<b>18 069</b>

## 37. Accruals

Accruals	30/06/2023	31/12/2022	01/01/2022
Accruals - Deferred income (grants)	58 832	59 229	13 982
Accrued expenses	17 865	32 939	52 256
Prepaid income	71 347	73 914	62 797
<b>Passzív időbeli elhatárolások</b>	<b>148 044</b>	<b>166 082</b>	<b>129 035</b>

Accruals - Deferred income (grants)	30/06/2023	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	46 734	47 131	0
<b>Total</b>	<b>58 832</b>	<b>59 229</b>	<b>13 982</b>

## 38. 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.

### a) Business units

#### Sale of machinery

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The Company continues to be a major player in the sale of construction and agricultural machinery. A significant part of the annual revenue comes from the sale of construction and agricultural machinery. Currently, the sale of construction machinery is still dominant, accounting for 80 per cent of all machinery sales, but we are constantly striving to achieve as much of a balance in this regard as possible, and last year was no exception, either. To achieve this, we added more items to our product range. In the middle of 2022, we successfully entered into an agreement with KUHN MEZŐGAZDASÁGI GÉP Kft., a distributor of French machinery, thereby further expanding our product offering. This allows us to offer our customers more options and more solutions in one place.

As has been the case for many years, a major part of this year's revenue also came from the sale of construction and agricultural machinery.

Contrary to the trend observed in previous years, the business unit recorded a 19% decline in the first six months of 2023 compared to the same period of 2022. In assessing this phenomenon, we must consider several critical macroeconomic factors that had substantial impact on the market. The long-term economic effects of the war that broke out in 2022, 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 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, the prevailing interest rate environment had a profound impact on propensity to buy. The favourable financing solutions that we became used to were replaced by costly arrangements, with the only reasonable alternatives being the loans and lease 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. First, we identified changes in market needs by analysing economic processes, on the basis of which we adjusted the composition of the orders placed with our suppliers. After lengthy negotiations, we succeeded in developing an ideal product mix, allowing us not only to avoid an overall increase in inventory value, but also to achieve a considerable reduction in this regard. As a result, we managed to maintain a balance between turnover and costs despite a decline in turnover, as our inventory holding costs were also significantly reduced.

In addition to our procurement methods, we also made changes to our sales approach. 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 have adapted our operations accordingly. We have made our sales 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 have transformed ourselves from a company that satisfies customers' needs to one that generates demand.



As a means of providing value-added sales services, our objective is to deliver complex solutions to our clients 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. This required us to source new suppliers, strengthen existing partnerships, arrange for the necessary training and adopt an innovative approach. Through our joint efforts, we offer our customers forward-looking solutions and the possibility to work more efficiently using precision tools, whether in construction or agriculture.

We also changed our people workflow in order to improve efficiency. We increased the efficiency of our sales team through reorganisation, staff changes and process transformation.

As a result of these measures, we managed to keep the decline in turnover at a moderate level. In addition, we managed to not only maintain our market share, but also increase our share in certain segments. During the last six months, we expanded our operations in all of the categories where Develon is present. On average, we increased the brand's market share by more than 50% compared to the same period of the previous year. We managed to improve our share in both the under 10 ton category and the segment of large excavators. Although the number of Develon machines sold in the first half of 2023 was higher than in 2022, we recorded a slight decline in revenue as smaller machines represented a greater percentage of sales than last year.

For the Bobcat brand, the picture is more nuanced, since there were segments where we saw growth, but overall the brand's market share dropped. We have identified several factors causing this: on the one hand, customers shifted to cheaper brands due to liquidity shortage, and on the other hand, manufacturers were unable to supply us with machines in sufficient quantities for certain models, such as the most sought-after models of skid-steer and telescopic loaders.

The same trends can be observed in the market for agricultural machinery as in the case of construction machinery. Possibilities for securing external funding have become very limited here as well. High-value purchases of machinery depend on the implementation of projects for which grants were previously awarded. With this in mind, we focused on products that meet the requirements of entities that received such grants. This year, we maintained our share in the market for self-propelled precision sprayers. Additionally, through our closer cooperation with the Hungarian distributor of Kuhn agricultural machinery, we further expanded our product range targeting the agricultural industry.

In the current economic climate, opening up to new markets is the key to remaining competitive. This may be achieved through the expansion of our product offering, a more effective market presence supported by an active sales approach, or by entering external markets. Our objectives along this line rest on three main pillars: providing our existing customers with the widest possible range of products, actively expanding our existing customer base on an ongoing basis, and entering new markets.

### **Sale of spare parts**

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In 2023, we continued implementing our strategy formulated in the previous year. The primary objective was to maintain profitability while increasing turnover. In addition to human resource development, the implementation of new online sales channels to expand the range of agricultural products was a key part of our strategy. We are in the process of improving the functionality of our online store, and we began developing a plan for harmonising the sale of spare parts with the sale of machinery. At the same time, this also shifts potential customers from the sale of spare parts to the sale of machinery. As a result, our business unit achieved 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.

We were forced to develop our sales channels and pricing strategy by taking into account the above consumer attitudes and the range of products offered by our competitors.

We have strengthened our relationships with client representatives by maintaining the territorial division established in previous years. The sales routes that underpin our work were developed based on a thorough understanding of customers' needs, which helped improve the efficiency of our efforts. This allowed us to save considerable time and money in our day-to-day work.

The economic decline posed serious challenges for the spare parts business as well. Despite shrinking demand, management 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. The ongoing development of our human resources, both in terms of knowledge and work organisation, remains a key area for us. This is why we regularly organise training courses held by us and by our suppliers.

By launching new initiatives, we focused not only on our key brands, but also other brands we represent that have untapped potential. We developed bespoke services to serve the typically small and heterogeneous fleets of machinery.

With the diverse needs of our customers in mind, we continue to maintain several sales channels in order to provide a first-class service. Partners who prefer the quickest solutions are able to contact our sales representatives at our headquarters in person or over the phone, while those who favour personal contact can reach out to our regional representatives. Additionally, our online interface is available to those who prefer flexible solutions.

## Rental machinery business

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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. Starting in the middle of 2022, the consequences of the crisis made construction projects unpredictable, resulting in more customers turning to providers of rental machinery. This opened up opportunities for us to expand our customer base in the construction industry. Our strategy focuses on expanding our business of renting out construction machinery, in addition to meeting the current demand coming mainly from the agricultural sector. As for the future, our goal is to meet customer demand and follow market trends in this industry as well, with our services focusing mostly on long-term machinery rental.

Since 2022, we have further increased 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.

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.

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.

The modern and reliable brands we represent deliver the level of precision required by the leading companies in the industry, day after day. This has enabled us to further expand our customer base since 2022 as well. Maintaining the high quality of rental machinery will continue to be essential for preserving the long-term relationships we have established.

Within the agricultural market, heavy equipment and telescopic handlers remain the segments with the highest demand. This creates even more opportunities for the Company to expand in the market, especially for meeting demand generated by seasonal work.

For both key industries, there is a strong demand for cost-effective solutions to the shortage of skilled labour. Machinery rental arrangements are expected to continue to play an increasing role in the market in the coming years as well.

In the first half of 2023, our customers using rental machinery were still mostly companies from the agricultural sector. Increasing our role as a provider of rental machinery in the construction industry remains one of our objectives. In 2022, we began opening up to new partners by capitalising on the Company's human resource potential. Renting out machinery provides us with an additional opportunity to introduce our products to the market. In the case of rental, the requests we receive are for a specific type and size of machinery, and our goal is to provide the most suitable model available. Rental is the best way for our customers to get to know new and current models and their features during use.

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.

## **Servicing business**

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In 2023, the servicing business of DM-KER Nyrt. continued to focus on improving the quality of its servicing activities by expanding its team, increasing the number of service vehicles and improving its tools and other diagnostic equipment. In addition to ongoing internal training, training abroad also resumed, which is critical for keeping up to date with technologies used by manufacturers. We continuously develop the professional skills of our mechanics, enabling them to do their job faster and more accurately.

With the increase in the number of mechanics and 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 increased 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 previously defined 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.

Our newly established service station in Vámoszabadi was equipped and opened, allowing us to offer much more flexible services to our clients in the vicinity of the site.

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.

The development and testing of the new electronic record-keeping and worksheet management system which started in 2021 was completed in 2022, which means that our staff have been able to enjoy the benefits of the system in their day-to-day work since the first half of 2023. This speeds up the recording, tracking and allocation of incoming service requests to mechanics and allows worksheets to be generated and invoices to be issued more quickly.

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 this year is to increase the number of mechanics specialised in air conditioners in order to offer a wider range of servicing activities.

b) Segment reporting

<b>SEGMENT INFORMATION for H1 2023</b>	<b>Sale of machinery</b>	<b>Sale of spare parts</b>	<b>Machinery rental</b>	<b>Servicing</b>	<b>Total</b>
Net sales revenue	4 815 716	474 626	322 617	431 485	6 044 444
Other operating income	26	30	53 033	340	53 429
Income not directly attributable to segments					6 258
Cost of goods sold and mediated services	- 4 407 192	- 351 329	- 437	- 5 234	- 4 764 192
Operating expenses	- 86 042	- 12 721	- 86 723	- 294 678	- 480 164
Staff costs	- 117 905	- 52 066	- 9 947	- 153 941	- 333 859
Other expenses	- 7 248	0	- 6 258	- 443	- 13 949
Allocation between segments					0
Expenses not directly attributable to segments					- 353 172
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>197 355</b>	<b>58 540</b>	<b>272 285</b>	<b>- 22 471</b>	<b>158 795</b>
Depreciation and impairment	- 15 653	- 6 022	- 173 983	- 30 484	- 226 142
Depreciation and impairment losses not directly attributable to segments					- 49 607
<b>Earnings before interest and taxes (EBIT)</b>	<b>181 702</b>	<b>52 518</b>	<b>98 302</b>	<b>- 52 955</b>	<b>- 116 954</b>
Finance income					336 272
Finance costs					- 184 310
<b>Profit before tax</b>					<b>35 008</b>
Tax liability					- 20 789
Deferred tax liability					0
<b>Net profit or loss</b>					<b>14 219</b>
Assets by segment					7 984 815
Assets not directly attributable to segments					2 397 699
<b>Total assets</b>		<b>596 133</b>	<b>2 075 651</b>	<b>113 054</b>	<b>10 382 514</b>
Equity					1 977 884
Liabilities by segment		596 133	2 075 651	113 054	6 560 507
Liabilities not directly attributable to segments					1 844 123
<b>Total equity and liabilities</b>		<b>276 599</b>	<b>1 087 919</b>	<b>97 146</b>	<b>10 382 514</b>

<b>SEGMENT INFORMATION for H1 2023</b>	<b>Sale of machinery</b>	<b>Sale of spare parts</b>	<b>Machinery rental</b>	<b>Servicing</b>	<b>Total</b>
Net sales revenue	5 951 263	388 569	264 493	324 793	6 929 118
Other operating income	3 543	0	40 057	33	43 633
Income not directly attributable to segments					0
	- 4 999 590	- 280 088	- 5 227	- 4 913	- 5 289 818
Cost of goods sold and mediated services	- 116 402	- 10 511	- 68 304	- 218 451	- 413 668
Operating expenses	- 137 435	- 48 019	- 9 512	- 127 825	- 322 791
Staff costs	- 722	0	0	- 3 223	- 3 945
Other expenses					0
Allocation between segments					- 341 045
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>700 657</b>	<b>49 951</b>	<b>221 507</b>	<b>- 29 586</b>	<b>601 484</b>
Depreciation and impairment	- 10 020	- 4 075	- 135 372	- 18 019	- 167 486
Depreciation and impairment losses not directly attributable to segments					- 37 835
<b>Earnings before interest and taxes (EBIT)</b>	<b>690 637</b>	<b>45 876</b>	<b>86 135</b>	<b>- 47 605</b>	<b>396 163</b>

Finance income					132 657
Finance costs					- 296 524
<b>Profit before tax</b>					<b>232 296</b>
Tax liability					- 30 711
Deferred tax liability					0
<b>Net profit or loss</b>					<b>201 585</b>
Assets by segment		468 565	2 515 478	217 463	9 389 138
Assets not directly attributable to segments					3 134 947
<b>Total assets</b>		<b>468 565</b>	<b>2 515 478</b>	<b>217 463</b>	<b>12 524 085</b>
Equity					2 260 008
Liabilities by segment		189 426	946 059	172 246	8 071 846
Liabilities not directly attributable to segments					2 192 231
<b>Total equity and liabilities</b>		<b>189 426</b>	<b>946 059</b>	<b>172 246</b>	<b>12 524 085</b>

## 39. Financial instruments

2023.06.30		Fair value through profit or loss (FVTPL)	Loans, receivables and liabilities at amortised cost	Fair value through other comprehensive income (FVTOCI)	Total carrying amount
<b>Financial assets</b>					
Other non-current financial assets	Equity instruments	0	0	0	0
	Loans granted	0	0	0	0
	Deposits	0	0	0	0
	Finance lease receivables	0	0	0	0
	Other	0	0	0	0
<b>Total non-current financial assets</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Trade and other receivables			768 986	0	768 986
Finance lease receivables		0	0	0	0
Cash and cash equivalents		0	265 446	0	265 446
Equity instruments and securities		6 769	0	0	6 769
Other current financial assets	Loans granted	0	0	0	0
	Advances given	0	54 357	0	54 357
	Rental fee deposits	0	8 500	0	8 500
	Receivables from related parties	0	0	0	0
	Other	0	0	0	0
<b>Total current financial assets</b>		<b>6 769</b>	<b>1 097 289</b>	<b>0</b>	<b>1 104 058</b>
<b>Total financial assets</b>		<b>6 769</b>	<b>1 097 289</b>	<b>0</b>	<b>1 104 058</b>

30/06/2023	Fair value through profit or loss (FVTPL)	Loans, receivables and liabilities at amortised cost	Fair value through other comprehensive income (FVTOCI)	Total carrying amount
<b>Financial liabilities</b>				
Finance lease liabilities	0	229 179	0	229 179
Long-term loans and borrowings	0	1 161 074	0	1 161 074
<b>Total non-current financial liabilities</b>	<b>0</b>	<b>1 390 253</b>	<b>0</b>	<b>1 390 253</b>
Trade and other payables		718 782	0	718 782
Loans (short-term borrowings)		3 554 989	0	3 554 989
Advance payments received from customers		328 294	0	328 294
Advance payments received from the government		0	0	0
ESOP liabilities		0	0	0
Finance lease liabilities		229 179	0	229 179
Other current financial liabilities	0	0	0	0
<b>Total current financial liabilities</b>	<b>0</b>	<b>4 831 244</b>	<b>0</b>	<b>4 831 244</b>
<b>Total financial liabilities</b>	<b>0</b>	<b>6 221 497</b>	<b>0</b>	<b>6 221 497</b>



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
<b>Financial assets</b>					
Other non-current financial assets	Equity instruments	0	0	0	0
	Loans granted	0	0	0	0
	Deposits	0	0	0	0
	Finance lease receivables	0	0	0	0
	Other	0	0	0	0
<b>Total non-current financial assets</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Trade and other receivables		0	1 644 614	0	1 644 614
Finance lease receivables		0	0	0	0
Cash and cash equivalents		0	322 014	0	322 014
Equity instruments and securities		9 554	0	0	9 554
Egyéb rövid lejáratú pénzügyi eszközök	Loans granted	0	0	0	0
	Advances given	0	114 704	0	114 704
	Rental fee deposits	0	8 500	0	8 500
	Receivables from related parties	0	0	0	0
	Other	0	0	0	0
<b>Total current financial assets</b>		<b>9 554</b>	<b>2 089 832</b>	<b>0</b>	<b>2 099 386</b>
<b>Total financial assets</b>		<b>9 554</b>	<b>2 089 832</b>	<b>0</b>	<b>2 099 386</b>

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
<b>Financial liabilities</b>				
Finance lease liabilities	0	192 549	0	<b>192 549</b>
Long-term loans and borrowings	0	2 682 373	0	<b>2 682 373</b>
<b>Total non-current financial liabilities</b>	<b>0</b>	<b>2 874 922</b>	<b>0</b>	<b>2 874 922</b>
Trade and other payables		651 746	0	<b>651 746</b>
Loans (short-term borrowings)		2 474 154	0	<b>2 474 154</b>
Advance payments received from customers		843 346	0	<b>843 346</b>
Advance payments received from the government		0	0	<b>0</b>
ESOP liabilities		0	0	<b>0</b>
Finance lease liabilities		192 549	0	<b>192 549</b>
Other current financial liabilities	0	0	0	<b>0</b>
<b>Total current financial liabilities</b>	<b>0</b>	<b>4 161 795</b>	<b>0</b>	<b>4 161 795</b>
<b>Total financial liabilities</b>	<b>0</b>	<b>7 036 717</b>	<b>0</b>	<b>7 036 717</b>

Az amortizált bekerülési értéken értékelt pénzügyi instrumentumok valós értéke mindkét évben megközelítik a könyv szerinti értéküket.

## 40. Financial indicators

Key indicators of the Company's performance in the first half of 2023 and in the same period of the previous year:

Item	Formula	30/06/2023		30/06/2022	
		thHUF	%	thHUF	%
Return on assets I	Net profit or loss	14 219	<b>0,14%</b>	201 585	<b>1,66%</b>
	Total assets	10 382 514		12 147 850	
Return on assets II	Profit before tax	35 008	<b>0,34%</b>	232 296	<b>1,91%</b>
	Balance sheet total	10 382 514		12 147 850	
EBITDA margin	Earnings before interest, taxes, depreciation and amortisation (EBITDA)	158 795	<b>2,63%</b>	601 484	<b>8,68%</b>
	Net sales revenue	6 044 444		6 929 118	
Return on sales	Net profit or loss	14 219	<b>0,24%</b>	201 585	<b>2,91%</b>
	Net sales revenue	6 044 444		6 929 118	
Liquidity ratio	Current assets	6 222 548	<b>89,73%</b>	7 977 600	<b>110,71%</b>
	Current liabilities	6 934 868		7 205 762	
Solvency	Non-current assets + Current assets	10 382 514	<b>123,53%</b>	12 147 850	<b>119,60%</b>
	Liabilities	8 404 630		10 157 319	
Debt-to-equity ratio	Equity	1 977 884	<b>57,37%</b>	1 990 531	<b>40,28%</b>
	Equity + Non-current liabilities	3 447 646		4 942 088	
Debt coverage ratio	Equity	1 977 884	<b>23,53%</b>	1 990 531	<b>19,60%</b>
	Liabilities	8 404 630		10 157 319	
Gearing	Liabilities	8 404 630	<b>80,95%</b>	10 157 319	<b>83,61%</b>
	Total assets	10 382 514		12 147 850	
Cash-flow ratio	Net profit or loss + Depreciation	-261 530	<b>-4,33%</b>	-3 736	<b>-0,05%</b>
	Net sales revenue	6 044 444		6 929 118	
Asset turnover	Net sales revenue	6 044 444	<b>59,10%</b>	6 929 118	<b>57,80%</b>
	Assets - Prepayments	10 226 718		11 988 838	
Capital adequacy	Equity	1 977 884	<b>19,05%</b>	1 990 531	<b>16,39%</b>
	Total assets	10 382 514		12 147 850	

## 41. 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.

## 42. Events in H1 2023

The issuer adopted IFRSs on 1 January 2023.

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.

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.

## 43. Events after the interim period

The Company intends to amend Chapter 7 of its Statutes and approve a new consolidated version of its Statutes. The Board of Directors intends to carry out a capital increase based on the authorisation granted by the General Meeting.



## 44. 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 semi-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 H1 2023 and for the accuracy of the analyses and conclusions.

Szigetszentmiklós, 25 September 2023



Barnabás Kocsy  
DM-KER Nyrt.  
Chief Executive Officer



Judit Szegedi  
DM-KER Nyrt.  
Chief Financial Officer

The logo for DMKER features a stylized 'D' on the left, composed of a black arrow pointing right and a yellow arrow pointing left. To its right is a yellow 'M' with a black outline, followed by the letters 'KER' in a bold, black, sans-serif font.

**MEZŐGAZDASÁGI ÉS ÉPÍTŐIPARI GÉPEK**

DM-KER Nyilvánosan Működő Részvénytársaság

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