SG GROUP

Interim Consolidated Financial Statements
for the Six Months ended 30 June 2023
(Non-audited)

Budapest, 28. September 2023

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Sándor Zakor
Managing Director

Contents

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

INTERIM CONSOLIDATED BALANCE SHEET

Description	Ref.	30 Jun 2023	31 Dec 2022
Assets			
Fixed assets			
Property, plant and equipment	3.1	691,576	688,518
Other intangible assets	3.2	15,981,710	16,966,698
Goodwill	1.15	281,189	0
Investment property	3.3	5,490,946	5,482,298
Investments in equity instruments		1,427	1,540
Long-term receivables	3.4	101,964	126,970
Deferred tax assets	3.5	89,026	94,340
Total fixed assets		**22,637,838**	**23,360,364**
Current assets			
Inventories	4.1	25,760	36,773
Trade receivables	4.2	18,498,332	15,236,249
Other current assets and accruals	4.3	9,958,378	9,585,600
Cash and cash equivalents	4.4	2,559,285	2,361,530
Total current assets		**31,041,755**	**27,220,151**
Non-current assets held for sale	5	0	122,300
Total assets		**53,679,593**	**50,702,816**
Shareholder's equity and liabilities			
Share capital		3,600	3,600
Retained earnings		6,049,708	4,863,398
Valuation reserve		0	10,800
Other capital items		349,833	349,833
Ownership transaction		320,000	320,000
Exchange difference according to IAS 21		-24,398	100,901
Non-controlling interest		4,074,388	3,978,054
Total Shareholder's equity		**10,773,141**	**9,626,587**
Long-term liabilities			
Long-term loans	6.1	20,788,098	17,296,138
Deferred tax liabilities	6.3	362,727	456,925
Long-term provisions	6.4	3,672	3,672
Other long-term liabilities	6.2	1,213,752	1,274,123
Total long-term liabilities		**22,368,250**	**19,030,857**
Suppliers	7	1,035,965	1,427,409
Short-term loans	7.1	1,127,216	1,778,371
Short-term part of long-term loans	7	116,099	251,548
Short-term taxes payable	7	8,256,770	7,495,104
Short-term liabilities related to employee benefits	7.2	171,867	195,131
Other short-term liabilities and accruals	7.3	9,830,285	10,897,809
Total short-term liabilities		**20,538,202**	**22,045,372**
Liabilities related to assets held for sale		0	0
Total liabilities		**42,906,452**	**41,076,229**
Total equity and liabilities		**53,679,593**	**50,702,816**

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

INTERIM CONSOLIDATED PROFIT AND LOSS STATEMENT

Description	Ref.	H1 2023	H1 2022
Net sales	8	**52,611,941**	**40,386,802**
Material-type expenditures		141,158	65,404
Services used		1,893,876	1,689,683
Payroll costs		41,405,968	31,395,143
Depreciation and amortization		878,201	872,870
Other direct costs		2,044,130	972,194
Direct costs	9	**46,363,334**	**34,995,294**
Material-type expenditures		138,891	108,573
Services used		1,395,788	1,503,469
Payroll costs		2,445,029	1,892,808
Depreciation and amortization		272,404	208,823
Other indirect costs		96,176	63,110
Indirect costs	10	**4,348,288**	**3,776,782**
Change in fair value of investment property		0	0
Other income	12	1,712,451	1,793,317
Other expenses	12	578,548	824,655
Operating costs		**51,290,170**	**39,596,731**
Operating result		**3,034,222**	**2,583,388**
EBITDA		***4,184,828***	***3,665,081***
Financial revenues	13	816,772	479,130
Financial expenses	13	1,717,894	990,173
Financial results		**-901,121**	**-511,043**
Profit before tax		**2,133,101**	**2,072,346**
Tax expenses	14	604,885	501,029
Profit after tax from continuing operations		**1,528,216**	**1,571,317**
Profit (loss) from discontinuing operations		0	0
Profit (loss) for the period		**1,528,216**	**1,571,317**
Profit (loss) for the period		**1,528,216**	**1,571,317**
Other comprehensive income items		-191,499	147,070
Real estate revaluation gains		0	0
Exchange rate different IAS 21	15	-191,499	147,070
Income taxes related to other comprehensive income		0	0
Other comprehensive income for the period, after tax		**-191,499**	**147,070**
Total comprehensive income for the period		**1,336,717**	**1,718,387**

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

Breakdown of the first half of 2023 results based on the portion attributable to the parent company and the portion attributable to non-controlling interests:

Description	Profit (loss) for a period	Other comprehensive income	Full comprehensive profit/loss
Parent company part	1,175,510	-125,290	1,050,220
Part of a non-controlling interest	352,706	-66,209	296,497
Total	**1,528,216**	**-191,499**	**1,336,717**

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes	Share capital	Retained earnings	Revaluation surplus	Other capital items	Exchange difference according to IAS 21	Ownership transaction	Non-controlling interest	Total
Opening balance at 1 January 2022	**3,600**	**2,682,212**	**0**	**349,833**	**0**	**320,000**	**0**	**3,355,646**
Opening NCI appearing with acquisition							4,496,239	4,496,239
Net profit for the period	0	2,171,743	0	0	0	0	0	2,171,743
Dividends for external members	0	0	0	0	0	0	-1,076,422	-1,076,422
Exchange difference according to IAS 21	0	0	0	0	153,327	0	52,426	205,753
NCI changes related to profit as of 2022	0	0		0	0		505,811	505,811
Other changes	0	9,443	10,800	0	-52,426	0	0	-32,183
Balance at 31 December 2022	**3,600**	**4,863,398**	**10,800**	**349,833**	**100,901**	**320,000**	**3,978,054**	**9,626,587**

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

Changes	Share capital	Retained earnings	Revaluation surplus	Other capital items	Exchange difference according to IAS 21	Ownership transaction	Non-controlling interest	Total
Opening balance at 1 January 2023	**3,600**	**4,863,398**	**10,800**	**349,833**	**100,901**	**320,000**	**3,978,054**	**9,626,587**
Net profit for the period	0	1,175,510	0	0	0	0	352,706	1,528,216
Dividends for external members	0	0	0	0	0	0	-208,846	-208,846
Exchange difference according to IAS 21	0	0	0	0	-125,289	0	-66,209	-191,499
NCI resulting from subsidiary acquisition	0	0		0	0		18,684	18,684
Other changes	0	10,800	-10,800	0	0	0	0	0
Balance at 30 June 2023	**3,600**	**6,049,708**	**0**	**349,833**	**-24,389**	**320,000**	**4,074,388**	**10,773,141**

The ownership transaction represents the loan forgiven by the previous owner of SG. No profit was realized on the forgiven loan.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

INTERIM CONSOLIDATED CASH-FLOW STATEMENT

Description	Ref.		H1 2023	H1 2022
A. Cash flows from operating activities				
Profit before tax		+/-	**2,133,101**	**2,072,346**
Adjustments for:				
1. Depreciation	9,10	+	1,150,606	1,081,691
2. Foreign exchange gains/losses		+/-	-10,167	6,861
3. Interest and dividends received and paid		-	-420,535	-67,190
4. Interest expenses		+	994,984	620,316
5. Result on investment activities		+/-	-124	-530,147
6. Impairment and reversal of impairment		+/-	-3,333	67,904
7. Deferred income		-	-6,194	-6,271
8. Negative goodwill		-	0	-196,720
9. Other non-cash adjustment		+/-	-999,272	0
Changes in working capital:				
12. Changes in inventories		+/-	11,118	-3,784
13. Changes in trade receivables		+/-	-3,056,005	-2,350,003
14. Changes in other receivables and deferred income		+/-	-445,841	-1,878,221
15. Changes in non-current assets held for sale		+/-	122,300	92,820
16. Changes in liabilities related to assets held for sale		+/-	0	4,702
17. Change in short term liabilities, without loans and credits		+/-	1,229,995	1,350,024
18. Change in provisions		+/-	-8,896	-44,831
19. Other changes		+/-	-807	-749
20. Income taxes paid		-	-697,004	-630,206
21. Exchange differences arising on the revaluation of cash		+/-	-16,715	38,290
Net cash flows from operating activities			**-22,786**	**-373,169**
B. Cash flows from investing activities				
1. Sale of intangible and tangible fixed assets		+	350	530,353
2. Sale of shares		+	0	0
3. Interest revenue		+	291,311	914,190
4. Purchase of investment properties		-	-8,648	-60,910
5. Purchase of intangible and tangible fixed assets		-	-197,600	-560,078
6. Purchase of shares		-	-1,110,374	-11,646,600
7. Dividend received		+	129,224	0
7. Loans granted		-	-17,639	-34,579
8. Loan repayment		+	31,102	11,953
Net cash flows from investing activities			**-882,274**	**-10,845,672**
C. Cash flows from financing activities				
1. Proceeds from loans and credits		+	18,120,325	116,000,603
2. Issue of bonds		+	0	15,400,000
3. Dividends and other payments to shareholders		-	-500,000	-3,518,550
4. Repayments of loans and credits		-	-15,521,504	-116,111,815
5. Interest paid		-	-994,580	-620,316
6. Other long term liability changes		+/-	-1,426	336,175
Net cash flows from financing activities			**1,102,815**	**11,486,097**
D. Net change in cash and cash equivalents	4.4		**197,755**	**267,257**

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

SUPPLEMENTARY NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

I. GENERAL BACKGROUND

1. Information about SUN GROUP Kft. and its subsidiaries (hereinafter referred to as "SG Group")

1.1. General information of SG Group

SUN GROUP Kft. is owned by 3 legal entities on 30.06.2023, as follows:

- KKB & More Kft. - with a 33.33% ownership share;
- Wine & More Kft. - with a 33.33% ownership share;
- Sarud & More Kft. - with a 33.33% ownership share.

On 31.08.2023, 100% of the owners' shares were put into trust management.

SUN GROUP Kft. (hereinafter "SG") was established on 1 September 1995. Its main activity is leasing of own properties. SUN GROUP Kft. had no subsidiaries or other holdings until 31 December 2021.

Parent company	SUN GROUP Kft.
Headquarters	2724 Újlengyel, Ady Endre street 41.
Company registration no.	13-09-122185
Tax no.	12068920-213
Statistical no.	12068920-6810-113-13

Major transactions

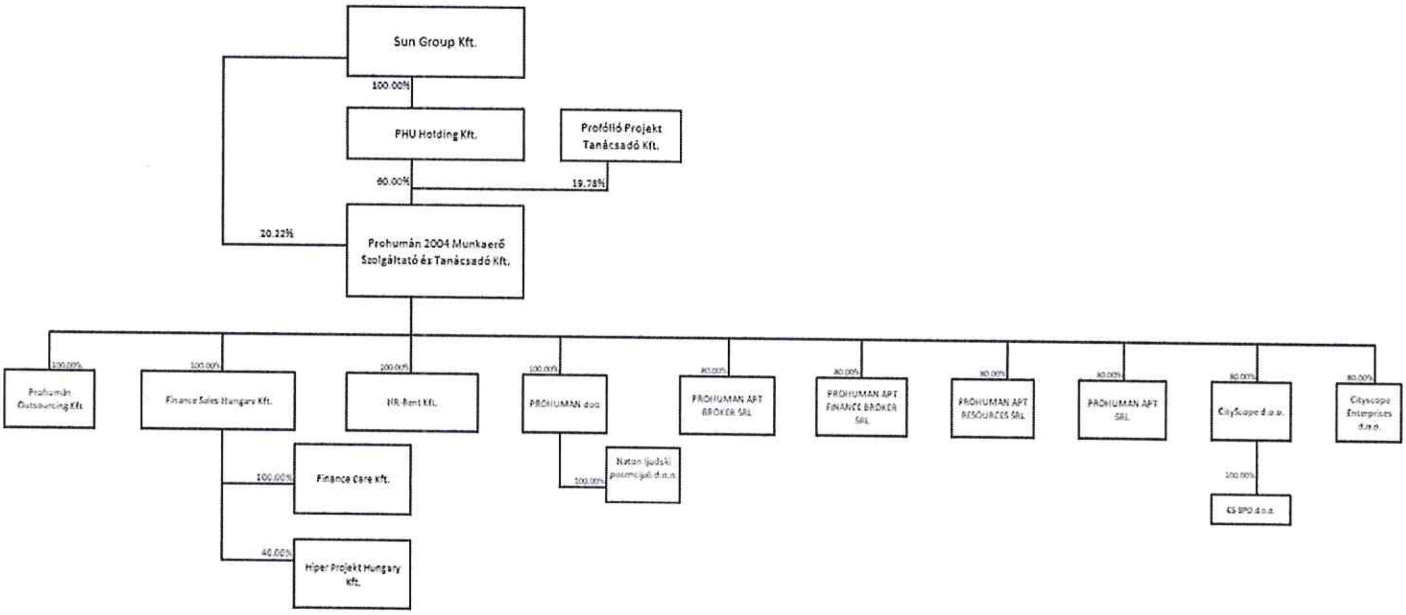
SG as buyer and GI GROUP POLAND S.A. ("Gi") as seller signed a sale and purchase agreement on 16 December 2021 about the purchase of 80.22% ownership stake in Prohumán 2004 Kft. (hereinafter "PHU") by SG. The closing date of the transaction was 19 January 2022, on which date SG acquired control over PHU.

Since the profit after tax of PHU from 1 January 2022 to 19 January 2022 is not considered significant, we considered 1 January 2022 as the date of acquisition and at the same time as the date of the first consolidation.

Minority owner of Prohumán 2004 Kft.

Profólió Projekt Tanácsadó Kft. (hereinafter "PPT") – owns 19.78% in Prohumán 2004 Kft.

SG has control over the following legal entities and at the same time SG Group consists of the following legal entities on 30 June 2023:



The basis for preparation of the interim consolidated financial statements of SG Group are the interim financial statements of SUN GROUP Kft. and those of its subsidiaries, prepared in accordance with International Financial Accounting Standards (hereinafter "IFRS") that have been approved by the European Union.

Individual financial statements, constituting the basis for preparation of the interim consolidated financial statements, have been prepared on the assumption of continuation of activities of entities within SG Group in the foreseeable future, and the belief that there are no circumstances indicating a threat to the continuation of activities.

The core businesses of the companies are:

- Rental of own properties,
- Temporary work,
- Selection and recruitment of employees,
- Personnel and payroll services, and
- Various outsourcing activities.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

1.2. Scope of activities of companies of SG Group

Group composition

Subsidiary	Headquarters	Ownership 30 June 2023	Ownership 31 Dec 2022
PHU Holding Kft.	1143 Budapest, Ilka utca 50.	60%	0%
Prohumán 2004 Kft.	1146 Budapest, Hungária körút 140-144.	80.22%	80.22%
Prohumán Outsourcing Kft.	1146 Budapest, Hungária körút 140-144.	80.22%	80.22%
HR-Rent Kft.	7624 Pécs, Ferencesek utcája 52.	80.22%	80.22%
Finance Sales Hungary Kft.	1146 Budapest, Hungária körút 140-144.	80.22%	80.22%
Finance Care Hungary Kft.	1146 Budapest, Hungária körút 140-144.	80.22%	80.22%
Hiper Projekt Kft.	1134 Budapest, Tüzér utca 39.	32,09%	0%
PROHUMAN kadrovsko svetovanje d.o.o.	Slovenia, 1231 Ljubljana- Cesta 24. junija 25.	80.22%	80.22%
Naton Ijudski potenciali d.o.o.	Croatia, Zagreb, Kralja Zvonimira 2	80.22%	80.22%
PROHUMAN APT SRL	Romania, Bucharest, Str. Av. Popisteanu 54A C	64.18%	64.18%
PROHUMAN APT RESOURCES SRL	Romania, Bucharest, Str. Av. Popisteanu 54A C	64.18%	64.18%
PROHUMAN APT BROKER SRL	Romania, Bucharest, Str. Av. Popisteanu 54A C	64.18%	64.18%
PROHUMAN APT FINANCE BROKER SRL	Romania, Bucharest, Str. Av. Popisteanu 54A C	64.18%	64.18%
CityScope Enterprises d.o.o.	Serbia, Beograd, Rige Od Fere 16	64.18%	0%
CityScope d.o.o.	Serbia, Beograd, Rige Od Fere 16	64.18%	0%
CS BPO d.o.o.	Serbia, Beograd, Rige Od Fere 16	64.18%	0%

General information

The group came into existence on 1 January 2022, when SUN GROUP Kft. became 80.22% owner of Prohumán 2004 Kft. Prior to this, SUN GROUP Kft. had no subsidiaries or other holdings. While SUN GROUP Kft. is active in the field of real estate leasing, Prohumán 2004 Kft. and its subsidiaries (hereinafter "Prohumán Group") are key player in the HR market.

On 11.05.2023, SG contributed 60% of PHU's shares to PHU Holding Kft., which company founded and 100% owned by SG. Regardless of this, the parent company of the Prohuman Group is SG, but its direct share decreased from 80.22% to 20.22%, while its indirect share via PHU Holding Kft. increased to 60%.

SUN GROUP Kft. – This is the parent company of the group, its main activity is rental of own properties.

PHU Holding Kft. – This is a holding company with no direct business activity.

Prohumán 2004 Kft. – The company is the largest HR service provider operating in Hungary. It provides complex HR services to its clients including temporary staffing (both domestic and international), selection and recruitment, payroll services etc.

Prohumán Outsourcing Kft. – Indirect subsidiary of SUN GROUP Kft., 100% owned by Prohumán 2004 Kft. It mainly provides outsourcing services.

Finance Sales Hungary Kft. – It is engaged in the provision of full-scope intermediary services of various financial products, i.e. financial outsourcing services. Prohumán 2004 Kft. owns 100% of the company.

Finance Care Hungary Pénzügyi Tanácsadó Kft. – As part of cooperation with insurance companies and banks, the company provides financial intermediary services. Finance Sales Hungary Kft. owns 100% of the company.

HR Rent Kft. – It owns 82.75% of the quotas of Prohuman 2004 Kft. which was acquired through a series of equity transactions. At the same time, 100% is taken into account among the shares, and at the same time a contingent consideration was also accounted for. The company provides HR services (temporary staffing, recruitment and outsourcing) in Hungary, Austria and Germany.

PROHUMAN kadrovsko svetovanje d.o.o.– It is one of the oldest HR agencies in Slovenia and provides temporary staffing and recruitment services. Prohumán 2004 Kft. owns 100% of the company.

Naton ljudski potencijali d.o.o. – The company covers Croatia with special skills recruitment. Naton kadrovsko svetovanje d.o.o. owns 100% of the company.

PROHUMAN APT SRL – The company was established in 1994 and it provides services related to temporary work, recruitment and selection of employees and HR outsourcing. Prohumán 2004 Kft. purchased 80% of the company in July 2017.

PROHUMAN APT RESOURCES SRL – The core operations of the company include providing temporary work. Prohumán 2004 Kft. purchased 80% of the company in July 2017.

PROHUMAN APT BROKER SRL – The company provides financial intermediation services for the banking sector. Prohumán 2004 Kft. purchased 80% of the company in July 2017.

PROHUMAN APT FINANCE BROKER SRL – The company provides financial intermediation services for the banking sector. Prohumán 2004 Kft. purchased 80% of the company in July 2017.

CityScope Enterprises d.o.o. – The Company is a key player on Serbian HR market and provides services related to temporary work, recruitment and selection of employees.

CityScope d.o.o. – The core operation is providing temporary workforce in Serbia.

CS BPO d.o.o. – The company has no business activity at this moment.

Person authorized to sign the interim consolidated financial statements:

- Sándor Zakor – managing director

Name and registration number of the person compiling the interim financial statements: Zsuzsanna Őz, registration number: 194863.

The date the interim financial report was authorised for issue: 28. September 2023.

1.3. Information about changes in structure of the business entity, including as a result of a business entity mergers and acquisitions

PHU concluded a new contract on 24.01.2023 for the purchase of the 30% share of HR-Rent Kft., in which it was established that the remaining ownership share will be purchased gradually, in the period up to 29.02.2024. The consideration for the remaining 30% ownership share was set at THUF 2,350,000. For this reason, this contract will affect the examination of changes in the fair value of the contingent consideration related to HR-Rent Kft.

PHU in the first half of 2023, 12.75% of the remaining business was purchased for THUF 1,000,000.

Finance Sales Hungary Kft. founded Hiper Projekt Kft. together with two other legal entities on 27.06.2023. Its first consolidation will take place on 01.07.2023. Since it is an associated company, it is consolidated using the equity method contained in IAS 28.

Moreover PHU concluded a sales contract with CityScope Enterprises d.o.o. and CityScope d.o.o. for the purchase of 80% ownership shares of companies. The acquisition will take place within the framework of a step-by-step acquisition, during which the purchase price will be paid by the buyer in 3 instalments, no later than 29.02.2024. The closing date of the transaction is 20.03.2023, while the date of the first consolidation is 31.03.2023.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

II. Description of relevant accounting policies applied

1.4. Basis of preparation of financial statements

The Interim Consolidated Financial Statements of SG Group are prepared on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and have been effective as at 30 June 2023.

1.5. Going concern

The Interim Consolidated Financial Statements of SG Group have been prepared on the assumption of continuation of business activity by the group companies in an unchanged form and scope for a period of at least 12 months from the date of preparation of these interim consolidated financial statements. In the opinion of the management at the date of approval of these interim consolidated financial statements, there are no reasons and circumstances indicating a threat to the continuation of activities.

1.6. Reporting currency

Hungarian Forint is the measurement currency of SUN GROUP Kft. and of the other companies included in the interim consolidated financial statements and the reporting currency of these interim consolidated financial statements. Individual financial statements of foreign companies are converted to the presentation currency (Hungarian Forint) based on IAS 21.

1.7. Basic accounting principles

The interim consolidated financial statements and comparative information have been prepared in accordance with the applicable accounting principles. These interim consolidated financial statements give a true and fair view of the financial position of SG Group. Rules (policies) adopted for the preparation of these interim consolidated financial statements have been applied consistently and in accordance with the accounting principles applied.

1.8. Principles of consolidation

These interim consolidated financial statements include the interim financial statements of SUN GROUP Kft. and the interim financial statements of its subsidiaries prepared for on 30 June 2023. The interim financial statements of the subsidiaries, after adjustments made to ensure compliance with IFRS, are prepared for the same reporting period as the report of the parent company, using consistent accounting policies for transactions and economic events of similar nature. Adjustments have been made to eliminate any differences in the accounting methods applied by different SG Group entities.

All significant balances and transactions between SG Group entities, including unrealised profits arising from intra-group transactions, are eliminated in full. Unrealised losses are eliminated unless they prove impairment.

1.9. Investments in associated companies

Investments in associated companies are accounted for using the equity method. These are entities over which the parent company directly or through its subsidiaries has significant influence and which are neither subsidiaries nor joint ventures. The financial statements of associates are the basis for valuation of the parent company using the equity method. The financial period of the associates and the parent company is the same.

Associates apply accounting policies in accordance with the legal provisions relevant to their location. Before calculating the share of net assets of associates, adjustments have been made to bring the financial data of these entities into conformity with IFRS adopted by SG Group. Investments in associated companies are recognised in the balance sheet at purchasing cost plus the subsequent changes of the parent company share in net assets of these entities, less any impairment loss on the value. The share of the profits or losses of associated companies is reflected in the consolidated profit or loss. The adjustment of the balance value may also be necessary due to changes in the proportion of shares in an associated company, arising from changes in other comprehensive income of that entity. Evaluation of investments in associated companies for impairment occurs when there are indications that an impairment loss occurred or write-down for impairment recognised in prior years is no longer required.

1.10. Merger of business entities

Merger of entities and separated parts of business are accounted using the purchase method. The cost of merger of entities are measured at fair value (at the date of payment) of the assets given, liabilities incurred or assumed, and equity instruments issued by SG Group in exchange for control of the acquiree, plus any costs directly attributable to the merger of entities. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business combinations are recognised at fair value at the acquisition date, except for non-current assets (or disposal groups) classified as held for sale in accordance with IFRS 5 "Non-current Assets held for Sale and Discontinued Operations", recognised and measured at fair value less costs of sale.

1.11. Conversion of items expressed in foreign currency

Transactions denominated in currencies other than Hungarian Forint are converted into Hungarian Forint using the exchange rate prevailing on the transaction date.

At the balance sheet date, monetary assets and liabilities denominated in currencies other than Hungarian Forint are converted into Hungarian Forint using the effective exchange rate of the given currency as published by the National Bank of Hungary at the end of the reporting period. Exchange differences, resulting from conversion, are recognised in financial income (expense) or, in cases of certain accounting principles (policy), capitalised in the value of assets. Non-monetary assets and liabilities, measured at historical cost in a foreign currency, are recorded at the historical exchange rate on the transaction date.

At the reporting date, the assets and liabilities of foreign subsidiaries are converted into the presentation currency of SG Group at the exchange rate prevailing at the balance sheet date and their profit and loss accounts are converted at the weighted average exchange rate for the reporting period. Exchange differences arising on the conversion, are recognised directly in equity as a separate component.

1.12. Tangible fixed assets

Tangible fixed assets are stated at acquisition/manufacturing cost less accumulated depreciation and any write-downs for impairment. The initial value of fixed assets comprises its purchase price and any costs directly associated with the purchase and with bringing the asset to usable condition. The cost also includes the cost of replacing parts of machinery and equipment when incurred, if the recognition criteria are met. Costs incurred after transferring the asset into use, such as maintenance and repair costs, are charged to the profit and loss account, when incurred.

Fixed assets are depreciated using a linear depreciation method during the period corresponding to the period of its economic utility. SG Group's depreciation rates are as follows:

- Buildings and structures: 2% - 20%
- Machinery and equipment: 10% - 50%
- Means of transport: 20% - 33%
- Other fixed assets: 10% - 33%

If during the preparation of the interim financial statements there are circumstances indicating that the carrying value of tangible fixed assets may not be recoverable, the review of these assets for possible impairment shall be carried out. If there are indications that impairment could occur and the carrying value exceeds the estimated recoverable amount, the value of the asset or cash-generating unit, to which the assets belong, is reduced to its recoverable amount. The recoverable amount is the higher of the following two values: fair value less cost of sale or value in use in determining value, the estimated future cash flows are discounted to their present value using a gross discount rate reflecting current market assessments of the value of money at the time and the risk related to the particular asset. In case of an asset that does not generate cash inflows that are largely independent, the recoverable amount is determined for the cash-generating unit to which the asset belongs to. At each balance sheet date, SG Group assesses whether there is any indication that the write-down due to loss of value that was recognised in prior periods for an asset is irrelevant or whether it should be reduced.

A given item of tangible fixed assets may be derecognised from the balance sheet upon disposal or when the company does not expect any economic benefits arising from the continuing use of the asset. Any profits or losses arising on derecognition of an asset (calculated as the difference between net sales proceeds and the carrying amount of the asset) are recognised in profit and loss account in the period in which such derecognition was carried out.

Capital investments in progress relate to assets under construction or assembly and are recognised at purchase price or production cost. Fixed assets under construction are not depreciated until completion of construction and transfer of the asset into use.

The residual value, the useful life and the depreciation method of assets are verified and, if necessary adjusted at the end of each financial year.

1.13. Costs of external financing

Costs of external financing directly attributable to the acquisition, construction or production of assets that require a substantial period in order to bring them into use are capitalised as part of the cost of acquisition or production until the assets are ready for use or sale. External financing costs consist of interest and profits or losses from exchange rate differences applicable to the amount of the interest cost. Other external financing costs are recognised as expenses when incurred.

1.14. Investment real estates

Investment real estates are treated by SG Group as a source of rental income generation or is otherwise intended for income generation through resale of the real estate. Such real estate is not used in the ordinary course of business of the entity. Initially, investment real estate is measured at cost of acquisition or production cost, including the cost of the transaction. At balance sheet date investment real estate is measured at fair value and SG Group does not calculate depreciation for such properties. These real estates do not fall under the scope of the IAS 36 "Impairment of Assets" standard; the difference resulting from the changes in fair value, whether negative or positive, is recognized by SG Group in the profit for the given year.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

1.15. Goodwill

The goodwill on the acquisition of a business entity is initially recognised according to the purchase price, which constitutes the excess of the cost of merger of business entities over the share of parent company acquiring in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is recognised at purchase price less any accumulated impairment losses. The impairment test is carried out once a year. The goodwill is not subject to depreciation. At the acquisition date, the acquired goodwill is allocated to each cash-generating unit that can benefit from merger synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates to. Where the recoverable amount of the cash-generating unit is less than its carrying value, write-down for impairment is recognised. If the goodwill forms part of the cash-generating unit and there is a sale of part of the business within that unit, when determining the profit or loss from the sale of such business, goodwill associated with the business sold is included in the carrying amount. In such circumstances, sold goodwill is determined on the basis of relative values of the sold business and the remaining part of the cash-generating unit.

Goodwill and negative goodwill in connection with the acquisition of PHU

During the Purchase Price Allocation (hereinafter "PPA"), the fair market value of the assets and liabilities of the acquired entities was determined simultaneously with the date of acquisition of control over Prohumán 2004 Kft. and its subsidiaries (hereinafter "Prohumán Group") in accordance with the rules of the IFRS 3. During the PPA, all assets and liabilities that are balance sheetable at the consolidated level were identified, and those assets and liabilities that cannot be included at the IFRS level were omitted.

At the time of the acquisition, negative goodwill was identified, which was immediately credited to the result.

The summary of the goodwill/negative goodwill arising from the acquisition is presented in the following table:

Description	Prohumán Group
Consideration paid (cash)	11,646,600
Loan Liability assumed by the seller	4,325,637
Total purchase price (1)	**15,972,237**
Prohumán Group's total assets	**42,117,025**
Prohumán Group's total liabilities	**21,451,828**
Non-controlling interest	509,428
Equity proportional net asset value (80.22%) (2)	**16,168,957**
Negative goodwill (1)-(2)	**-196,720**

The negative goodwill generated during the sale and purchase transaction is primarily explained by the fact that Gi (at that time the company was named Work Service S.A.), faced financial difficulties due to its high level of indebtedness and operational losses. As a consequence, it was not able to perform its payment obligations under the original sale and purchase agreement dated 2013 between PPT and Gi about the 100% purchase of PHU by Gi and 19.78% ownership stake remained in the possession of PPT.

Goodwill and negative goodwill in connection with the acquisition of CityScope Enterprises d.o.o.

During the Purchase Price Allocation (hereinafter "PPA"), the fair market value of the assets and liabilities of the acquired entities was determined simultaneously with the date of acquisition of control over CityScope Enterprises d.o.o. in accordance with the rules of the IFRS 3. During the PPA, all assets and liabilities that are balance sheetable at the consolidated level were identified, and those assets and liabilities that cannot be included at the IFRS level were omitted.

We draw your attention to the fact that the definition of goodwill presented here is not yet final, its quantification is in progress taking into account the 1-year measurement period from the acquisition, included in paragraphs IFRS 3.45-50.

Due to the above, the previously established amount of goodwill is THUF 281,189, which is still being finalized.

Goodwill established according to the currently available information was included in the balance sheet.

Goodwill and negative goodwill in connection with the acquisition of CityScope d.o.o.

During the Purchase Price Allocation (hereinafter "PPA"), the fair market value of the assets and liabilities of the acquired entities was determined simultaneously with the date of acquisition of control over CityScope d.o.o. and its subsidiary (hereinafter "CS d.o.o Group") in accordance with the rules of the IFRS 3. During the PPA, all assets and liabilities that are balance sheetable at the consolidated level were identified, and those assets and liabilities that cannot be included at the IFRS level were omitted.

We draw your attention to the fact that the definition of goodwill presented here is not yet final, its quantification is in progress taking into account the 1-year measurement period from the acquisition, included in paragraphs IFRS 3.45-50.

Due to the above, the previously established amount of goodwill is THUF 30,598, which is still being finalized.

Pursuant to the accounting policy, the goodwill arising from the acquisition that did not reach a materiality value of MHUF 50 was charged to the profit, it was not included in the balance sheet as an intangible asset.

1.16. Intangible assets

Intangible assets purchased in separate transactions are initially measured at acquisition or production cost. Purchase cost of intangible assets acquired in a merger of business entities is equal to their fair value at the date of the merger. Following initial recognition, intangible assets are recognised at acquisition or production cost less accumulated amortization and/or write-downs for impairment. Capital expenditure on intangible assets generated internally, excluding capitalised development costs, are not capitalized, but are recognised in expenses in the period in which they are incurred.

SG Group determines whether the useful life of an intangible asset is finite or indefinite. Intangible assets with finite lives are depreciated over their useful economic life and submitted to tests for impairment whenever there are indications of impairment. The amortization period and the amortization method for intangible assets with finite lives are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected manner of consumption of future economic benefits embodied in the asset are recognised by changing the depreciation period or method and treated as changes in accounting estimates. Depreciation charge on intangible assetswith finite lives is recognised in the profit and loss statement in the expense category consistent with the function of the intangible asset.
Intangible assets are amortized using the linear amortization method during the period corresponding to the period of its economic utility. SG Group's amortization rates are as follows:

- Software: 20%
- Other intangible assets: 20%
- Customer contract portfolio: according to attrition determined on the basis of historical sales data

Intangible assets with indefinite useful lives and those that are not used are annually tested for possible impairment in respect of individual assets or at the level of the cash-generating unit. In case of other intangible assets, there is an assessment made every year, whether there are any circumstances that may indicate impairment in their value. Research costs are expensed in the profit and loss account as incurred. Expenditures for research and development performed in the framework of a project are transferred to the next period, if it can be assumed that that they will be recovered in the future. After the initial recognition of the development expenditure, the historical cost model is applied requiring the asset to be recognised at purchase price less any accumulated depreciation and accumulated write-down for impairment. Any expenditure carried forward to another period is depreciated over the expected period of obtaining revenue from the sale of the given project. Development costs are subject to evaluation for impairment on a yearly basis - if the asset is not yet in use, or more often - when during the reporting period evidence of impairment appears, indicating that the carrying amount may not be recoverable.

1.17. Recoverable value of long-term assets

At each balance sheet date, SG Group assesses assets for the existence of indications of impairment. In case such an indication exists, SG Group makes a formal estimate of the recoverable value. Where the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount it is deemed to be impaired and an impairment of its value is recognised to the recoverable amount. The recoverable amount is the higher of the fair value less the costs of sale or of the value in use of an asset or the cash-generating unit.

1.18. Financial instruments

A financial instrument is a contractual agreement that results in a financial asset for one party and a financial liability or equity instrument for the other party.

Financial assets

Financial assets can typically be the followings:

- Cash and cash equivalents;
- Another party's capital instrument (e.g. shares);
- Contractual right to receive funds or other financial assets from another party (e.g. trade receivables, loans or debt-type securities);
- The exchange of financial assets or liabilities under presumably favorable conditions (derivative financial asset).

Financial assets must be classified into one of the following valuation categories based on the business model used by the company to manage financial assets and the cash flow characteristics resulting from the contract of the financial asset:

- measured at amortized cost;
- measured at fair value through other comprehensive income;
- measured at fair value against profit.

SG Group does not classify financial assets in the category valued at fair value against other comprehensive income; it values all its financial assets at fair value against profit, or records them at amortized cost.

Financial assets valued at fair value against the result are recognized at fair value, while transaction costs are accounted for in the income statement.

Impairment of financial assets

For financial assets valued at amortized cost, it may become necessary to account for a loss of value, which must be accounted for in the income statement, against the decrease in the book value of the corresponding financial asset.

The expected credit loss over the entire duration of the claim is used to evaluate the claim assessed using the simplified approach. Thus, with the exception of insolvency, neither indicators of a significant increase in credit risk nor cases of default affect the simplified approach. The simplified approach is used by the company in case of receivables from customers, contractual assets and lease receivables.

General approach

Based on the expected credit loss model, financial instruments are classified into different risk groups. The classification is based on changes in the credit risk of the financial instrument. The relative credit risk model is used to assess increased credit risk. The increase in credit risk compared to the initial presentation is reflected in the reclassification of financial instruments between groups.

Financial assets recorded at amortized cost

SG Group evaluates the following financial assets at amortized cost:

- funds and bank deposits;
- trade receivables;
- employee loans;
- debt securities (discount treasury bills, government bonds);
- other claims.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and all other highly liquid deposits and securities with an original maturity of no more than three months, but do not include overdrafts. Records of inflows and outflows of cash in foreign currency is converted at the exchange rate published by the National Bank of Hungary on the last working day preceding the date of the transaction.

Trade receivables

SG Group - taking advantage of the opportunity provided by IFRS 9 - applies a simplified valuation model for its financial assets classified as trade receivable and other non-derivative financial assets, i.e., in case of trade receivables that do not include a significant financing component, the expected lifetime credit loss is used the valuation instead of the 12-month expected credit loss.

In the case of customer receivables, SG Group determines the amount of the required impairment on a portfolio basis, i.e., to determine the amount of the expected credit loss, the customer receivables were grouped based on the number of days overdue.

Financial assets valued at fair value against profit or loss

Debt instruments that do not meet the conditions to be initially classified at amortized cost must be measured at fair value through profit or loss. The valuation category "financial assets at fair value through profit or loss" includes the following financial assets:

- Securities embodying a credit relationship, which were acquired by SG Group not primarily for holding-to-maturity purposes.
- Capital instruments, which are basically acquired by SG Group for the purpose of resale in the near future, and thus are considered held for trading purposes.
- Derivative financial instruments.

Financial assets valued at fair value through profit or loss must also be maintained at fair value subsequent to their initial recognition. Profits or losses resulting from changes in the fair value must be accounted for in the income statement in the year in which they arise.

Financial liabilities

Financial liabilities can be valued in two ways:

- at fair value against the result, or
- at amortized cost.

Financial liabilities valued at fair value against profit or loss

Typically, only derivative financial instruments (derivatives) are included in this category.

SG Group does not apply hedge accounting, so all derivative products fall into the category valued at fair value against the result.

Derivatives must be valued at the fair value valid on the day the contract was entered into, and they must be valued at fair value thereafter, and the profit and loss achieved during the period must be accounted for in the income statement.

Financial liabilities recorded at amortized cost

This category includes all financial obligations that SG Group does not value at fair value against the result. Thus, apart from derivatives, all other financial liabilities are included in this category.

Financial liabilities other than derivatives must be shown in the balance sheet at their fair value less transaction costs when they arise.

Long-term and/or interest-bearing liabilities (e.g., loans, leases) must be shown at the amortized cost value determined using the effective interest rate method. The effective interest must be accounted for in the income statement during the term of the obligation.

1.19. Inventories

Inventories must be recorded at the lower of net realizable value and of cost. This means that the acquisition or conversion costs must be compared with the net realizable value and if the net realizable value is lower on the balance sheet date, the value of the stock must be reduced to the net realizable value, so an impairment loss must be accounted for.

1.20. Provisions for liabilities

Provisions are recognised when SG Group has a legal or constructive obligation resulting from past events and it is certain or highly probable that the fulfilment of this obligation will cause an outflow of resources embodying economic benefits, and if it is possible to make a reliable estimate of this obligation.

1.21. Leasing

Identification of leases

According to IFRS, a lease is a contract (or part of a contract) that transfers the right to use a specific asset (the leased asset) for a certain period of time in exchange for consideration.

In case of the following contracts, it is not necessary to apply the rules of IFRS for leases:

- Passes for a period of less than 12 months (exemption for short-term leases); and
- Rental/leasing contracts for new assets under USD 5,000 (exemption for low-value assets).

If a lease contains a purchase option, the short-term lease exemption may not be applied, regardless of whether or not it is reasonably likely to be exercised.

Measurement at recognition

SG Group, as the lessee, must display a right-of-use asset and a lease liability on the start date of the lease, i.e., on the day the lessor transfers the leased asset to SG Group for use.

The initial value of the lease obligation is equal to the present value of the future lease payments, while the initial value of the right-of-use asset is the initial value of the lease obligation plus the initial costs associated with the acquisition of the asset and the value of lease payments paid before the beginning of the term, less incentives received.

On the starting date, SG Group must evaluate the lease liability as the present value of the lease payments that have not been paid up to that date. The lease payments must be discounted using the lease's implicit lease interest rate, if it can be easily determined. If this interest rate is difficult to determine, SG Group's latest known interest rate must be used for discounting.

The implicit interest rate is the interest rate at which the present value of the lease payments and the non-guaranteed residual value equals the sum of the leased asset's fair value and the lessor's initial direct costs.

Measurement after initial recognition

After the starting date, the lease liability must be valued as follows:

- the obligation increases due to interest accrued;
- the liability is reduced due to the lease fees paid; and
- the value of the obligation may change:
    - due to its reassessment, or
    - due to modification of the rental agreement.

Similar to financial liabilities, lease obligations must be valued at amortized cost, evenly distributed over the term of the lease.

After recognition, SG Group must value the right-of-use asset using the cost model:

- reduced by accumulated depreciation and impairment losses; and
- adjusted to the lease liability with adjustments due to revaluations or lease modifications.

Accounting for the depreciation of the right-of-use asset is the same as the method used for tangible assets.

1.22. Deferred tax

The economic purpose of accounting for deferred tax is to ensure that the pre-tax profit calculated according to IFRS and the profit tax expense accounted for according to IFRS are in harmony as much as possible, and also to present the tax elements burdening or becoming deductible in later periods.

Deferred tax is determined using the balance sheet method, so the basis of the deferred tax to be shown in the balance sheet is the difference between the accounting value of assets and liabilities according to IFRS and the value shown in the balance sheet prepared according to the tax law.

Most deferred tax assets and liabilities arise when the income or expenditure appears in the accounting profit in one period, while it is taken into account in the taxable profit in another period. Deferred tax related to these transactions must be recognized in the income statement.

Deferred tax assets and liabilities must be shown net in the balance sheet, depending on the sign of the net balance as assets or liabilities, classified as long-term in both cases, regardless of whether they will be reversed within a year.

The actual tax receivables and liabilities must be shown separately in the balance sheet for each tax authority (local and state), as receivables or liabilities, in both cases classified as short-term.

1.23. Revenues

The basic principle of revenue recognition is that in order to demonstrate the delivery of the promised products or services to the customer, SG Group must show revenue in an amount that reflects the consideration to which SG Group expects to be entitled for the said products or services.

The sales revenue is determined and accounted for according to the 5-step model detailed below:

- Identification of the contract;
- Identification of performance obligations;
- Determination of the transaction price;
- Allocation of transaction price to performance obligations;
- Accounting for revenue.

SG Group must show the additional costs related to the conclusion of the customer contract as an asset if it expects to recover these costs. Ancillary costs of concluding a contract are costs that are incurred by SG Group in connection with the conclusion of the customer contract, and would not arise without the conclusion of the contract.

Contractual costs that would arise even without the conclusion of a contract must be shown as costs when incurred, unless they are specifically charged to the customer even in the absence of a contract. SG Group immediately accounts for the additional costs of concluding the contract as costs when they arise, if they would be amortized within a maximum of one year after they were capitalized as assets.

Revenues from the provision of services are recognized in the period of performance.

Revenues from commission contracts where SG Group acts as an intermediary, together with directly related expenses (net manner) are presented and accounted for in the performance period.

Revenue recognition (based on IFRS 16)

Rental fees from operating leases are settled linearly over the duration of the lease.

1.24. Dividends

Revenue from dividends is recognized when SG Group becomes entitled to payment.

1.25. Estimation of the fair value and the important estimates and assumptions

The preparation of financial statements in accordance with IFRS required the use of certain critical accounting estimates and the application by the management own judgements. Areas where estimates and judgements are important for the presented financial statements refer to:

- estimates of write-downs on receivables - the level of value write-downs of receivables is established taking into account the expected risk associated with receivables and collateral made that affect the effectiveness of the recovery, despite the fact that the assumptions are based on best knowledge, actual results may differ from expected;
- write-downs of goodwill – are estimated based on assumptions of the management regarding the determination of the recoverable amount. SG Group shall disclose the major indications of impairment, the applied models, discount rates and growth rates;

- evaluation of the potential costs associated with fiscal and court proceedings pending against SG Group – during the preparation of interim financial statements, the opportunities and risks associated with such proceedings are always analysed and according to the results and outcomes of such analysis the reserves for potential losses are created – however, one cannot exclude the risk that a court or a tax authority will issue a judgement or a decision different from the expectations of entity and established reserves may not be sufficient.

Estimates and judgements are subject to SG Group's periodic verification.

2. The effect of application of new accounting standards and changes in accounting policies

The accounting principles adopted in these interim consolidated financial statements were applied on a continuous basis and are compliant with the accounting principles applied in the last audited annual consolidated financial statements prepared in accordance with IFRS approved by the European Union for the 30 June 2023, apart from changes described below.

IFRS - Standards and interpretations binding in the reports for the annual periods starting on 1 January 2023 or later

Newly effective EU-endorsed standards for 1 January 2023

New IFRS 17 "Insurance Contracts"

- IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.
- The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.] Effective January 1, 2021. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

Changes in IAS 1 "Presentation of financial statements" classification of liabilities as current or non-current

- On 23 January 2020 the IASB issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.
- Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

- A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. The Board has now clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.
- The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

Definition of Accounting Estimate (Amendments to IAS 8)

- The IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

- The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

- The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

- The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendment.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

- On 7 May 2021 the IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.
- The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. For leases and decommissioning obligations, the related deferred tax assets and liabilities are recognized from the beginning of the earliest comparative period presented, and any cumulative effect is recognized as an adjustment to retained earnings or other components of equity at that date.
- The amendments are effective for annual periods beginning on or after 1 January 2023.

Non-binding standards (new standards and interpretations)

In these interim consolidated financial statements SG Group has decided not to earlier apply the published standards or interpretations prior to their effective date.

SG Group applied all the standards, which had effect on its operations as from 1 January 2023.

IFRS - Standards and interpretations still not binding in the reports for the annual periods starting on 1 January 2023 or later

Lease Liability in a Sale and Leaseback - Amendments to IFRS 16

- The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.
- Under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

- The IASB's amendments apply to supplier finance arrangements that have all of the following characteristics.
- A finance provider pays amounts a company (the buyer) owes its suppliers. A company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid. The company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date. The amendments do not apply to arrangements for financing receivables or inventory.
- The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.
- The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

Lack of exchangeability (Amendments to IAS 21)

- In August 2023, the International Accounting Standards Board (IASB) amended IAS 21 to clarify: when a currency is exchangeable into another currency; and how a company estimates a spot rate when a currency lacks exchangeability.
- A currency is exchangeable into another currency when a company is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, a company needs to estimate a spot rate.
- Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:
    - the nature and financial impacts of the currency not being exchangeable;
    - the spot exchange rate used;
    - the estimation process; and
    - risks to the company because the currency is not exchangeable.
- The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

III. EXPLANATORY NOTES

3. FIXED ASSETS

SG Group had the following fixed assets on 31.12.2022 and 30.06.2023

3.1. Own property, plant and equipment movement

data in THUF

Description	Own property	Plant and equipment	WIP	Total
Opening gross value:				
01.01.2022	0	114,684	84,338	199,022
Growth due to the acquisition of subsidiaries +	408,362	555,625	0	963,987
Increase +	26,057	189,346	0	215,404
Sale -	0	12,903	0	12,903
Activation -	0	0	69,117	69,117
Scrapping -	0	0	0	0
FX differences	0	10,144	0	10,144
Reclass to Non-current Assets Held for Sale -	0	0	0	0
Reclass from investment property	0	0	0	0
Change in fair value recognized against OCI	0	0	0	0
Gross value 31.12.2022	**434,419**	**856,896**	**15,221**	**1,306,537**
Depreciation and amortization:				
01.01.2022	0	64,928	0	64,928
Growth due to the acquisition of subsidiaries +	33,235	388,582	0	421,818
Increase +	13,474	124,016	0	137,490
Sale -	0	12,698	0	12,698
Scrapping -	0	0	0	0
FX differences	0	6,481	0	6,481
Reclass from investment property	0	0	0	0
Reclass to Non-current Assets Held for Sale -	0	0	0	0
Depreciation 31.12.2022	**46,709**	**571,311**	**0**	**618,020**
Net value 31.12.2022	**387,710**	**285,586**	**15,221**	**688,517**
Opening gross value:				
01.01.2023	434,419	856,896	15,221	1,306,537
Growth due to the acquisition of subsidiaries +	0	22,738	0	22,738
Increase +	17,446	64,368	42,452	124,265
Sale -	0	14,440	0	14,440
Activation -	0	0	33,926	33,926
Scrapping -	0	0	0	0
FX differences	0	11,422	0	11,422
Reclass to Non-current Assets Held for Sale -	0	0	0	0
Reclass from investment property	0	0	0	0
Change in fair value recognized against OCI	0	0	0	0
Gross value 30.06.2023	**451,865**	**918,140**	**23,747**	**1,393,752**
Depreciation and amortization:				
01.01.2023	46,709	571,311	0	618,020
Growth due to the acquisition of subsidiaries +	0	11,118	0	11,118
Increase +	6,061	87,243	0	93,304
Sale -	0	12,237	0	12,237
Scrapping -	0	0	0	0
FX differences	0	8,029	-	8,029
Reclass from investment property	0	0	0	0
Reclass to Non-current Assets Held for Sale -	0	0	0	0
Depreciation 30.06.2023	**52,771**	**649,406**	**0**	**702,177**
Net value 30.06.2023	**399,094**	**268,734**	**23,747**	**691,575**

The following items appear as own property:

- Office building in Kiss Ernő Street, Miskolc, purchased by Prohumán 2004 Kft. Its net book value was THUF 335,220 on 31.12.2022.

On 20.01.2023 a valuation was prepared for the above property. The reason for this is that in accordance with the SG Group's accounting policy, all properties it owns are kept under a revaluation model. The valuation was made based on the market comparative valuation methodology, which established a market value of THUF 335,000.
Fair value measurements are categorized into a three-level hierarchy, based on the type of inputs used in the valuation, as follows:

- Level 1 inputs are the unadjusted quotation prices in active markets for items identical to the asset or liability being measured.
- Level 2 inputs are inputs other than the quoted prices used in level 1 that are directly or indirectly observable in connection with the asset or liability being measured.
- Level 3 inputs are unobservable inputs.

When determining the fair value of the property, we relied on level 3 inputs since the application of level 1 and 2 inputs cannot be interpreted during the valuation of the property.

Since there was no significant difference in value, the difference was not accounted for, taking into account the materiality effect values of the SG Group.
There is therefore no difference in the value of the above property, it is the same as if it had been kept under the cost model.

Based on SG Group's accounting policy decision, the market value of the properties will be reviewed at the end of the year.

The book value of plant and equipment is defined by the book value of other office, administrative equipment and IT equipment that directly serve the activities of SG Group. WIP arose in case of SG Group, in relation to the costs related to the renovation and expansion of real estate.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

3.2. Intangible assets

data in THUF

Description	Software	Right of use asset	Other intangible assets	Customer contract portfolio	Trademark	Total
Opening gross value:						
01.01.2022	902	15,215	0	0	0	16,117
Growth due to the acquisition of subsidiaries +	320,055	1,358,414	395,231	6,003,175	11,159,941	19,236,816
Increase +	14,365	620,969	119,074	0	0	754,409
Sale -	0	13,675	0	0	0	13,675
Scrapping -	0	0	2,487	0	0	2,487
FX differences	2,449	45,078	14,756	0	0	62,283
Reclass to Non-current Assets Held for Sale -	0	0	0	0	0	0
Gross value 31.12.2022	**337,771**	**2,026,001**	**526,574**	**6,003,175**	**11,159,941**	**20,053,463**
Depreciation and amortization:						
01.01.2022	902	1,582	0	0	0	2,484
Growth due to the acquisition of subsidiaries +	164,740	579,944	204,561	0	0	949,245
Increase +	39,732	288,375	71,912	1,714,560	0	2,114,580
Sale -	0	0	0	0	0	0
Scrapping -	0	0	2,487	0	0	2,487
FX differences	2,291	15,993	4,658	0	0	22,942
Reclass to Non-current Assets Held for Sale -	0	0	0	0	0	0
Depreciation 31.12.2022	**207,665**	**885,895**	**278,644**	**1,714,560**	**0**	**3,086,765**
Net value 31.12.2022	**130,106**	**1,140,106**	**247,930**	**4,288,615**	**11,159,941**	**16,966,698**
Opening gross value:						
01.01.2023	337,771	2,026,001	526,574	6,003,175	11,159,941	20,053,463
Growth due to the acquisition of subsidiaries +	1,665	0	0	0	0	1,665
Increase +	3,251	131,111	580	0	0	134,942
Sale -	0	0	0	0	0	0
Scrapping -	0	0	0	0	0	0
FX differences	-2,700	-44,923	-14,286	0	0	-61,909
Reclass to Non-current Assets Held for Sale -	0	0	0	0	0	0
Gross value 30.06.2023	**339,987**	**2,112,189**	**512,868**	**6,003,175**	**11,159,941**	**20,128,161**
Depreciation and amortization:						
01.01.2023	207,665	885,895	278,644	1,714,560	0	3,086,765
Growth due to the acquisition of subsidiaries +	1,665	0	0	0	0	1,665
Increase +	30,258	157,330	43,749	854,711	0	1,086,048
Sale -	0	0	0	0	0	0
Scrapping -	0	0	0	0	0	0
FX differences	-2,413	-20,015	-5,598	0	0	-28,026
Reclass to Non-current Assets Held for Sale -	0	0	0	0	0	0
Depreciation 30.06.2023	**237,176**	**1,023,209**	**316,795**	**2,569,271**	**0**	**4,146,451**
Net value 30.06.2023	**102,811**	**1,088,980**	**196,073**	**3,433,904**	**11,159,941**	**15,981,709**

A significant part of the net book value of intangible assets is provided by the following two items:

- Trademark value of THUF 11,159,941 and
- Client contact portfolio value of THUF 3,433,904.

During the PPA, the fair market value of the assets and liabilities of the acquired entities was determined simultaneously with the date of acquisition of control over Prohumán Group in accordance with the rules of the IFRS 3.

The above-mentioned internally produced intangible assets identified during the acquisition, which are balance sheetable at the consolidated level, were included in the balance sheet on 1 January 2022.

Since the useful life of trademark cannot be reliably estimated, the trademark is considered as an intangible asset with an indefinite useful life, for which an impairment test is performed on each balance sheet date or when there is an indication of impairment.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

At the end of 2022 the market value of the trademark was reviewed using the discounted cash-flow valuation ("DCF") methodology.

Based on SG Group's accounting policy decision, the market value of the properties will be reviewed at the end of the year.

The market value of the trademark at the end of 2022

The DCF method is based on revenue generating capacity analysis, in other words the Income Approach. This approach provides an indication of value by converting future cash flows to a single current capital value. The most common method of converting net income into value is the DCF technique, wherein anticipated future income streams and a reversionary value are discounted to a present value estimate.

In addition to cash flow forecasts, a discount rate is necessary to establish the present value of future cash flows. Under the DCF method, the discount rate has to reflect the rates of return expected by the investors (shareholders, creditors) in proportion to their contribution to the company's financing. This is best expressed by the weighted average cost of capital indicator ("WACC").

The calculation of the weighted average cost of capital applied during the impairment test carried out by the SG Group is presented in the following table:

Item	Return on 10-year State bonds	Market risk premium	Beta	Cost of capital	Cost of debts	Weight of equity	Weight of debt	WACC
Trademark	8.06%	9.23%	1.268	19.77%	3.78%	67.03%	32.97%	14.50%

When calculating the WACC, we took into account the equity/debt capital ratio typical of the industry. This industry data is sourced from Damodaran.com.

The table below shows the calculation of the market value of the trademark:

The market value of the trademark	2022	2023	2024	2025	Residual value
Royalty income		2,646,407	2,650,367	2,653,087	2,653,087
Direct costs		-524,682	-494,000	-414,000	-414,000
Local business tax (2%)		-52,928	-53,007	-53,062	-53,062
Profit before tax		2,068,796	2,103,360	2,186,025	2,186,025
Income tax (9%)		-186,192	-189,302	-196,742	-196,742
Free cash flow		1,882,605	1,914,058	1,989,283	1,989,283
Discount rate		14.50%	14.50%	14.50%	14.50%
Discount factor		*0.8734*	*0.7628*	*0.6662*	*0.6662*
Discounted cash flow		1,644,252	1,460,069	1,325,331	1,325,331
Discounted present value of a trademark (2023-2025)	**4,429,652**				
Long-term growth rate of residual value	0.0%				
Capitalization rate	14.50%				
Present value of residual value	**9,142,663**				
DCF based market value	**13,572,315**				

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

The amount of impairment accounted for is summarized in the following table:

Item	Market value of item	Book value of item	Impairment requirement	Item value after impairment
Trademark	13,572,315	11,159,941	0	11,159,941

Based on the impairment test carried out at the end of 2022, there is no sign of impairment, the market value exceeded trademark's book value.

In case of customer contract portfolios, contract portfolios identified at certain subsidiaries of Prohumán Group were accounted for as intangible assets and were amortized based on an individually determined useful life.

Right-of-use assets include asset values from leasing transactions identified by IFRS 16. Vehicles leased by the parent company and its subsidiaries were identified as leases. In addition, leasing was also identified in the case of office premises rented by subsidiaries and real estate leased back by the parent company as part of a leaseback transaction.

3.3. Investment Property

data in THUF

Description	Development plots	Investment property	Total
Book value			
01.01.2022	0	4,702,498	4,702,498
Increase +	0	196,006	196,006
Sale -	0	0	0
Reclass to own property -	0	- 122,300	- 122,300
Change in fair value	0	706,094	706,094
Book value 31.12.2022	**0**	**5,482,298**	**5,482,298**
Book value	0		
01.01.2023	0	5,482,298	5,482,298
Increase +	0	12,337	12,337
Sale -	0	-3,690	-3,690
Reclass to IFRS 5 asset -	0	-	-
Change in fair value	0	-	0
Book value 30.06.2023	**0**	**5,490,946**	**5,490,946**

All of the properties owned by the parent company have been classified as investment properties, which properties are not used for own purposes, but are utilized by renting them out. Based on SG Group's accounting policy, investment properties are valued under the fair value model, so depreciation is not calculated on them in accordance with the rules of the IAS 40 standard.

In case of real estate, the fair value is determined at specified intervals, and its effect is accounted for in the current year's result. The fair value is determined in accordance with the IFRS 13 standard.

Among the investment properties, two properties were reclassified in 2022 as assets according to IFRS 5, which are sold in the first half of 2023. During the reclassification, the properties were transferred to assets held for sale at book value in 2022, as their fair value exceeded the book value. In accordance with the IFRS 5 standard, no depreciation was recognized for these properties since aquisiton.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

The breakdown of leased and under development areas is illustrated in the table below:

Area	Property	m2
Investment area	office space	11,965.49
	warehouse	3,644.29
	other	932.09
Development areas		2,398.00

Investment properties do not include properties rented out within SG Group entities.

3.4. Long-term receivables

Description	30.06.2023	31.12.2022
Loans granted	64,127	94,126
Other long-term receivables	37,837	32,843
Total loan granted and other long-term receivables	**101,964**	**126,970**

The largest part of long-term receivables is the loan given to employees by Prohumán 2004 Kft. The loans were concluded between the parties for a fixed period of time, typically between 2025-2027.

3.5. Deferred tax

In accordance with the IAS 12 standard, SG Group accounts for all deferred taxes on temporary differences. SG Group identified the following as temporary differences:

- Depreciation differences between accounting and corporate tax;
- Impairment accounted on trade receivables;
- Provisions;
- Available accrued tax loss.

Based on SG Group's accounting policy deferred tax assets and liabilities must be shown net in the balance sheet, depending on the sign of the net balance as assets or liabilities, classified as long-term in both cases, regardless of whether they will be reversed within a year.

SG Group companies determine their deferred taxes individually based on the local tax environment. The resulting deferred tax assets are summarized in the following tables:

Description	30.06.2023				
	Slovenian tax environment	Croatian tax environment	Romanian tax environment	Hungarian tax environment	Total
Depreciation of tangible and intangible assets	0	0	4,761	-12,181	-7,420
Impairment of trade receivables	1,380	23,189	14,578	223,180	262,327
Provision	0	0	171,867	0	171,867
Accrued loss	7,404	0	157	0	7,562
Other items	0	0	29,965	340,390	370,355
Total taxable difference	0	0	0	0	0
Total deductible difference	8,784	23,189	221,329	551,389	804,691
Tax rate %	19%	10%	16%	9%	
Total Deferred tax liabilities	0	0	0	0	0
Total Deferred tax assets	1,669	2,319	35,413	49,625	**89,026**

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

Description	31.12.2022				
	Slovenian tax environment	Croatian tax environment	Romanian tax environment	Hungarian tax environment	Total
Depreciation of tangible and intangible assets	0	0	4,513	-9,276	-4,763
Impairment of trade receivables	1,488	25,124	16,852	223,272	266,735
Provision	0	0	195,131	0	195,131
Accrued loss	7,985	0	97	0	8,082
Other items	0	0	25,827	355,340	381,167
Total taxable difference	0	0	0	0	0
Total deductible difference	9,473	25,124	242,420	569,335	846,352
Tax rate %	19%	10%	16%	9%	
Total Deferred tax liabilities	0	0	0	0	0
Total Deferred tax assets	1,800	2,512	38,787	51,240	**94,340**

In both period the other item appearing in the Hungarian tax environment is the deferred tax related to the reversal of the profit accounted for during the SG backleasing transaction. The IFRS profit differed from the Hungarian book profit by such amount, which will be reversed in the future with the return of the rental fee of the leaseback identified as finance lease, the depreciation expense after the right of use asset (ROU) and the interest expense accounted for after the lease liability.

4. CURRENT ASSETS

4.1. Inventories

As a result of its activities, SG Group has a low value of inventories, as it does not have any inventory of its own production. The period value of the inventories is presented in the table below:

Description	30.06.2023	31.12.2022
Goods	25,760	36,773
Total inventories	**25,760**	**36,773**

Work clothes and masks were included in goods in both period. No impairment of value was recognized for inventories at the end of the period, since there were no identified indications of impairment.

4.2. Trade receivables

SG Group - taking advantage of the opportunity provided by IFRS 9 - applies a simplified valuation model for its financial assets classified as trade receivable and other non-derivative financial assets, i.e., in case of trade receivables that do not include a significant financing component, the expected lifetime credit loss is used the valuation instead of the 12-month expected credit loss.

In the case of customer receivables, SG Group determines the amount of the required impairment on a portfolio basis, i.e., to determine the amount of the expected credit loss, the customer receivables were grouped based on the number of days overdue.

In the first half of 2023, since there would have been no need to calculate a further significant amount of impairment, based on the decision of the SG Group's management, the amount of impairment to be accounted for after trade receivables will be updated at the end of the year.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

The trade receivable balances at the end of the period are presented in the table below:

Description	30.06.2023	31.12.2022
Trade receivables	18,803,049	15,542,872
Impairment	-304,718	-306,623
Total net trade receivables	**18,498,332**	**15,236,249**

4.3. Other current assets and accruals

The balance of other receivables and accruals is given by the items below:

Description	30.06.2023	31.12.2022
Short term loan granted	3,572,693	4,244,439
Tax receivables	506,549	499,535
Accrued income	975,663	133,870
Prepaid expenses	248,481	33,477
Other items	4,654,991	4,674,279
Total other current assets and accruals	**9,958,378**	**9,585,600**

Short-term loan granted

The amount of the loan granted includes the amount of loans given by Prohumán 2004 Kft. and by the parent company SG.

In the case of these loans, the business model of SG Group members is to hold the loans until maturity. None of the member companies plans to sell these loans. Cash inflows from loans are concentrated on principal repayments and interest. Taking these into account, loans are classified as financial assets measured at amortized cost.

Expected credit loss (ECL)

Based on the expected credit loss model, financial instruments are classified into different risk groups. The classification is based on changes in the credit risk of the financial instrument. The relative credit risk model is used to assess increased credit risk. The increase in credit risk compared to the initial presentation is reflected in the reclassification of financial instruments between groups.

During the period, the loan receivables are valued individually by SG Group. The amount of the established impairment did not reach the materiality level of the group in any period, so impairment was not accounted for after the loan receivables.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

Accrued income and expenses

The amount of the accrued income for both period included items not yet invoiced, but which were performed in the current year.

Other items

The other items are presented in more detail in the table below:

Description	30.06.2023	31.12.2022
Uninvoiced customers	2,918,137	2,651,557
Suppliers with debit balance	508,097	936,615
Advance payments to suppliers	496,299	484,685
Salary advances	158,759	86,343
Taxes receivables	113,632	117,033
Rental deposit	97,859	87,077
Dividend representing the sale price of a sold subsidiary	83,066	0
Concessions	58,031	12,039
Warranty retention	19,556	21,090
Factor claim	0	34,747
Other items	201,556	243,093
Total other items	**4,654,991**	**4,674,279**

4.4. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and all other highly liquid deposits and securities with an original maturity of no more than three months, but do not include overdrafts.

SG Group-level value of cash and cash equivalents is illustrated in the table below:

Description	30.06.2023	31.12.2022
Petty cash	31,791	42,301
Cash at bank	2,527,494	2,319,229
Total cash and cash equivalents	**2,559,285**	**2,361,530**

5. NON-CURRENT ASSETS HELD FOR SALE

A fixed asset (or a group of them) must be classified as held for sale if the asset's book value is recovered primarily during a sale transaction (rather than from its continuous use), if it is ready for immediate sale and if it is very likely that the sale will take place within 12 months. A sale transaction can also be an exchange transaction, as long as it has real economic content.

Assets classified as held for sale must be valued at the lower of their book value or their fair value less selling costs. The depreciation of such assets must be stopped immediately before being classified in this way, and they must be presented on a separate line among current assets.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

If the company previously classified an asset as held for sale, but the conditions for the classification no longer exist, the classification as held for sale must be terminated.

The value of SG Group's assets held for sale is summarized in the following table:

Description	30.06.2023	31.12.2022
Assets held for sale	-	122,300
Liabilities related to assets held for sale	-	-
Total assets and liabilities held for sale	**0**	**122,300**

In 2022, IFRS 5 assets include the book value of two more properties that SG wants to sell, which are sold in the first half of 2023. The properties were reclassified from investment properties to IFRS 5 properties based on their book value. No depreciation has been accounted for in connection with these assets.

6. LONG-TERM LIABILITIES

The long-term liabilities of SG Group consisted of the following items:

Description	30.06.2023	31.12.2022
Long-term loans	20,778,098	17,296,138
Other long-term liabilities	1,213,752	1,274,123
Deferred tax liabilities	362,727	456,925
Provisions	3,672	3,672
Total long-term liabilities	**22,368,250**	**19,030,857**

6.1. Long-term loans

Financial liabilities

Typically financial liabilities are:

- obligations based on a contractual agreement due to the transfer of cash or other financial assets to another party (suppliers and other obligations), and
- exchange of financial assets or liabilities of another party under supposedly unfavorable conditions (derivatives).

Financial liabilities can be valued in two ways:

- at fair value against the result, or
- at amortized cost.

Financial liabilities belonging to both categories must be entered in the books at their fair value when they are entered, but their subsequent valuation is different. A financial liability (or part of it) must be deducted from the balance sheet when it has been settled, i.e. the contractual obligation has been settled by the company, released, or can no longer be enforced.

Financial liabilities measured at fair value against profit or loss

SG Group does not apply hedge accounting, so all derivative products fall into the category valued at fair value against the result.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

Financial liabilities recorded at amortized cost

This category includes all financial obligations that SG Group does not value at fair value against the result. Thus, apart from derivatives, all other financial liabilities are included in this category.

Long-term and/or interest-bearing liabilities (e.g. loans, leases) must be shown at the amortized cost value determined using the effective interest rate method. The effective interest must be accounted for in the income statement during the term of the obligation.

Among the loans received, the following items appear at the end of the two periods:

Description	30.06.2023	31.12.2022
Bond issuance	15,400,000	15,400,000
Loan received (long-term)	5,388,098	1,896,138
Total loan received	**20,778,098**	**17,296,138**

SUN GROUP Kft. issued 308 bonds on 17 January 2022 with a nominal value of THUF 50,000/piece for a 10-year term, with a fixed interest rate of 5.5 p.a. When determining the effective interest rate of the bond issue, we did not identify any difference compared to the nominal interest rates, thus we assumed this to be the market interest rate.

Long-term loans include the sum of two investment loans taken by the parent company and one working capital loan taken by PHU. When the loans were received, the effective interest rates for all loans were examined and shown at their discounted present value. The summary table of loans is as follows:

Description	Investment loan 1.	Investment loan 2.	Working capital loan
Lender	MBH Bank Nyrt.	MBH Bank Nyrt.	OTP Bank Nyrt.
Loan amount	1,500,000	1,000,000	4,000,000
Credit availability date	2018.05.14	2022.12.12	2025.03.31
Date of expiration	2029.07.31	2030.10.11	2025.03.31
Interest base	1m BUBOR	fixed 9%*	fixed 6%
Interest surcharge	2.20%	-	-
Interest period	monthly	monthly	every six months
Frequency of capital repayment	monthly	monthly	at the end of the term
Status as of 30.06.2023	**under repayment**	**under repayment**	**under repayment**

* Of the 9% fixed interest rate according to the contract, 8% is subsidized by the State, so the actual interest rate incurred by the SG Group is 1%.

6.2. Other long-term liabilities

The total amount of long-term liabilities includes a lease liability.
SG Group, as the lessee, must display a right-of-use asset and a lease liability on the start date of the lease, i.e. on the day the lessor transfers the leased asset to the company for use. The initial value of the lease liability is equal to the present value of future lease payments. On the starting date, the company must evaluate the lease liability as the present value of the lease payments that have not been paid up to that date. The lease payments must be discounted using the lease's implicit lease interest rate, if it can be easily determined. If this interest rate is difficult to determine, the company's latest known interest rate must be used for discounting.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

SG Group shows lease liabilities in connection with motor vehicles and office space in first half of 2023. The balance of total other long-term liabilities consists of this.

The balance sheet value of long-term lease liabilities in first half of 2023 can be broken down into the following maturities:

- Due within 2-3 years: THUF 571,990
- Due within 4-5 years: THUF 357,130
- Due over 5 years: THUF 284,632.

6.3. Deferred tax liabilities

Based on SG Group's accounting policy decision deferred tax assets and liabilities must be shown net in the balance sheet, depending on the sign of the net balance as assets or liabilities, classified as long-term in both cases, regardless of whether they will be reversed within a year.

SG Group companies determine their deferred taxes individually based on the local tax environment. The resulting deferred tax assets are summarized in the following tables:

Description	Hungarian tax environment	
	30.06.2023	31.12.2022
Depreciation of tangible and intangible assets	-75,117	-99,917
Impairment of trade receivables	39,888	39,888
Provisions	3,672	3,672
Accrued loss	0	0
Other items	0	0
Total taxable difference	-31,588	-56,358
Total deductible difference	0	0
Tax rate %	9%	9%
PPA adjustment	-359,888	-451,852
Total Deferred tax liabilities	**-362,727**	**-456,925**
Total Deferred tax assets	0	0

A major transaction giving rise to the above deferred tax liability was the acquisition of the customer contract portfolio as part of the acquisition of PHU. The value of the PPA adjustment decreased during the period due to the amortization accounted for the customer contract portfolio, thereby reversing part of the temporary difference accounted for the customer contract portfolio.

6.4. Provisions

A provision must be shown if:

- the company has an existing obligation as a result of a past event;
- it is likely that the fulfilment of the obligation will require an outflow of resources embodying economic benefits; and
- a reliable estimate of the amount of the obligation can be made.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

Provisions must be shown on a separate line in the balance sheet, among short- and/or long-term liabilities. A short-term provision is a provision that is expected to be settled within 12 months.

Expenses incurred due to the formation and/or release of provisions must be shown under operating expenses. The provision can only be used for the expenditure for which it was originally formed by the company.

Provision was made for fines previously imposed by the Hungarian Competition Authority.

7. SHORT-TERM LIABILITIES

The balance of short-term liabilities consists of the following items:

Description	30.06.2023	31.12.2022
Suppliers	1,035,965	1,427,409
Short-term loans	1,127,216	1,778,372
Short-term part of long-term loans	116,099	251,548
Short-term taxes payable	8,256,770	7,495,104
Short-term liabilities related to employee benefits	171,867	195,131
Other short-term liabilities and accruals	9,830,285	10,897,809
Total short-term liabilities	**20,538,202**	**22,045,372**

7.1. Short-term loans

The balance of short-term loans appearing among short-term liabilities is the amount of the loan taken by the Romanian and Slovenian subsidiaries in first half of 2023. Also, the short-term part of the loan disbursed by Eximbank Zrt. taken by PHU also appears on this line. Information about the loan is as follows:

Description	Loan 1.	Loan 2.	Loan 3.
Lender	Unicredit Bank SA	Addiko Bank AG	NKBM
Loan amount	30,000,000 RON	1,000,000 EUR	400,000 EUR
Date of expiration	04.2024	24.03.2024	30.03.2024
Interest base	3m ROBOR	3m EURIBOR	3m EURIBOR
Interest surcharge	1.40%	2,7%	2,9%

7.2. Short-term liabilities related to employee benefits

In these section SG Group records severance payments to be paid upon retirement, and also includes provisions for unused vacations and bonuses.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

7.3. Other short-term liabilities and accruals

The summary table of other short-term liabilities and accruals is as follows:

Description	30.06.2023	31.12.2022
Payroll liabilities	4,618,649	3,744,271
Accrued expenses	1,157,530	1,312,401
Lease liabilities	261,072	235,696
Deferred income	154,732	191,496
Advances received	147,531	173,266
Deferred income related to subsidies	137,479	146,453
Other liabilities	3,353,291	5,094,227
Total other short-term liabilities and accruals	**9,830,285**	**10,897,809**

Deferred income related to grants

State grants can only be accounted for if there is reasonable certainty that:

- the company will fulfill the conditions related to them and
- the company will receive the subsidies.

The cash flow of the grant amount is not sufficient proof that the conditions related to the grant have been fulfilled or will be fulfilled.

State grants must be systematically accounted for in the result (other income) in the periods in which the company accounts for the related costs that the state aid compensates as expenses.

Possible methods of settlement:

- Gross settlement method: the subsidy amount is shown as deferred income, and then it is credited to the result during the useful life of the received asset. In technical terms, this usually means a reduction in expenditure affected by the depreciation of the asset. It is also possible to present it on a separate income line as among other incomes.
- Net settlement method: the amount of the subsidy must be deducted from the cost value of the received invested asset; this reduced value will be the cost value of the asset to be depreciated.

SG Group has chosen the gross settlement method for accounting for subsidies received for the acquisition and production of assets, i.e. it presents the subsidy received under deferred income and releases it in the income statement in an amount equal to the depreciation of the related asset.

Grant information is summarized in the following table:

Description	
Sponsor	Ministry of Foreign Affairs and Trade
Application submission	26.05.2020
Subject of grant	Office building and plot in Kiss Ernő Street, Miskolc
Date of implementation of the investment	30.06.2021
Grant amount (THUF)	162,384
Grant intensity	50%

The investment was completed in 2021. The partially deferred income proportional to the related depreciation was released, which we accounted for against the other revenues.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

The balance of other liabilities is given by the following items:

Description	30.06.2023	31.12.2022
Contingent Consideration	1,617,852	3,379,869
Dividend payable	1,194,040	1,481,422
Negative balance customer	175,557	0
Other vouchers	85,806	36,570
Restrictions against employees	50,132	45,880
Factoring claims	1,437	42,345
Other items	228,468	108,140
Total other liabilities	**3,353,291**	**5,094,227**

Contingent Consideration

SG Group registers contingent consideration in connection with the acquisition of one subsidiary of Prohumán 2004 Kft.

1. Contingent consideration related to HR-Rent Kft.

Prohumán 2004 Kft. concluded a multi-step acquisition contract in 2015 for the acquisition of 100% of HR-Rent. PHU gained control of HR-Rent in 2015 by acquiring 51% of its ownership, and subsequently obtained an additional 19% ownership based on several contract amendments until 2020. With this, PHU reached a 70% ownership in HR-Rent. The contingent consideration obligation related to HR-Rent's 30% ownership share is THUF 3,379,870 at 31 December 2022.

On 24.01.2023 the parties concluded an agreement on the remaining 30% share of HR-Rent's business, according to which agreement Prohuman will acquire the remaining share of HR-Rent's business in exchange for a cash consideration between 24.01.2023 and 29.02.2024. The consideration for the purchase price included in the new agreement was THUF 2,350,000, which will therefore affect the examination of the fair value of the contingent consideration in 2023.

PHU in the first half of 2023, 12.75% of the remaining business was purchased for THUF 1,000,000.

In the first half of 2023, the following changes occurred in HRR's contingent consideration:

- THUF 1,029,869 decrease due to change in fair value;
- THUF 1,000,000 decrease due to financial performance.

Based on the above, the book value of the contingent consideration related to HRR is THUF 1,350,000.

2. Contingent consideration related to CityScope Enterprises d.o.o. and CityScope d.o.o.

PHU purchased the 80% ownership shares of the companies CityScope d.o.o. and CityScope Enterprises d.o.o. within the framework of a share purchase agreement dated 02.14.2023. The date of closing the transaction and thus obtaining control: 20.03.2023.
The companies will be purchased within the framework of a step-by-step acquisition, where the purchase price will be paid in 3 installments, in March 2023, August 2023 and 2024.
In this regard, the unpaid purchase price is presented as a contingent consideration, the amounts of which are as follows per company:

- THUF 243,745 liability related to CityScope Enterprises d.o.o;
- THUF 24,107 liability related to CityScope d.o.o.

Dividends payable

The balance of dividend liabilities is made up of the following items in first half of 2023:

- THUF 785,268 in unpaid dividends for the minority owner of Prohumán 2004 Kft.;
- THUF 405,000 unpaid dividends due to the owners of SG;↕
- THUF 3,772 other unpaid dividends.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

8. NET SALES

The following table shows the breakdown of net sales by type of activity:

Description	H1 2023	H1 2022
Revenue from temporary employment	48,454,851	35,595,821
Revenue from outsourcing	2,402,248	3,323,932
Revenue from property rental	323,354	380,220
Revenue from recruitment	340,736	378,833
Income from payroll services	128,945	91,372
Other net sales	961,807	616,624
Total net sales	**52,611,941**	**40,386,802**

Other net sales includes in first half of 2023:

- partnership fees THUF 622,307;
- property operation and other sales revenues THUF 281,124.

Other net sales include partnership fees of THUF 583,232 in first half of 2022.

9. DIRECT COST

The following table shows the breakdown of direct cost:

Description	H1 2023	H1 2022
Material-type expenditures	141,158	65,404
Services used	1,893,876	1,689,683
Payroll costs	41,405,968	31,395,143
Depreciation	878,201	872,870
Other direct cost items	2,044,130	972,194
Total direct cost	**46,363,334**	**34,995,294**

Other items (direct cost) include the following items for the first six months of 2023:

- THUF 1,694,894 representing intermediated services,
- THUF 119,579 representing additional work fee cost,
- THUF 50,082 representing travel costs, and
- THUF 15,136 representing entertainment, promotion costs.

Other items (direct cost) include the following items for the first six months of 2022:

- THUF 836,406 representing intermediated services,
- THUF 60,962 representing travel costs,
- THUF 51,160 representing adjustment items for previous years, and
- THUF 10,127 representing entertainment, promotion costs.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

10. INDIRECT COST

The following table shows the breakdown of indirect cost:

Description	H1 2023	H1 2022
Material-type expenditures	138,891	108,573
Services used	1,395,788	1,503,469
Payroll costs	2,445,029	1,892,808
Depreciation	272,404	208,822
Other indirect cost items	96,176	63,110
Total indirect cost	**4,348,288**	**3,776,782**

Other indirect cost items include the following items for the first six months of 2023:

- THUF 28,211 representing insurance fee,
- THUF 20,332 representing intermediated services, and
- THUF 7,292 representing travel costs.

Other indirect cost items include the following items for the first six months of 2022:

- THUF 26,408 representing travel costs,
- THUF 20,814 representing intermediated services,
- THUF 3,815 representing adjustment items for previous years.

11. OTHER PROFIT

The following table shows the breakdown of other profit:

Description	H1 2023	H1 2022
Proceeds from sale of fixed assets	350	530,353
Release of provisions	459,186	474,609
Subsidies	157,993	150,935
Release of impairment write-down on receivables	3,593	12,764
Negative goodwill on acquisition	0	196,720
Miscellaneous items	1,091,329	427,936
Total other income	**1,712,451**	**1,793,317**
Provisions	450,421	430,680
Write-off of inventories and receivables	254	42,732
Donations	21,076	14,990
Value of sold components of fixed capital	226	205
Miscellaneous items	106,570	336,048
Total other expenses	**578,548**	**824,655**
Total other profit	**1,133,903**	**968,662**

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

Miscellaneous items in total other income include:

- THUF 1,029,689 deducting the contingent consideration due to the purchase price of a subsidiary and
- THUF 23,089 representing other income related to salaries in the first six months of 2023.

Miscellaneous items in total other income include:

- THUF 398,472 deducting the contingent consideration due to the purchase price of a subsidiary that is no longer disputed;
- THUF 12,800 representing other income related to salaries and
- THUF 6,192 representing deduction from employees in the first six months of 2022.

Miscellaneous items in total other expenses includes the following items in the first six months of 2023:

- THUF 30,597 representing goodwill established on acquisition of CityScope d.o.o. and not recorded as an intangible asset and
- THUF 40,251 other amending items of the previous year.

Miscellaneous items in total other expenses includes the following items in the first six months of 2022:

- THUF 300,000 representing money for forfeit,
- THUF 13,701 of building tax,
- THUF 3,000 of penalties,

12. FINANCIAL RESULT

The following table shows the breakdown of financial result:

Description	H1 2023	H1 2022
Exchange rate differences (revenue)	403,735	395,215
Interest income	274,931	66,204
Dividends and profit shares	129,224	0
Other financial revenue items	8,883	17,711
Total financial revenues	**816,772**	**479,130**
Interest expense	994,934	620,316
Exchange rate differences (expense)	607,888	273,959
Other financial expense items	115,071	95,898
Total financial expenses	**1,717,894**	**990,173**
Total net financial result	**-901,121**	**-511,043**

Other financial revenue items include change in fair value of securities of THUF 9,698 classified as FVTPL in the first six months of 2022.

The other financial expense items include the following items in the first six months of 2023:

- THUF 82,917 of bank charges and
- THUF 14,871 of leasing interest.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

The other financial expense items include the following items in the first six months of 2022:

- THUF 56,341 of bank charges,
- THUF 11,000 of leasing interest, and
- THUF 10,625 of loss on derivative transactions.

13. TAX EXPENSES

The following table shows the breakdown of tax expenses:

Description	H1 2023	H1 2022
Corporate income tax	267,381	298,804
Local business tax	350,821	269,064
Innovation contribution	78,801	62,338
Deferred tax expense	-92,118	-129,177
Total tax expenses	**604,885**	**501,029**

14. OTHER COMPREHENSIVE INCOME

Other comprehensive income in first half of 2023 includes the exchange rate difference of SG Group's foreign subsidiaries in accordance with IAS 21.

15. AFFILIATED COMPANIES

Related parties

At SUN GROUP Kft., three executives (Róbert Kiss, Sándor Zakor and Gyula Kücsön) have independent rights of representation and are also owners of SG through their 100% owned companies (KKB & More Kft.; Wine & More Kft., and Sarud & More Kft.), therefore we consider them to be key management personnel.

Companies under the control and significant influence of the above three individuals:

- KKB & More Kft.
- ZS-2000 Bt
- HOME Ingatlan Kft.
- Admin Pro Kft.
- Wine & More Kft.
- Sarud & More Kft.
- Yourproperty Kft.
- Élményfalu Kft.

(all amounts presented in thousands of Hungarian Forints, unless otherwise stated)

The following table shows open items and transactions with related parties:

Description	H1 2023	2022	H1 2022
Net sales	11,946	18,881	8,952
Direct cost	0	0	17,096
Indirect cost	91,764	118,460	45,300
Other revenue	30,727	0	0
Financial revenue	8,915	8,915	0
Receivables	30,059	1,017	0
Liabilities	448,557	411,604	428,573

A significant portion of the liabilities is the dividend liabilities to be paid to the owners of SG in all period.

SG did not pay employee benefits to persons in key positions in first half of 2023.

IV. The risk associated with financial instruments and method of the risk management

SG Group's operations are exposed to various financial risks - credit risk, liquidity risk and market risk, including fluctuations in exchange rates and interest rates. SG Group manages all elements of financial risks described below, that may have a significant impact on its operations in the future, putting in the process greatest emphasis on the management of market risks, including particularly the exchange rate risk.

Credit risk
Assets that are mostly exposed to credit risk are primarily receivables for services rendered. These receivables are characterised by a diversified concentration, which results from the nature of the portfolio of customers. The management of SG Group reduces the credit risk by cooperating with reputable and financially strong partners. This risk is further limited by the use of such instruments of credit risk management as factoring or insurance of claims. The management believes that credit risk faced by the company have been properly assessed.

Liquidity risk
SG Group manages liquidity risk by maintaining cash balances, as well as providing access to financial resources in the form of credit lines and other external sources of financing. Planning the level of necessary cash is performed by the Finance Department, based on current and periodic statements of expected cash flows (inflows and outflows), which are then reported to the management. SG Group's objective is the desire for optimal level of inflows to the level of outflows, as well as providing the appropriate level of funding that is adequate to the scale of operations.

Interest rate risk
SG Group has financial assets in bank accounts, receivables from loans granted, as well as liabilities under factoring, leasing, bank credit and bonds issued. Interest rate risk is related to interest payments resulting from financial instruments for which interest rate is based on a variable interest rate.

Foreign exchange / currency risk
Foreign exchange risk is defined as the ability to increase or decrease the market value of equity due to changes in foreign exchange rates. These risks include:

- The risk of conversion (currency conversion risk), which occurs at the time of conversion and consolidation of financial statements of foreign subsidiaries. Foreign exchange conversion risk is defined as the difference between the total value of foreign currency denominated assets and the total value of foreign currency denominated liabilities. In particular, exposed to the risk are:
  - foreign receivables and liabilities,
  - cash denominated in foreign currencies,
  - securities denominated in foreign currencies.

- Economic risks relating to changes in exchange rates, which may permanently affect the competitiveness and market value of the company through an increase in the cost or decrease of the planned income from commercial foreign operations. Economic risk is equated with the long-term risk, very difficult to quantify and forecast.

- The transaction risk, also called contractual risk, is a result of breach of contractual obligations by the transaction participants as well as a result of circumstances beyond the control, having the force majeure nature. Basic transaction risk, which does not belong to the circumstances of force majeure, expressed primarily in choosing dishonest partner (contractor), who for reasons largely beyond its control, fails to comply with the agreement. Consequence of the choice of such a partner can be e.g., no or partial payment for a service, or delay in settling payments. Contractual risk may also arise from differences of interpretation in relation to individual contract data. To reduce the risk, conclusion of the contract is preceded by obtaining relevant information about a contractor and its financial condition, as well as an analysis of contractual clauses to prevent the possibility of their different interpretation. The contract risk level specifies the size of the capital employed, as direct and indirect, associated with the possibility of incurring losses due to non-performance or improper performance of obligations of the contractor.

- Foreign currency risk occurs when there is an imbalance between the amount of assets and liabilities denominated in the same foreign currency and with the same maturity (open currency position).

Other market risks
In the context of other market risks, the management identifies and monitors the following:
- the risk of increased costs of employment,
- the risk of entering into agreements with dishonest/unreliable client,
- the economic risk resulting from the application of the provisions of the related laws.

Error adjustment
SG Group did not adjust previously published data in these interim financial statements.

Litigation matters
There is no legal case against SG Group which, according to the management, would involve a significant future payment and for which the Group should have formed a provision.

Significant events after the balance sheet date

Armed conflict risk
Based on the assessment of the potential economic impact on SG Group of the Russian-Ukrainian armed conflict that began on 24 February 2022, we did not identify any specific circumstances that would have a material impact on SG Group's financial position in first half of 2023. However, due to the uncertainty of the situation, it is conceivable that such significant effects could occur in the future.

Epidemic risk
The coronavirus (COVID-19) epidemic fundamentally changed the social and economic environment in 2020 and 2021. SG Group's management has concluded that the potential effects of the epidemic do not constitute a significant economic event. At the time of preparing these interim financial statements there are no indications that the principle of going concern would be violated, nor has it identified any circumstance that would have a material effect on the events of 2023.

The financial statements adjusted by inflation rate
There was no need to adjust statements of SG Group companies by inflation rate.

Statement

To the best of our knowledge, based on international financial reporting standards these interim financial statements give a true and reliable picture about the assets, liabilities, financial position and results of SUN GROUP Kft. and the other entities included in the consolidation.