

PROHUMÁN 2004 KFT.
Interim Financial Statements
for the Six Months ended 30 June 2023
(Non-audited)

Budapest, 28. September 2023



Sándor Zakor
Managing Director



Béla Ignác
Managing Director

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

INTERIM BALANCE SHEET

Description	Ref.	30 Jun 2023	31 Dec 2022
Assets			
Fixed assets			
Property, plant and equipment	3.1	510,701	501,835
Other intangible assets	3.2	631,319	644,118
Investments in subsidiaries	3.3	9,065,147	8,827,543
Long-term receivables	3.4	64,127	94,126
Total fixed assets		10,271,295	10,067,622
Current assets			
Inventories	4.1	16,404	27,331
Trade receivables	4.2	12,208,681	8,646,746
Other current assets and accruals	4.3	5,275,330	5,215,040
Cash and cash equivalents	4.4	213,776	277,473
Total current assets		17,714,191	14,166,591
Non-current assets held for sale		0	0
Total assets		27,985,486	24,234,213
Shareholder's equity and liabilities			
Share capital		100,000	100,000
Retained earnings		5,611,597	4,635,477
Total shareholder's equity		5,711,597	4,735,477
Long-term liabilities			
Long-term loans	5.1	8,273,374	5,095,726
Deferred tax liabilities	5.3	2,840	5,072
Long-term provisions	5.4	3,672	3,672
Other long-term liabilities	5.2	423,337	449,485
Total long-term liabilities		8,703,223	5,553,955
Suppliers	6	603,148	908,396
Short-term loans	6.1	1,125,774	714,004
Short-term taxes payable	6	4,915,761	4,285,866
Other short-term liabilities and accruals	6.2	6,925,983	8,036,516
Total short-term liabilities		13,570,667	13,944,782
Liabilities related to assets held for sale		0	0
Total liabilities		22,273,889	19,498,737
Total equity and liabilities		27,985,486	24,234,213

INTERIM FINANCIAL STATEMENTS H1 2023

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

INTERIM PROFIT AND LOSS STATEMENT

Description	Ref.	H1 2023	2022
Net sales	7	25,689,915	20,290,262
Material-type expenditures		5,395	16,508
Services used		565,060	609,089
Payroll costs		19,386,383	15,356,206
Depreciation and amortization		881	576
Other direct costs		1,742,036	836,406
Direct costs	8	21,699,755	16,818,784
Material-type expenditures		85,055	62,997
Services used		837,738	646,687
Payroll costs		1,524,104	1,127,579
Depreciation and amortization		165,529	147,306
Other indirect costs		39,579	20,539
Indirect costs	9	2,652,005	2,005,107
Other income	10	1,210,500	565,405
Other expenses	10	24,645	36,250
Operating costs		24,376,405	18,860,141
Operating result		2,524,010	1,995,526
EBITDA		2,690,419	2,143,408
Financial revenues	11	547,180	1,485,314
Financial expenses	11	637,140	1,096,247
Financial results		-89,961	389,067
Profit before tax		2,434,049	2,384,593
Tax expenses	12	402,083	343,716
Profit after tax from continuing operations		2,031,967	2,040,877
Profit (loss) from discontinuing operations		0	0
Profit (loss) for the period		2,031,967	2,040,877
Profit (loss) for the period		2,031,967	2,040,877
Other comprehensive income for the period, after tax		0	0
Total comprehensive income for the period		2,031,967	2,040,877

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

INTERIM STATEMENT OF CHANGES IN EQUITY

Changes	Share capital	Retained earnings	Other capital items	Total
Opening balance at 1 January 2022	100,000	8,424,370	0	8,524,370
Net profit for the period	0	1,653,078	0	1,653,078
Dividends for external members	0	-5,441,972	0	-5,441,972
Balance at 31 Dec 2022	100,000	4,635,477	0	4,735,477
Opening balance at 1 Jan 2023	100,000	4,635,477	0	4,735,477
Net profit for the period	0	2,031,967	0	2,031,967
Dividends for external members	0	-1,055,846	0	-1,055,846
Other changes	0	0	0	0
Balance at 30 Jun 2023	100,000	5,611,597	0	5,711,597

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

INTERIM CASH-FLOW STATEMENT

Description	Ref.		H1 2023	H1 2022
A. Cash flows from operating activities				
Profit before tax		+/-	2,434,049	2,384,590
Adjustments for:				
1. Depreciation	8,9	+	166,410	147,880
2. Foreign exchange gains/losses		+/-	-217,887	204,840
3. Interest and dividends received and paid	11	-	-321,176	-1,484,450
4. Interest expenses	11	+	505,917	182,150
5. Result on investment activities		+/-	0	100
6. Impairment and reversal of impairment		+/-	-342	683,700
7. Deferred income		-	-6,262	-6,270
8. Contingent consideration changes		+/-	-1,029,869	0
Changes in working capital:				
9. Changes in inventories		+/-	10,928	230
10. Changes in trade receivables		+/-	-3,561,593	-1,443,290
11. Changes in other receivables and deferred income		+/-	-60,290	-1,185,630
12. Change in short-term liabilities, without loans and credits		+/-	1,230,449	421,990
13. Income taxes paid		-	-404,315	-348,360
Net cash flows from operating activities			-1,253,983	-442,590
B. Cash flows from investing activities				
1. Sale of intangible and tangible fixed assets		+	0	200
2. Interest revenue		+	191,952	42,120
3. Purchase of intangible and tangible fixed assets		-	-162,477	-69,140
4. Purchase of shares		-	-1,118,671	0
5. Dividend received		+	129,224	0
6. Loans granted		-	-5,874	-6,080
7. Loan repayment		+	31,085	11,900
Net cash flows from investing activities			-934,761	-21,000
C. Cash flows from financing activities				
1. Proceeds from loans and credits		+	4,237,847	4,569,670
2. Dividends and other payments to shareholders		-	-1,347,000	-3,518,550
3. Repayments of loans and credits		-	-276,756	-362,910
4. Interest paid		-	-505,917	-182,150
5. Other long-term liability changes		+/-	16,872	-74,800
Net cash flows from financing activities			2,125,046	431,240
D. Net change in cash and cash equivalents	4.4		-63,698	-32,350

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

SUPPLEMENTARY NOTES TO THE INTERIM FINANCIAL STATEMENTS

I. GENERAL BACKGROUND

1. Information about Prohumán 2004 Kft. (hereinafter “PHU” or the Company)

1.1. General information of PHU

PHU is owned by 2 legal entities, as follows:

- SUN GROUP Kft. (hereinafter “SG”) – with an 80.22% ownership share (direct share 20.22% indirect share 60%);
- Profólió Projekt Tanácsadó Kft. (hereinafter “PPT”) - with a 19.78% ownership share.

The direct owner of PHU became 60% PHU Holding Kft. in first half of 2023 by way of contribution, which company, however, is 100% owned by SUN GROUP Kft. Due to the existence of this factor, there was no change in the final ownership structure compared to the previous year.

PHU was established by the founders on 1 February 2005. The company is the largest HR service provider in Hungary, it provides complex HR services to its clients including temporary staffing (both domestic and international), selection and recruitment, payroll services etc.

Headquarters	1146 Budapest, Hungária körút 140-144.
Company registration no.	01-09-992836
Tax no.	13410021-2-44
Statistical no.	13410021-7820-113-01
Website	www.prohuman.hu

The core business of the Company is:

- 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. Shares

Companies controlled by PHU:

Subsidiary	Headquarters	Ownership	
		30 June 2023	31 Dec 2022
Prohumán Outsourcing Kft.	1146 Budapest, Hungária körút 140-144.	100%	100%
HR-Rent Kft.	7624 Pécs, Ferencesek utcája 52.	100%	100%
Finance Sales Hungary Kft.	1146 Budapest, Hungária körút 140-144.	100%	100%
Finance Care Hungary Kft.	1146 Budapest, Hungária körút 140-144.	100%	100%
Hiper Projekt Hungary Kft.	1134 Budapest, Tüzér utca 39.	40%	0%
PROHUMAN kadrovsko svetovanje d.o.o.	Slovenia, 1231 Ljubljana Cesta 24. junija 25.	100%	100%
Naton Ijudski potenciali d.o.o.	Croatia, Zagreb, Kralja Zvonimira 2	100%	100%
PROHUMAN APT SRL	Romania, Bucharest, Str. Av. Popisteanu 54A C	80%	80%
PROHUMAN APT RESOURCES SRL	Romania, Bucharest, Str. Av. Popisteanu 54A C	80%	80%
PROHUMAN APT BROKER SRL	Romania, Bucharest, Str. Av. Popisteanu 54A C	80%	80%
PROHUMAN APT FINANCE BROKER SRL	Romania, Bucharest, Str. Av. Popisteanu 54A C	80%	80%
CityScope Enterprises d.o.o.	Serbia, Beograd Rige Od Fere 16	80%	0%
CityScope d.o.o.	Serbia, Beograd Rige Od Fere 16	80%	0%
CS BPO d.o.o.	Serbia, Beograd Rige Od Fere 16	80%	0%

1.3. Significant change in PHU ownership

On 11.05.2023, SG contributed 60% of PHU's shares to PHU Holding Kft., which company founded and 100% owned by SG.

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.

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

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.

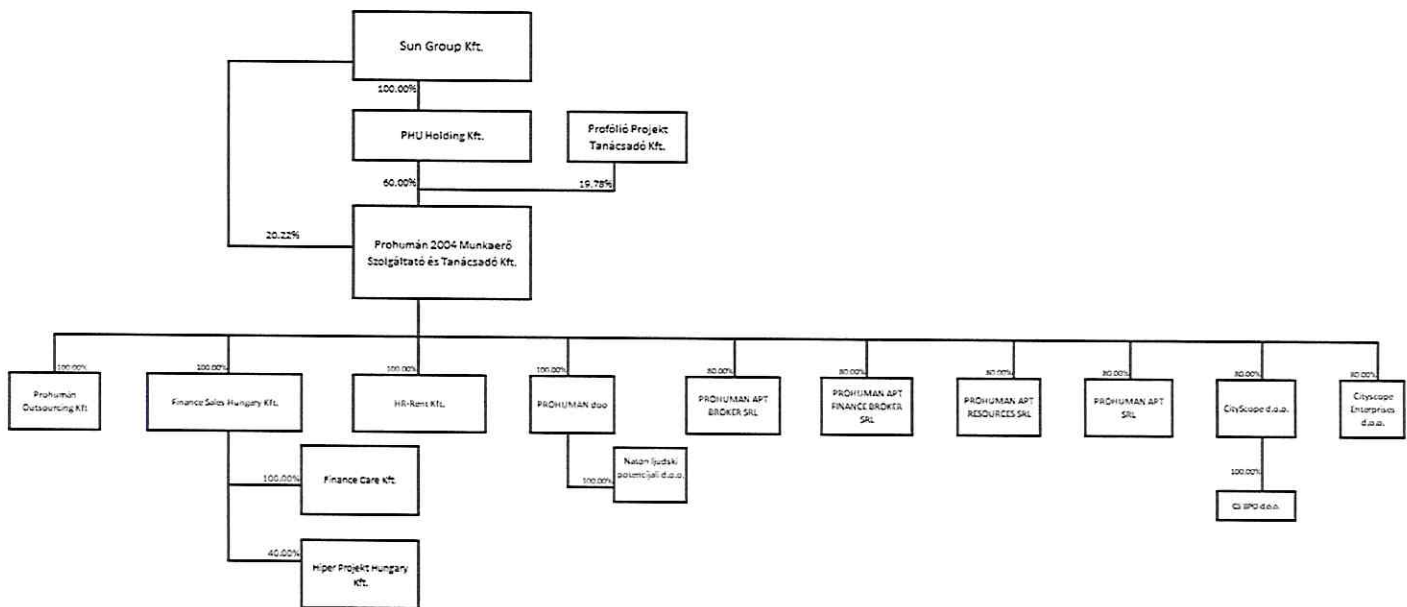
Person authorized to sign the interim financial statements:

- Sándor Zakor – managing director
- Béla Ignácz – managing director

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

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

1.4. PHU's owners and subsidiaries



II. DESCRIPTION OF RELEVANT ACCOUNTING POLICIES APPLIED

1.5. Basis of preparation of financial statements

The interim financial statements of PHU are prepared on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and that have been effective as at 30 June 2023.

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

1.6. Going concern

The interim financial statements of PHU have been prepared on the assumption of continuation of business activity by the Company in an unchanged form and scope for a period of at least 12 months from the date of preparation of these interim financial statements. In the opinion of the management at the date of approval of these interim financial statements, there are no reasons and circumstances indicating a threat to the continuation of the Company's activities.

1.7. Reporting currency

The measurement currency of PHU included in the interim financial statements and the reporting currency of these interim financial statements is Hungarian Forint.

1.8. Basic accounting principles

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

1.9. Management of shares

Investments in subsidiaries, joint ventures and associated companies are valued by the entity at cost. Based on this, the Company does not use the revaluation resulting from the fair value. The rules of the IAS 36 standard govern the impairment of investments, and we proceed in accordance with its provisions when accounting for impairment.

1.10. 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.

1.11. 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.

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

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

- Buildings and structures: 2% - 20%
- Machinery and equipment: 10% - 33%
- Means of transport: 20%
- Other fixed assets: 14.5% - 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, PHU 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.

1.12. 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.

1.13. 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.

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

PHU 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 assets with 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. PHU's amortization rates are as follows:

- Software: 20%
- Other intangible assets: 20%

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 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.

1.14. Recoverable value of long-term assets

At each balance sheet date, PHU assesses assets for the existence of indications of impairment. In case such an indication exists, PHU 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.

1.15. 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).

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

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.

PHU 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 the 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

PHU 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.

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

Trade receivables

PHU - 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 in the valuation instead of the 12-month expected credit loss.

In the case of customer receivables, PHU 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 PHU not primarily for holding-to-maturity purposes.
- Capital instruments, which are basically acquired by PHU 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.

PHU 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 PHU 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.

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

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.

1.16. 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.

1.17. Provisions for liabilities

Provisions are recognised when PHU 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.

1.18. 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 the 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

PHU, as lessee, must display a right-of-use asset and a lease liability on the starting date of the lease, i.e., on the day the lessor transfers the leased asset to PHU 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, PHU 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, PHU'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.

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

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, PHU 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.

1.19. 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.

1.20. Revenues

The basic principle of revenue recognition is that in order to demonstrate the delivery of the promised products or services to the customer PHU must show revenue in an amount that reflects the consideration to which PHU 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.

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

PHU 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 PHU 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. PHU 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 PHU acts as an intermediary, together with directly related expenses (net manner) are presented and accounted for in the performance period.

1.21. Dividends

Revenue from dividends is recognized when PHU becomes entitled to payment.

1.22. 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. PHU 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 PHU – 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 PHU's periodic verification.

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

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

The accounting principles adopted in these interim financial statements were applied on a continuous basis and are compliant with the accounting principles applied in the last audited annual statements prepared in accordance with IFRS approved by the European Union for the half-year ended 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.

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

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 financial statements PHU has decided not to earlier apply the published standards or interpretations prior to their effective date.

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

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

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**

PHU had the following fixed assets on 31.12.2022 and 30.06.2023

3.1. Own property, plant and equipment movement

Description	Own property	Plant and equipment	Total
Opening gross value:			
01.01.2022	408,362	390,364	798,726
Increase +	26,057	70,132	96,190
Sale -	0	12,903	12,903
Scrapping -	0	0	0
Reclass to investment property -	0	0	0
Gross value 31.12.2022	434,419	447,593	882,012
Depreciation and amortization:			
01.01.2022	33,235	271,172	304,408
Increase +	13,474	74,994	88,468
Sale -	0	12,698	12,698
Scrapping -	0	0	0
Reclass to investment property -	0	0	0
Depreciation 31.12.2022	46,709	333,468	380,178
Net value 31.12.2022	387,710	114,125	501,835
Opening gross value:			
01.01.2023	434,419	447,593	882,012
Increase +	17,446	50,091	67,536
Sale -	0	9,865	9,865
Scrapping -	0	0	0
Reclass to investment property -	0	0	0
Gross value 30.06.2023	451,865	487,818	939,683
Depreciation and amortization:			
01.01.2023	46,709	333,468	380,178
Increase +	6,061	52,428	58,489
Sale -	0	9,685	9,685
Scrapping -	0	0	0
Reclass to investment property -	0	0	0
Depreciation 30.06.2023	52,771	376,211	428,982
Net value 30.06.2023	399,094	111,607	510,701

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The following item appears as own property: office building in Kiss Ernő Street, Miskolc, purchased by PHU. Its net book value was THUF on 31.12.2022, respectively.

On 20.01.2023 a valuation was prepared for the above property by Csaba Kiss E.V. The reason for this is that, in accordance with the Company'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 categorised 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 PHU. 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 PHU'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 PHU.

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

3.2. Intangible assets

data in THUF

Description	Software	Right of use assets	Other intangible assets	Total
Opening gross value:				
01.01.2022	292,694	1,118,549	42,775	1,454,018
Increase +	12,826	1,726	0	14,552
Sale -	0	0	0	0
Scrapping -	0	0	0	0
Gross value 31.12.2022	305,520	1,120,275	42,775	1,468,570
Depreciation and amortization:				
01.01.2022	141,934	450,558	40,962	633,454
Increase +	35,503	154,954	539	190,997
Sale -	0	0	0	0
Scrapping -	0	0	0	0
Depreciation 31.12.2022	177,437	605,513	41,502	824,451
Net value 31.12.2022	128,083	514,762	1,273	644,118
Opening gross value:				
01.01.2023	305,520	1,120,275	42,775	1,468,570
Increase +	60	94,959	0	95,019
Sale -	0	0	0	0
Scrapping -	0	0	0	0
Gross value 30.06.2023	305,580	1,215,234	42,775	1,563,589
Depreciation and amortization:				
01.01.2023	177,437	605,513	41,502	824,451
Increase +	28,922	78,533	364	107,818
Sale -	0	0	0	0
Scrapping -	0	0	0	0
Depreciation 30.06.2023	206,359	684,045	41,865	932,270
Net value 30.06.2023	99,221	531,189	910	631,319

Right-of-use assets include asset values from leasing transactions identified by IFRS 16. Vehicles and office building leased by PHU were identified as leases.

PHU rented 7 new cars in the first half of 2023 and in the case of 13 vehicles, the contract was extended. This increased the number of leased vehicles to 59.

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

3.3. Investments in subsidiaries

Based on PHU's accounting policy decision, the shares of investments are valued at cost, and the loss of value related to the shares is accounted for according to the rules of the IAS 36 standard. PHU constantly examines how the return value of the shares compares to the book value and whether there are signs of impairment. The recoverable value of PHU's investments were determined using the Discounted Cash Flow ("DCF") valuation method.

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 used in the valuations performed by PHU is presented in the table below:

Company	Return on 10-year State bonds	Market risk premium	Beta	Cost of capital	Cost of debts	Weight of equity	Weight of debt	WACC
HR-Rent Kft.	7.26%	7.26%	1.268	16.47%	0.00%	100.00%	0.00%	16.47%
Finance Sales Hungary Kft.	7.26%	7.26%	1.268	16.47%	0.00%	100.00%	0.00%	16.47%
Prohumán Outsourcing Kft.	7.26%	7.26%	1.268	16.47%	0.00%	100.00%	0.00%	16.47%
Naton Slovenia*	3.60%	5.40%	1.268	10.45%	5.27%	47.74%	52.26%	7.74%
APT Group**	6.92%	7.69%	1.268	16.67%	6.58%	83.98%	16.02%	15.05%

* Naton Slovenia means PROHUMAN kadrovsko svetovanje d.o.o. and Naton Ijudski potenciali d.o.o. together

**APT Group refers to the combined value of PHU's four Romanian investments.

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

Company	DCF based market value	Cash and cash equivalents	Loan granted	Other receivables	Credit items	Market value	Ownership ratio	Market value of share
HR-Rent Kft.	15,199,273	1,281,963	4,996,970	450	-3,329	21,475,327	100%	21,475,327
Finance Sales Hungary Kft.	1,518,284	937	137,879	103,639	0	1,760,739	100%	1,760,739
Prohumán Outsourcing Kft.	2,588	2,765	19,955	0	0	25,308	100%	25,308
Naton Slovenia	2,080,102	36,371	225,445	0	-265,932	2,075,986	100%	2,075,986
APT Group	6,175,483	96,662	10,216	0	-719,808	5,562,553	80%	4,450,042

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

Company	Market value of share	Book value of shares	Impairment requirement	Share value after impairment
HR-Rent Kft.	21,475,327	5,719,669	0	5,719,669
Finance Sales Hungary Kft.	1,760,739	1,158,783	0	1,158,783
Prohumán Outsourcing Kft.	25,308	3,000	0	3,000
Naton Slovenia	2,075,986	1,114,202	0	1,114,202
APT Group	4,450,042	690,302	0	690,302
CityScope Enterprises d.o.o.	345,063*	345,063	0	345,063
CityScope d.o.o.	34,127*	34,127	0	34,127
Total	30,166,592	9,065,147	0	9,065,147

* CityScope Enterprises d.o.o. and CityScope d.o.o. the market value of shares in companies was not determined separately, since they were acquired in March 2023, so we considered their consideration as market value.

Based on a similar method, the recoverable amount of the shares was also determined at the end of 2022, in which year a loss of THUF 1,566,315 was recorded for the Finance Sales Hungary Kft. share.

3.4. Long-term receivables

Description	30.06.2023	31.12.2022
Loans granted	64,127	94,126
Total loan granted and other long-term receivables	64,127	94,126

The long-term receivables are loans given to employees by PHU. The loans were concluded between the parties for a fixed period of time, typically expiring between 2026-2027.

4. CURRENT ASSETS

4.1. Inventories

As a result of its activities, PHU has a low value of inventories, as it does not have own production.

The value of the inventories is presented in the table below:

Description	30.06.2023	31.12.2022
Goods	16,404	27,331
Total inventories	16,404	27,331

Work clothes and masks were included in goods in both periods presented.

No impairment of value was recognized for inventories at the end of the period, since there were no identified indications of impairment.

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

4.2. Trade receivables

PHU - 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 in the valuation instead of the 12-month expected credit loss.

In case of customer receivables, PHU 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 PHU management, the amount of impairment to be accounted for after trade receivables will be updated at the end of the year.

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	12,248,227	8,686,634
Impairment	-39,546	-39,888
Total net trade receivables	12,208,681	8,646,746

The aging of trade receivables is presented in table below:

Description	30.06.2023	31.12.2022
Current	11,423,783	8,002,897
Up to 1 month	392,161	539,669
Over 1 month up to 3 months	67,597	89,388
Over 3 months up to 6 months	326,520	31,545
Over 6 months up to 12 months	-1,381	-16,753
Above 12 months	0	0
Total net trade receivables	12,208,681	8,646,746

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

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	3,318,829	4,176,780
Accrued income	793,376	112,054
Accrued expenses	216,106	17,001
Tax receivables	28,561	141,312
Other items	918,459	767,893
Total other current assets and accruals	5,275,330	5,215,040

Short-term loan granted

In case of short-term loans, the business model of PHU is to hold the loans until maturity, it does not plan to sell these loans. Cash inflows from loans are principal repayments and interest. Taking these into account, short-term 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.

The amount of the established impairment did not reach the materiality level of PHU in any period, so impairment was not accounted for the short-term loan receivables.

Of the short-term loans granted, THUF 776,944 consists of loans granted to the parent company in 30.06.2023.

Accrued income and expenses

The amount of the accrued income for the half year 2023 included items not yet invoiced, but which were performed in the current year.

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Other items

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

Description	30.06.2023	31.12.2022
Advance payments to suppliers	459,366	441,350
Taxes receivables	98,278	108,861
Rental deposits	87,409	77,077
Dividend representing the sale price of a sold subsidiary	83,066	0
Salary advances	83,946	28,757
Concessions	58,031	12,039
Factor claim	0	34,747
Other items	48,364	65,060
Total other items	918,459	767,893

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.

PHU-level value of cash and cash equivalents is presented in the table below:

Description	30.06.2023	31.12.2022
Petty cash	7,198	15,037
Cash at bank	206,578	262,437
Total cash and cash equivalents	213,776	277,473

5. LONG-TERM LIABILITIES

The long-term liabilities of PHU consisted of the following items:

Description	30.06.2023	31.12.2022
Long-term loans	8,273,374	5,095,726
Other long-term liabilities	423,337	449,485
Provisions	3,672	3,672
Deferred tax liabilities	2,840	5,072
Total long-term liabilities	8,703,223	5,553,955

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

5.1. 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

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

Financial liabilities recorded at amortized cost

This category includes all financial obligations that PHU 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.

In 2022 and in first half of 2023 loans received by PHU from two of its subsidiaries appeared among long-term loans and in the first half of 2023 an additional loan from external bank financing will appear. The company values these loan liabilities using the amortized cost model.

The balance of long-term loans includes the following loans in 30.06.2023:

Description	Loan 1.	Loan 2.	Loan 3.
Lender	HR-Rent Kft.	Naton Slovenia	OTP Bank Nyrt.
Outstanding loan amount	4,563,334	211,689	3,498,352
Original principal amount (EUR)	11,206,931	508,469	-
Date of expiration	indefinite	indefinite	31.03.2025
Interest (p.a.)	2.50%	2.50%	6%

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

5.2. Other long-term liabilities

The total amount of long-term liabilities includes a lease liability.

PHU, as lessee, must display a right-of-use asset and a lease liability on the starting 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.

PHU shows lease liabilities in connection with motor vehicles and office space. In first half of 2023 a total of 7 new car leases were identified as leases and included among assets and liabilities and in the case of 13 vehicles the contract was extended.

The amount of interest expense resulting from the lease liabilities amounted to THUF 11,867 in first half of 2023 and the total cash outflows related to leases amounted to THUF 89,653 in the same period.

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 215,115
- Due within 4-5 years: THUF 167,844
- Due over 5 years: THUF 40,377.

5.3. Deferred tax liabilities

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

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

Based on PHU'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.

The resulting deferred tax assets are summarized in the following table:

Description	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	-31,558	-56,357
Total deductible difference	0	0
Tax rate %	9%	9%
Total deferred tax liabilities	-2,840	-5,072
Total deferred tax assets	0	0

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

5.4. 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.

Provisions must be shown in 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.

6. SHORT-TERM LIABILITIES

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

Description	30.06.2023	31.12.2022
Suppliers	603,148	908,396
Short-term loans	1,125,774	714,004
Short-term taxes payable	4,915,761	4,285,866
Other short-term liabilities and accruals	6,925,983	8,036,516
Total short-term liabilities	13,570,667	13,944,782

6.1. Short-term loans

Short-term loan liabilities include a loan from the parent company, extranet bank and the cash-pool (CP) liability to subsidiaries.

The balance of short-term loans includes the following loans in first half of 2023:

Lender	Loan/CP amount	Date of expiration	Interest
OTP Bank Nyrt.	452,416	31.03.2025*	fixed 6%
SUN GROUP Kft.	260,589	30.06.2023	fixed 15%
HR-Rent Kft.	246,704	-	1mBUBOR +1,3%
Finance Sales Kft.	136,465	-	1mBUBOR +1,3%
Prohumán Outsourcing Kft.	19,595	-	1mBUBOR +1,3%
Finance Care Kft.	10,005	-	1mBUBOR +1,3%

*The short-term part of a long-term loan.

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

6.2. 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	2,286,409	2,001,720
Accrued income	2,625	30,621
Accrued expenses	623,587	280,055
Advances received	145,861	0
Deferred income related to subsidies	137,413	143,675
Lease liabilities	144,377	101,357
Other liabilities	3,585,712	5,479,088
Total other short-term liabilities and accruals	6,925,983	8,036,516

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 in 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.

PHU 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.

Grants information is summarized in the following table:

Description	
Sponsor	Ministry of Foreign Affairs and Trade
Date of application	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)

Other liabilities

The breakdown of other liabilities is presented in the following table:

Description	30.06.2023	31.12.2022
Dividends payable	1,632,268	1,923,422
Contingent Consideration	1,617,852	3,379,870
Customers with credit balance	168,343	0
Employee benefits	81,715	36,570
EMMI liabilities	46,867	43,725
Restrictions against employees	36,071	32,908
Factoring liabilities	1,437	42,345
Advances received	0	12,685
Other items	1,161	7,563
Total other liabilities	3,585,712	5,479,088

Contingent Consideration

The balance of the contingent consideration related to the acquisition of subsidiaries by PHU and its change:

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.

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

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 obligations is made up of the following items:

- THUF 847,000 unpaid dividends due to SG,
- THUF 785,268 unpaid dividends due to PPT.

7. NET SALES

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

Description	H1 2023	H1 2022
Revenue from temporary employment	24,390,857	18,312,461
Revenue from outsourcing	445,799	1,203,522
Revenue from recruitment	240,562	289,439
Revenue from payroll services	86,742	45,881
Other net sales	525,955	438,959
Total net sales	25,689,915	20,290,262

Other net sales mainly include partnership fees in both periods. (H1 2023: THUF: 483,021; H1 2022: THUF 406,397)

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

8. DIRECT COST

The following table shows the breakdown of direct cost:

Description	H1 2023	H1 2022
Material-type expenditures	5,395	16,508
Services used	565,060	609,088
Payroll costs	19,386,383	15,356,206
Depreciation	881	576
Other direct cost items	1,742,036	836,406
Total direct cost	21,699,755	16,818,784

Other direct cost items include the following items in first half of 2023:

- THUF 1,686,150 intermediated services,
- THUF 41,150 authority fees,
- THUF 10,029 fines, compensations, penalties, and
- THUF 4,707 other costs.

Other direct cost items include the following items in first half of 2022:

- THUF 798,822 intermediated services,
- THUF 1,542 fines, compensations, penalties, and
- THUF 36,042 other costs.

9. INDIRECT COST

The following table shows the breakdown of indirect cost:

Description	H1 2023	H1 2022
Material-type expenditures	85,055	62,997
Services used	837,738	646,687
Payroll costs	1,524,104	1,127,579
Depreciation	165,529	147,306
Other indirect cost items	39,579	20,539
Total indirect cost	2,652,005	2,005,107

Other indirect cost items include the following items in first half of 2023:

- THUF 20,332 intermediated services,
- THUF 18,765 insurance fees,
- THUF 115 authority fees,
- THUF 367 other cost.

Other indirect cost items include the following items in first half of 2022:

- THUF 17,138 insurance fees,
- THUF 2,297 intermediated services,
- THUF 977 authority fees,
- THUF 126 other cost.

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

10. OTHER PROFIT

The following table shows the breakdown of other profit:

Description	H1 2023	H1 2022
Subsidies	143,460	140,528
Release of impairment write-down on receivables	0	6,528
Proceeds from sale of fixed assets	0	205
Miscellaneous items	1,067,040	418,143
Total other income	1,210,500	565,405
Write-off of inventories and receivables	78	13,633
Donations	20,000	11,500
Value of sold components of fixed capital	0	205
Miscellaneous items	4,568	10,912
Total other expenses	24,645	36,250
Total other profit	1,185,855	529,155

Miscellaneous items within total other income include in first half of 2023:

- THUF 1,029,869 deducting the contingent consideration due to the purchase price of a subsidiary,
- THUF 23,078 other income related to salaries.

Miscellaneous items within total other income include in first half of 2022:

- 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.

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

- THUF 4,255 of penalties

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

- THUF 6,500 of released receivables,
- THUF 3,000 of penalties.

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

11. FINANCIAL RESULT

The following table shows the breakdown of financial result:

Description	H1 2023	H1 2022
Dividends and profit shares	129,224	1,442,332
Interest income	191,952	42,122
Exchange rate differences (revenue)	226,004	860
Total financial revenues	547,180	1,485,314
Interest expense	505,917	182,158
Exchange rate differences (expense)	49,994	202,869
Other financial expense items	81,230	711,220
Total financial expenses	637,140	1,096,247
Total net financial result	-89,961	389,067

Dividends related to the purchase price of Human Existence Kft. which is already for sale, appear among the dividend income in first half of 2023.

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

- THUF 69,362 of bank charges,
- THUF 11,867 of leasing interest.

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

- THUF 647,437 of impairment of Finance Sales Hungary Kft. share,
- THUF 44,000 of bank charges,
- THUF 11,000 of leasing interest.

12. TAX EXPENSES

The following table shows the breakdown of tax expenses:

Description	H1 2023	H1 2022
Corporate income tax	87,646	90,984
Local business tax	245,519	199,581
Innovation contribution	71,150	57,798
Deferred tax expense	-2,232	-4,647
Total tax expenses	402,083	343,716

13. OTHER COMPREHENSIVE INCOME

There was no such item in either period presented in the interim financial statements.

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

14. AFFILIATED COMPANIES**Related parties**

Since PHU does not have an executive with independent representation rights, at the same time SG as the parent company has independent representation rights for 3 executives (Róbert Kiss, Sándor Zakor and Gyula Kücsön) who are also owners of SG through their 100% owned companies, therefore they are considered as key management personnel from first half of 2023.

We consider the following companies to be related parties:

- SUN GROUP Kft. – parent company
- PHU Holding Kft. - owner
- HR-Rent Kft. – direct subsidiary
- Finance Sales Hungary Kft. – direct subsidiary
- Finance Care Hungary Kft. – indirect subsidiary
- Hiper Projekt Kft. - associated company
- Prohumán Outsourcing Kft. - direct subsidiary
- Human Existence Kft. - direct subsidiary until 26.07.2022.
- PROHUMAN kadrovsko svetovanje d.o.o.- direct subsidiary
- Naton Ijudski potenciali d.o.o. – indirect subsidiary
- APT Group - direct subsidiary
- CityScope Enterprises d.o.o. – direct subsidiary
- CityScope d.o.o. – direct subsidiary
- CS BPO d.o.o. – indirect subsidiary

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.

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

Description	H1 2023	2022	H1 2022
Net sales	16,984	32,727	14,467
Other income	0	3,728	220
Financial income	0	1,445,554	1,444,174
Interest received	228	0	0
Direct costs	0	1,699	19,756
Indirect costs	52,721	68,001	30,415
Taxes and charges	0	560	0
Financial expenses	98,638	152,275	69,182
Receivables	821,327	792,342	783,762
Liabilities	6,331,710	6,656,866	5,879,635

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A significant part of the financial income appearing in 2022 and in first half of 2022, in the amount of THUF 1,442,332, is explained by the dividend income of the PHU.

A significant part of the related receivables is the THUF 776,944 loan granted to SG in all period.

The liabilities in H1 2023 include loan liabilities to subsidiaries in the amount of THUF 5,448,380 and the dividend liability to SG in the amount of THUF 847,000.

The following amounts of benefits were provided to executives as persons in key positions in first half of 2023:

- THUF 6,600 short-term employee benefits.

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

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

PHU's operations are exposed to various financial risks - credit risk, liquidity risk and market risk, including fluctuations in exchange rates and interest rates. PHU 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 PHU 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

PHU 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. PHU's objective is the desire for optimal level of inflows and outflows, as well as providing the appropriate level of funding that is adequate to the scale of operations.

Interest rate risk

PHU 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.

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

- 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

PHU did not adjust previously published data in these interim financial statements.

Litigation matters

There is no legal case against PHU which, according to the management, would involve a significant future payment and for which PHU should have made a provision.

Significant events after the balance sheet date

Armed conflict risk

Based on the assessment of the potential economic impact on PHU 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 PHU'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. PHU'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 the first half of 2023.

The financial statements adjusted by inflation rate

There was no need to adjust statements of PHU by inflation rate.

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

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 PHU.