

SG GROUP

CONSOLIDATED FINANCIAL STATEMENTS 2022

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



SG GROUP
Audited Consolidated Financial Statements
for 31 December 2022

Budapest, 27. April 2023

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.....
Sándor Zakor
Managing Director



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

CONSOLIDATED BALANCE SHEET

Description	Ref.	31 Dec 2022	31 Dec 2021*
Assets			
Fixed assets			
Property, plant and equipment	3.1	688,518	134,094
Other intangible assets	3.2	16,966,698	13,633
Investment property	3.3	5,482,298	4,702,498
Investments in equity instruments		1,540	0
Long-term receivables	3.4	126,970	0
Deferred tax assets	3.5	94,340	213
Total fixed assets		23,360,364	4,850,439
Current assets			
Inventories	4.1	36,773	2,712
Trade receivables	4.2	15,236,249	53,697
Other current assets and accruals	4.3	9,585,600	2,330,964
Cash and cash equivalents	4.4	2,361,530	248,311
Total current assets		27,220,151	2,635,684
Non-current assets held for sale	5	122,300	231,321
Total assets		50,702,816	7,717,444
Shareholder's equity and liabilities			
Share capital		3,600	3,600
Retained earnings		4,863,398	2,682,212
Valuation reserve		10,800	0
Other capital items		349,833	349,833
Ownership transaction		320,000	320,000
Exchange difference according to IAS 21		100,901	0
Non-controlling interest		3,978,054	0
Total Shareholder's equity		9,626,587	3,355,646
Long-term liabilities			
Long-term loans	6.1	17,296,138	2,208,446
Deferred tax liabilities	6.3	456,925	0
Long-term provisions	6.4	3,672	0
Other long-term liabilities	6.2	1,274,123	9,849
Total long-term liabilities		19,030,857	2,218,295
Suppliers	7	1,427,409	94,723
Short-term loans	7.1	1,778,371	1,255,596
Short-term part of long-term loans	7	251,548	190,065
Short-term taxes payable	7	7,495,104	49,981
Short-term liabilities related to employee benefits	7.2	195,131	0
Other short-term liabilities and accruals	7.3	10,897,809	553,139
Total short-term liabilities		22,045,372	2,143,504
Liabilities related to assets held for sale		0	0
Total liabilities		41,076,229	4,361,798
Total equity and liabilities		50,702,816	7,717,444



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

CONSOLIDATED PROFIT AND LOSS STATEMENT

Description	Ref.	2022	2021*
Net sales	8	89,059,788	660,451
Material-type expenditures		205,660	55,269
Services used		3,558,737	149,785
Payroll costs		68,429,846	131
Depreciation and amortization		1,746,324	13,459
Other direct costs		3,066,546	2,204
Direct costs	9	77,007,113	220,847
Material-type expenditures		246,729	4,895
Services used		2,945,641	373,419
Payroll costs		4,091,321	5,398
Depreciation and amortization		460,312	3,753
Other indirect costs		223,213	1,366
Indirect costs	10	7,967,216	388,831
Change in fair value of investment property	11	706,094	311,837
Other income	12	2,002,885	456,931
Other expenses	12	1,451,230	41,555
Operating costs		86,425,560	651,233
Operating result		5,343,208	777,986
EBITDA		7,549,845	795,199
Financial revenues	13	769,775	371,628
Financial expenses	13	2,330,258	49,069
Financial results		-1,560,483	322,559
Profit before tax		3,782,725	1,100,545
Tax expenses	14	1,095,729	58,499
Profit after tax from continuing operations		2,686,997	1,042,046
Profit (loss) from discontinuing operations		0	0
Profit (loss) for the period		2,686,997	1,042,046
Profit (loss) for the period		2,686,997	1,042,046
Other comprehensive income items		153,327	0
Real estate revaluation gains		0	0
Exchange rate different IAS 21	15	153,327	0
Income taxes related to other comprehensive income		0	0
Other comprehensive income for the period, after tax		153,327	0
Total comprehensive income for the period		2,840,324	1,042,046



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* The comparative data for the year 2021 represents the income statement and the balance sheet of SUN GROUP Kft., since SG Group (as presented in note 1.3. below) only exists from 1 Jan 2022.

Breakdown of the 2022 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	2,171,743	100,901	2,272,644
Part of a non-controlling interest	515,254	52,426	567,680
Total	2,686,997	153,327	2,840,324



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 2021	3,600	2,267,023	0	349,833	0	320,000	0	2,940,457
Net profit for the period	0	1,042,046	0	0	0	0	0	1,042,046
Dividends for external members	0	-630,000	0	0	0	0	0	-630,000
Other changes	0	3,143	0	0	0	0	0	3,143
Balance at 31 December 2021	3,600	2,682,212	0	349,833	0	320,000	0	3,355,646

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(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 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 related 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 31 2022	3,600	4,863,398	10,800	349,833	100,901	320,000	3,978,054	9,626,587

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



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CONSOLIDATED CASH-FLOW STATEMENT

Description	Ref.	2022
A. Cash flows from operating activities		
Profit before tax	+/-	3,782,725
Adjustments for:		
1. Depreciation	9,10 +	2,206,637
2. Foreign exchange gains/losses	+/-	8,177
3. Interest and dividends received and paid	-	-258,538
4. Interest expenses	+	770,184
5. Result on investment activities	+/-	94
6. Valuation differences on investment properties	11 +/-	-706,094
7. Impairment and reversal of impairment	+	121,202
8. Deferred income	-	-12,549
9. Negative goodwill	1.15 -	-196,720
10. Other non-cash adjustment		-4,179
11. Other non-cash adjustment related shares		30,332
Changes in working capital:		
12. Changes in inventories	+/-	-17,002
13. Changes in trade receivables	+/-	-5,398,524
14. Changes in other receivables and deferred income	+/-	1,862,256
15. Changes in non-current assets held for sale	+/-	52,940
16. Change in short term liabilities, without loans and credits	+/-	2,973,812
17. Change in provisions	+/-	-26,032
18. Other changes	+/-	-3,618
19. Income taxes paid	-	-1,322,349
20. Exchange differences arising on the revaluation of cash	+/-	16,447
Net cash flows from operating activities		3,879,201
B. Cash flows from investing activities		
1. Sale of intangible and tangible fixed assets	+	224
2. Sale of shares	+	46,145
3. Interest revenue	+	1,105,538
4. Purchase of investment properties	-	-73,706
5. Purchase of intangible and tangible fixed assets	-	-869,127
6. Purchase of shares	-	-9,150,377
7. Loans granted	-	-35,529
8. Loan repayment	+	13,771
Net cash flows from investing activities		-8,961,060
C. Cash flows from financing activities		
1. Proceeds from loans and credits	+	222,328,758
2. Issue of bonds	+	15,400,000
3. Dividends and other payments to shareholders	-	-3,518,550
4. Repayments of loans and credits	-	-226,585,888
5. Interest paid	-	-770,184
6. Other long term liability changes	+/-	340,943
Net cash flows from financing activities		7,195,079
D. Net change in cash and cash equivalents	4.4	2,113,219



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SUPPLEMENTARY NOTES TO THE 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, 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.

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.

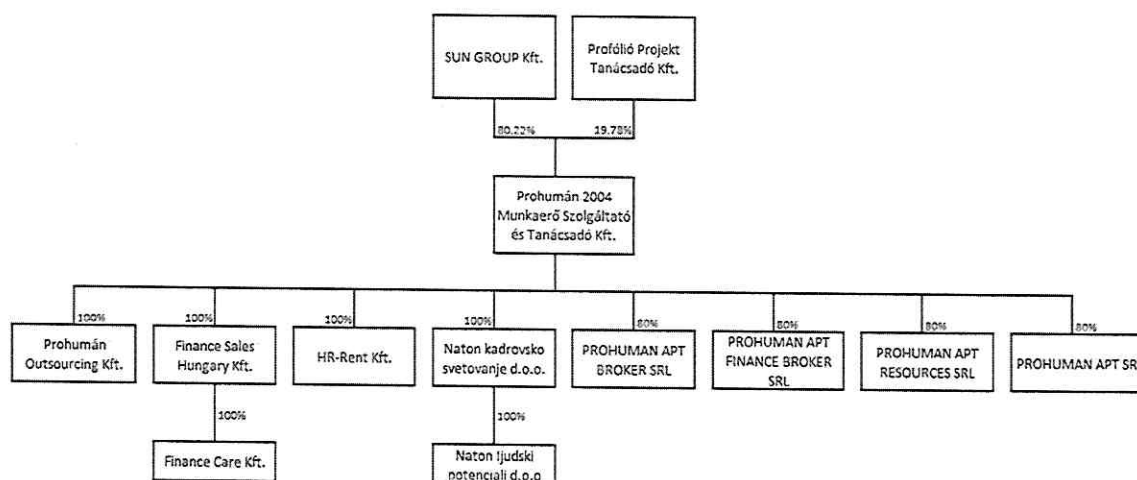
Minority owner of Prohumán 2004 Kft.

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



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SG has control over the following legal entities and at the same time SG Group consists of the following legal entities on 31 December 2022:



The basis for preparation of the consolidated financial statements of SG Group are the 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 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.



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1.2. Scope of activities of companies of SG Group

Group composition

Subsidiary	Headquarters	Ownership	
		31 Dec 2022	1 Jan 2022
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%
Human Existence Kft.	3525 Miskolc, Arany János tér 1. mfsz 18.	0%	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%
Naton 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%

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.

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

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.



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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. – Prohumán 2004 Kft. owns 70% of its quotas, which was acquired through a series of equity transactions. The company provides HR services (temporary staffing, recruitment and outsourcing) in Hungary, Austria and Germany.

Naton 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.

Person authorized to sign the consolidated financial statements:

- Sándor Zakor – managing director

The auditor of the company is BDO Magyarország Könyvvizsgáló Kft. (Registration number at the Hungarian Chamber of Auditors: 002387) the person responsible for conducting the audit is Péter Kékesi (registration number at the Hungarian Chamber of Auditors: 007128 IFRS certification number: IFRS000197).

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

The date the financial report was authorised for issue: 27. April 2023.



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

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.

Prohumán 2004 Kft. sold its 100% ownership share in Human Existence Kft. on 31 July 2022, thus the balance sheet data of this company no longer appears in the Consolidated Financial Statements on 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

II. Description of relevant accounting policies applied

1.4. Basis of preparation of financial statements

The 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 31 December 2022.

1.5. Going concern

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



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

1.8. Principles of consolidation

These consolidated financial statements include the financial statements of SUN GROUP Kft. and the financial statements of its subsidiaries prepared for on 31 December 2022. The 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



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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 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.



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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.

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.

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.



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

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.

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 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. 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



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

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.

1.17. 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.



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

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:



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

- 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.



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

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.



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

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.



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

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 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.



(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 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 31 December 2022, apart from changes described below.

IFRS - Standards and interpretations binding in the reports for the annual periods starting on 1 January 2022 or later

Newly effective EU-endorsed standards for 1 January 2022

COVID-19-Related Rent Concessions (Amendment to IFRS 16)

- On 31 March 2021, the IASB published 'Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)' that extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after 1 April 2021.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

- On 14 May 2020, the IASB issued 'Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

- On 14 May 2020, the IASB issued 'Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Annual Improvements to IFRS Standards 2018-2020

- On 14 May 2020, the IASB issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to **four International Financial Reporting Standards (IFRSs)** as result of the IASB's annual improvements project. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.
- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards.
- IFRS 9 Financial Instruments: This amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.



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

- IFRS 16 Leases, Illustrative Example 13: The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.
- IAS 41 Agriculture: This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement.

Changed IFRS 3 "Business combinations"

- IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g., an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.
- Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, earlier application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Standards available for early adoption

Change in IAS 1 "Presentation of financial statements" and IAS 8 "Accounting principles (policy), changes in estimate values and correction of errors"

- On 31 October 2018, the IASB issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.
- Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.
- The amendments are consistent with the refined definition of material:
- Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.
- The amendments are effective from 1 January 2023 but may be applied earlier.

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.



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

Definition of Accounting Estimate (Amendments to IAS 8)

- The Board (moreover 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.

Non-binding standards (new standards and interpretations)

In these 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 2022.

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

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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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.

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.



(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 31.12.2021 and 31.12.2022.

3.1. Own property, plant and equipment movement

Description	Own property	Plant and equipment	WIP	Total
Opening gross value:				
01.01.2021	0	105,356	45,900	151,256
Increase +	0	10,030	206,665	216,695
Sale -	0	43	0	43
Activation -	0	0	168,227	168,227
Scrapping -	0	659	0	659
Reclass from Investment property	0	0	0	0
Reclass to Non-current Assets Held for Sale -	0	0	0	0
Change in fair value recognized against OCI	0	0	0	0
Gross value 31.12.2021	0	114,684	84,338	199,022
Depreciation and amortization:				
01.01.2021	0	51,225	0	51,225
Increase +	0	14,307	0	14,307
Sale -	0	43	0	43
Scrapping -	0	561	0	561
Reclass from Investment property	0	0	0	0
Reclass to Non-current Assets Held for Sale -	0	0	0	0
Depreciation 31.12.2021	0	64,928	0	64,928
Net value 31.12.2021	0	49,756	84,338	134,094
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	285,585	15,221	688,517

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.



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

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.

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

Description	Software	Right of use asset	Other intangible assets	Customer contract portfolio	Trademark	Total
Opening gross value:						
01.01.2021	902	1,698	0	0	0	2,601
Increase +	0	13,517	0	0	0	13,517
Sale -	0	0	0	0	0	0
Scrapping -	0	0	0	0	0	0
Gross value 31.12.2021	902	15,215	0	0	0	16,118
Depreciation and amortization:						
01.01.2021	902	0	0	0	0	902
Increase +	0	1,582	0	0	0	1,582
Sale -	0	0	0	0	0	0
Scrapping -	0	0	0	0	0	0
Depreciation 31.12.2021	902	1,582	0	0	0	2,485
Net value 31.12.2021	0	13,633	0	0	0	13,633
Opening gross value:						
01.01.2022	902	15,215	0	0	0	16,118
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	2,026,002	526,574	6,003,175	11,159,941	20,053,464
Depreciation and amortization:						
01.01.2022	902	1,582	0	0	0	2,485
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	207,666	885,895	278,644	1,714,560	0	3,086,765
Net value 31.12.2022	130,106	1,140,107	247,930	4,288,615	11,159,941	16,966,698

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 4,288,615.

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.

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



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

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				

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.



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

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

Description	Development plots	Investment property	Total
Book value			
01.01.2021	0	4,236,598	4,236,598
Increase +	0	154,063	154,063
Sale -	0	0	0
Reclass to own property -	0	-	-
Change in fair value	0	311,837	311,837
Book value 31.12.2021	0	4,702,498	4,702,498
Book value	0		
01.01.2022	0	4,702,498	4,702,498
Increase +	0	196,006	196,006
Sale -	0	0	0
Reclass to IFRS 5 asset -	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

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

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
	garage	-
	other	932.09
Development areas		2,398.00

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



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

3.4. Long-term receivables

Description	31.012.2022	31.12.2021
Loans granted	94,126	0
Impairment	0	0
Other long-term receivables	32,843	0
Total loan granted and other long-term receivables	126,970	0

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	31.12.2022				Total
	Slovenian tax environment	Croatian tax environment	Romanian tax environment	Hungarian tax environment	
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



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

Description	31.12.2021 Hungarian tax environment
Depreciation of tangible and intangible assets	0
Impairment of trade receivables	2,372
Provision	0
Accrued loss	0
Other items	0
Total taxable difference	0
Total deductible difference	2,372
Tax rate %	9%
Total Deferred tax liabilities	0
Total Deferred tax assets	213

In 2022 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	31.12.2022	31.12.2021
Raw materials	0	0
Goods	36,773	0
Other inventories	0	2,712
Total inventories	36,773	2,712

Work clothes and masks were included in goods in 2022. 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.



(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	31.12.2022	31.12.2021
Trade receivables	15,542,872	56,069
Impairment	-306,623	-2,372
Total net trade receivables	15,236,249	53,697

4.3. Other current assets and accruals

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

Description	31.12.2022	31.12.2021
Short term loan granted	4,244,439	880,736
FVTPL securities	-	755,767
Tax receivables	499,535	22,435
Accrued income	133,870	-
Prepaid expenses	33,477	1,475
Other items	4,674,279	670,552
Total other current assets and accruals	9,585,600	2,330,964

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)

FVTPL securities

At the end of the 2021 SUN GROUP Kft. was the only company within SG Group to have debt securities. These securities was sold until the end of 2022.

The main characteristics of the securities were:

Name: Magyar Posta Takarékszövetkezet Real Estate Investment Fund "A" Series

Type: investment certificate

Term: indefinite

Description	31.12.2022	31.12.2021
Nominal value	0	578,395
Book value	0	744,699
Exchange rate	0	1.307
Fair value	0	755,767
Fair value P&L impact	0	11,069

Since the company is dealing with indefinite-term securities, there is no business model referring to holding to maturity, the securities are continuously bought and sold during the period. Taking these into account, all of these securities were classified as financial assets valued at fair value through profit or loss.

Accrued income and expenses

The amount of the accrued income for the year 2022 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	31.12.2022	31.12.2021
Uninvoiced customers	2,651,557	0
Suppliers with debit balance	936,615	0
Advance payments to suppliers	484,685	6,085
Taxes receivables	117,033	0
Salary advances	86,343	0
Rental deposit	87,077	0
Factor claim	34,747	0
Warranty retention	21,090	0
Concessions	12,039	0
Deposit due to acquisition	0	664,200
Other items	243,093	267
Total other items	4,674,279	670,552



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

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	31.12.2022	31.12.2021
Petty cash	42,301	1,679
Cash at bank	2,319,229	246,632
Total cash and cash equivalents	2,361,530	248,311

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.

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	31.12.2022	31.12.2021
Assets held for sale	122,300	231,321
Liabilities related to assets held for sale	-	-
Total assets and liabilities held for sale	122,300	231,321

The book value of two properties was classified among IFRS 5 assets in 2021. The properties were reclassified in this category on 31.12.2020 and at the same time recording of depreciation was stopped. The agreement with the customer was concluded within a year and two properties were sold in January 2022.

In 2022, IFRS 5 assets include the book value of two more properties that SG wants to sell, which are expected to be 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.



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

6. LONG-TERM LIABILITIES

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

Description	31.12.2022	31.12.2021
Long-term loans	17,296,138	2,208,446
Other long-term liabilities	1,274,123	9,849
Deferred tax liabilities	456,925	0
Provisions	3,672	0
Total long-term liabilities	19,030,857	2,218,295

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.

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	31.12.2022	31.12.2021
Bond issuance	15,400,000	0
Loan received (long-term)	1,896,138	2,208,446
Total loan received	17,296,138	2,208,446



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

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 three investment loans taken by the parent company. When the loans were received, the effective interest rates for both 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.	Investment loan 3.
Lender	Takarékbank Zrt.	Takarékbank Zrt.	Takarékbank Zrt.
Loan amount	1,500,000	1,200,000	1,000,000
Credit availability date	2018.05.14	2021.08.10	2022.12.12
Date of expiration	2030.02.01	2031.05.31	2030.10.11
Interest base	1m BUBOR	1m BUBOR	fixed 9%*
Interest surcharge	2.20%	2.20%	-
Interest period	monthly	monthly	monthly
Frequency of capital repayment	monthly	monthly	monthly
Status as of 31.12.2022	under repayment	paid off	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.

SG Group shows lease liabilities in connection with motor vehicles and office space. The increase in lease liabilities can be attributed to the following factors:

- The amount of the additional long-term lease liability added with the purchase of the PHU is THUF 870,999.
- The property sold by the parent company in January 2022 was leased back for office rental purposes. In this leaseback transaction, SG Group had a long-term lease obligation of THUF 403,124.

The amount of interest expense resulting from the lease liabilities amounted to THUF 49,232 in 2022 and the total cash outflows related to leases amounted to THUF 256,312 in the same period.



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

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	
	31.12.2022	31.12.2021
Depreciation of tangible and intangible assets	-99,917	0
Impairment of trade receivables	39,888	0
Provisions	3,672	0
Accrued loss	0	0
Other items	0	0
Total taxable difference	-56,358	0
Total deductible difference	0	0
Tax rate %	9%	9%
PPA adjustment	-451,852	0
Total Deferred tax liabilities	-456,925	0
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.

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:



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

Description	31.12.2022	31.12.2021
Suppliers	1,427,409	94,723
Short-term loans	1,778,372	1,255,596
Short-term part of long-term loans	251,548	190,065
Short-term taxes payable	7,495,104	49,981
Short-term liabilities related to employee benefits	195,131	0
Other short-term liabilities and accruals	10,897,809	553,139
Total short-term liabilities	22,045,372	2,143,504

7.1. Short-term loans

The balance of short-term loans is the amount of the loans between PHU and SG in 2021.

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 2022. 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	05.2023	24.03.2023	30.03.2023
Interest base	3m ROBOR	3m EURIBOR	fixed 2.30%
Interest surcharge	1.40%	2,65%	-

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

7.3. Other short-term liabilities and accruals

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

Description	31.12.2022	31.12.2021
Payroll liabilities	3,744,271	0
Accrued expenses	1,312,401	0
Lease liabilities	235,696	3,895
Deferred income	191,496	0
Deferred income related to subsidies	146,453	0
Advances received	173,266	143,983
Other liabilities	5,094,227	405,261
Total other short-term liabilities and accruals	10,897,809	553,139



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

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.

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

Description	31.12.2022	31.12.2021
Contingent Consideration	3,379,869	0
Dividend payable	1,481,422	405,000
Restrictions against employees	45,880	0
Factoring claims	42,345	0
Other vouchers	36,570	0
Other items	108,140	261
Total other liabilities	5,094,227	405,261



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

Contingent Consideration

SG Group registers contingent consideration in connection with the acquisition of one subsidiary of Prohumán 2004 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, which remained unchanged since then.

The most recent contract amendment took place between the parties in July 2019, in which it was stipulated that the purchase price of the remaining part will be set at a value increased by 6% interest per year. 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.

Dividends payable

The balance of dividend obligations is made up of the following items in 2022:

- THUF 1,076,422 in unpaid dividends for the minority owner of Prohumán 2004 Kft.
- THUF 405,000 unpaid dividends due to the owners of SG.

8. NET SALES

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

Description	2022	2021
Revenue from temporary employment	78,250,838	0
Revenue from outsourcing	6,298,006	0
Revenue from property rental	517,159	612,242
Revenue from recruitment	1,536,757	0
Income from payroll services	199,788	0
Other net sales	2,257,241	48,209
Total net sales	89,059,788	660,451

Sales data for 2021 only included the sales revenue of SG, as we consider the acquisition of control and at the same time the creation of a consolidation group as the date of 1 January 2022. The revenue from property rental includes only rental fees and other sales revenue from the rental of investment properties. Other net sales include the following revenue in 2022:

- THUF 1,175,354 partnership fee,
- THUF 975,500 revenue from real estate sale,



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

9. DIRECT COST

The following table shows the breakdown of direct cost:

Description	2022	2021
Material-type expenditures	205,660	55,269
Services used	3,558,736	149,785
Payroll costs	68,429,835	131
Depreciation	1,746,325	13,459
Other direct cost items	3,066,557	2,204
Total direct cost	77,007,113	220,847

- The other direct cost items include the following costs:
- THUF 2,602,036 intermediated services,
- THUF 155,311 travel costs,
- THUF 94,012 authority fees,
- THUF 22,174 entertainment, promotion costs.

10. INDIRECT COST

The following table shows the breakdown of indirect cost:

Description	2022	2021
Material-type expenditures	246,729	4,895
Services used	2,945,641	373,419
Payroll costs	4,091,321	5,398
Depreciation	460,312	3,753
Other indirect cost items	223,213	1,366
Total indirect cost	7,967,216	388,831

The other indirect cost items include the following costs:

- THUF 52,581 insurance cost,
- THUF 47,783 authority fees,
- THUF 38,105 intermediated services,
- THUF 32,917 promotion costs,
- THUF 13,229 travel costs.

11. CHANGE IN FAIR VALUE OF INVESTMENT PROPERTY

Description	2022	2021
Change in fair value of investment property	706,094	311,837
Total	706,094	311,837

Change in the fair value of investment properties represents the revaluation of investment properties owned by SG Group to their fair value in 2021. SG Group recorded THUF 311,837 as a profit from changes in fair value in 2021 and recorded THUF 706,094 as a profit from changes in fair value in 2022.



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

Information about the fair value:

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 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 that 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.

Description	
Date of valuation	31.12.2021 and 31.12.2022
Real estate appraiser	Euro-Immo Expert Kft.
Method	In the case of a property, when determining its market value, a DCF-based approach with a 50% weighting and a market comparison-based approximation with a 50% weighting were used. For all other properties, the market comparison and yield principal approach was taken into account with a weighting factor of 50-50%.

Properties that are rented by members within the consolidation group are not included among investment properties on a consolidated level. Changes in the fair value of those properties are included in revaluation surplus in the amount of THUF 10,800.

The properties leased within the group are currently included in IFRS 5 assets, as the parent company will sell these properties in 2023. The revaluation difference related to these assets is transferred to the profit reserve.

12. OTHER PROFIT

The following table shows the breakdown of other profit:

Description	2022	2021
Proceeds from sale of fixed assets	224	449,996
Release of provisions	948,675	0
Subsidies	307,445	0
Release of impairment write-down on receivables	16,829	5,465
Negative goodwill on acquisition	196,720	0
Miscellaneous items	532,992	1,470
Total other income	2,002,885	456,931
Provisions	937,043	0
Write-off of inventories and receivables	112,976	2,372
Donations	23,419	0
Value of sold components of fixed capital	318	0
Miscellaneous items	377,474	39,183
Total other expenses	1,451,230	41,555
Total other profit	551,655	415,376



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

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 82,806 representing other income related to salaries and THUF 15,496 representing deduction from employees in 2022.

Termination of contingent consideration

Prohumán 2004 Kft. concluded a multi-step acquisition contract in 2015 for the acquisition of 100% of Finance Sales Kft. PHU gained control over Finance Sales in 2015 by acquiring 51% ownership, and subsequently acquired an additional 49% ownership by 2020, thus becoming its 100% parent company. Previously, the seller disputed the calculation of the purchase price for the last tranche. The amount of the disputed purchase price of HUF 335 million and its interest, totalling THUF 398,472 was presented as contingent purchase price liability until June 2022.

An agreement was reached between the parties that PHU is not obliged to pay the difference in consideration previously disputed by the seller, and no further payment of the purchase price will take place. For this reason, the contingent consideration was transferred to the result due to the change in its fair value.

Miscellaneous items in total other expenses includes the following items in 2022:

- THUF 300,000 representing money for forfeit,
- THUF 28,852 of building tax,
- THUF 16,462 expenses from salary withholdings,
- THUF 6,733 of penalties.

13. FINANCIAL RESULT

The following table shows the breakdown of financial result:

Description	2022	2021
Exchange rate differences (revenue)	444,934	23,132
Interest income	241,926	14,310
Other financial revenue items	82,915	334,186
Total financial revenues	769,775	371,628
Interest expense	1,577,818	38,912
Exchange rate differences (expense)	417,182	2,412
Other financial expense items	335,258	7,745
Total financial expenses	2,330,258	49,069
Total net financial result	-1,560,483	322,559

Other financial revenue items include income related to the disposal of securities classified as FVTPL amounting to THUF 71,466 in 2022.

Other financial revenue items include profits on derivative transactions of THUF 323,118 and the change in fair value of THUF 11,069 of securities classified as FVTPL in 2021.



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

The other financial expense items include the following items in 2022:

- THUF 159,333 of bank charges,
- THUF 95,637 loss on the sale of a subsidiary,
- THUF 17,396 interest write off.

The other financial expense items include bank charges of THUF 7,745 in 2021.

14. TAX EXPENSES

The following table shows the breakdown of tax expenses:

Description	2022	2021
Corporate income tax	587,846	52,539
Local business tax	602,062	5,682
Innovation contribution	131,824	0
Deferred tax expense	-226,003	278
Total tax expenses	1,095,729	58,499

15. OTHER COMPREHENSIVE INCOME

Other comprehensive income in 2022 includes the exchange rate difference of SG Group's foreign subsidiaries in accordance with IAS 21.

16. 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	2022	2021
Net sales	18,881	16,228
Direct cost	0	0
Indirect cost	118,460	90,600
Financial revenue	8,915	0
Receivables	1,017	54
Liabilities	411,604	413,573

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

SG did not pay employee benefits to persons in key positions in 2022.



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

IV. Pro forma profit and loss statement and balance sheet

Since SG Group was not yet established on 31.12.2021, the individual numbers of SG as the parent company are shown as comparative data in the financial report. However, in order to be able to compare the results of the current year, we prepared the proforma consolidated income statement for 31.12.2021, modelling what would have happened if the full annual result of the Prohuman Group already belonged to the parent company in 2021.

Note that the profit and loss statement below only ensures comparability, the base annual data do not actually belong to the parent company at the end of 2021.

Profit and loss

Description	2022	2021 pro forma
Net sales	89,059,788	75,107,202
Material-type expenditures	205,660	125,695
Services used	3,558,737	2,568,715
Payroll costs	68,429,846	61,318,661
Depreciation and amortization	1,746,324	15,963
Other costs	3,066,546	1,101,540
Direct costs	77,007,113	65,130,576
Material-type expenditures	246,729	158,096
Services used	2,945,641	2,224,745
Payroll costs	4,091,321	3,231,624
Depreciation and amortization	460,312	353,703
Other costs	223,213	84,039
Indirect costs	7,967,216	6,052,207
Change in fair value of investment property	706,094	301,037
Other income	2,002,885	1,884,016
Other expenses	1,451,230	1,317,242
Operating costs	86,425,560	72,198,988
Operating result	5,343,208	4,792,230
EBITDA	7,549,845	5,161,897
Financial revenues	769,775	1,041,620
Financial expenses	2,330,258	711,642
Financial results	-1,560,483	329,972
Profit before tax	3,782,725	5,122,208
Tax expenses	1,095,729	1,158,371
Profit after tax from continuing operations	2,686,997	3,963,837
Profit (loss) from discontinuing operations	0	0
Profit (loss) for the period	2,686,997	3,963,837



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

Description	2022	2021 pro forma
Profit (loss) for the period	2,686,997	3,963,837
Other comprehensive income items	153,327	25,594
Real estate revaluation gains	0	10,800
Exchange rate differences IAS 21	153,327	14,794
Income taxes related to other comprehensive income	0	0
Other comprehensive income for the period, after tax	153,327	25,594
Total comprehensive income for the period	2,840,324	3,989,431

A more significant change was the amortization recorded on the customer contract portfolio during the PPA, which was MHUF 1,715 in 2022.

Balance sheet

Description	31 Dec 2022	31 Dec 2021 pro forma
Assets		
Fixed assets		
Property, plant and equipment	688,518	796,686
Other intangible assets	16,966,698	18,301,204
Goodwill	0	0
Investment property	5,482,298	4,580,198
Investments in subsidiaries	0	0
Investments in equity instruments	1,540	1,420
Long-term receivables	126,970	99,036
Deferred tax assets	94,340	55,926
Total fixed assets	23,360,364	23,834,470
Current assets		
Inventories	36,773	19,876
Trade receivables	15,236,249	9,774,589
Other current assets and accruals	9,585,600	7,645,234
Cash and cash equivalents	2,361,530	2,744,534
Total current assets	27,220,151	20,184,234
Non-current assets held for sale	122,300	231,321
Total assets	50,702,816	44,250,025
Shareholder's equity and liabilities		
Share capital	3,600	3,600
Retained earnings	4,863,398	2,866,239
Valuation reserve	10,800	10,800
Other capital items	349,833	349,833
Ownership transaction	320,000	320,000
Exchange difference according to IAS 21	100,901	0
Non-controlling interest	3,978,054	4,496,239
Total Shareholder's equity	9,626,587	8,046,712
Long-term liabilities		
Long-term loans	17,296,138	13,866,185
Deferred tax liabilities	456,925	645,910
Long-term provisions	3,672	12,651
Other long-term liabilities	1,274,123	604,170
Total long-term liabilities	19,030,857	15,128,917



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

Description	31 Dec 2022	31 Dec 2021 pro forma
Suppliers	1,427,409	778,615
Short-term loans	1,778,371	1,647,525
Short-term part of long-term loans	251,548	190,065
Short - term taxes payable	7,495,104	6,870,746
Short - term provisions	195,131	195,877
Other short-term liabilities and accruals	10,897,809	11,391,569
Total short-term liabilities	22,045,372	21,074,396
Liabilities related to assets held for sale	0	0
Total liabilities	41,076,229	36,203,313
Total equity and liabilities	50,702,816	44,250,025



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

V. 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.



(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

SG Group did not adjust previously published data in these 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

Real estate sales

In 2022, IFRS 5 assets include the book value of two more properties that SG wants to sell, which are expected to be 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.

Future acquisitions

Prohumán 2004 Kft. concluded a new contract on 24.01.2023 for the purchase of the 30% share of HR-Rent Kft.. 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. in 2023.

Prohuman 2004 Kft. concluded a acquisition contract on 14.02.2023 with the owner of CITYSCOPE ENTERPRISES d.o.o. and CityScope d.o.o. for the purchase of 80% ownership shares in these companies, with an additional option for their 20% ownership shares. The transaction for the purchase of 80% of the shares was successfully completed on 20.03.2023, Prohumán gained control. 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.



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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 2022. 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 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 2022.

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 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.