SUN GROUP KFT.

Audited Consolidated Financial Statements

for 31 December 2023

Budapest, 30. April 2024

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Sándor Zakor
Managing Director

Contents

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

CONSOLIDATED BALANCE SHEET

Description	Ref.	31 Dec 2023	31 Dec 2022
Assets			
Fixed assets			
Property, plant and equipment	3.1	1,003,955	688,518
Other intangible assets	3.2	15,191,813	16,966,698
Goodwill	3.3	1,852,114	0
Investment property	3.4	5,922,432	5,482,298
Investments in equity instruments		2,028	1,540
Long-term receivables	3.5	309,811	126,970
Deferred tax assets	3.6	169,941	94,340
Total fixed assets		**24,452,094**	**23,360,364**
Current assets			
Inventories	4.1	14,141	36,773
Trade receivables	4.2	19,723,668	15,236,249
Other current assets and accruals	4.3	9,704,428	9,585,600
Cash and cash equivalents	4.4	4,227,143	2,361,530
Total current assets		**33,669,380**	**27,220,151**
Non-current assets held for sale	5	0	122,300
Total assets		**58,121,474**	**50,702,816**
Shareholder's equity and liabilities			
Share capital		3,600	3,600
Retained earnings		5,660,880	4,863,398
Valuation reserve		-2,111	10,800
Other capital items		349,833	349,833
Ownership transaction		320,000	320,000
Exchange difference according to IAS 21		24,407	100,901
Non-controlling interest		4,048,678	3,978,054
Total Shareholder's equity		**10,405,287**	**9,626,587**
Long-term liabilities			
Long-term loans	6.1	22,555,824	17,296,138
Deferred tax liabilities	6.3	268,632	456,925
Long-term provisions	6.4	8,414	3,672
Other long-term liabilities	6.2	1,714,264	1,274,123
Total long-term liabilities		**24,547,134**	**19,030,857**
Suppliers	7	1,239,469	1,427,409
Short-term loans	7.1	2,959,183	1,778,371
Short-term part of long-term loans	7	232,198	251,548
Short-term taxes payable	7	7,886,717	7,495,104
Short-term liabilities related to employee benefits	7.2	372,189	195,131
Other short-term liabilities and accruals	7.3	10,479,297	10,897,809
Total short-term liabilities		**23,169,053**	**22,045,372**
Liabilities related to assets held for sale		0	0
Total liabilities		**47,716,187**	**41,076,229**
Total equity and liabilities		**58,121,474**	**50,702,816**

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

CONSOLIDATED PROFIT AND LOSS STATEMENT

Description	Ref.	2023	2022
Net sales	8	**106,709,551**	**89,059,788**
Material-type expenditures		253,516	205,660
Services used		3,905,761	3,558,737
Payroll costs		84,537,980	68,429,846
Depreciation and amortization		1,737,246	1,746,324
Other direct costs		4,088,678	3,066,546
Direct costs	9	**94,523,181**	**77,007,113**
Material-type expenditures		271,073	246,729
Services used		3,228,171	2,945,641
Payroll costs		5,314,615	4,091,321
Depreciation and amortization		586,149	460,312
Other indirect costs		204,768	223,213
Indirect costs	10	**9,604,776**	**7,967,216**
Change in fair value of investment property	11	-125,095	706,094
Other income	12	2,656,384	2,002,885
Other expenses	12	1,480,849	1,451,230
Operating costs		**105,608,806**	**86,425,560**
Operating result		**3,632,034**	**5,343,208**
EBITDA		***5,955,429***	***7,549,845***
Financial revenues	13	864,031	769,775
Financial expenses	13	2,431,011	2,330,258
Financial results		**-1,566,980**	**-1,560,483**
Profit before tax		**2,065,054**	**3,782,725**
Tax expenses	14	977,272	1,095,729
Profit after tax from continuing operations		**1,087,782**	**2,686,997**
Profit (loss) from discontinuing operations		0	0
Profit (loss) for the period		**1,087,782**	**2,686,997**
Profit (loss) for the period		**1,087,782**	**2,686,997**
Other comprehensive income items		-118,919	153,327
Real estate revaluation gains		-2,111	0
Exchange rate different IAS 21	15	-116,808	153,327
Income taxes related to other comprehensive income		0	0
Other comprehensive income for the period, after tax		**-118,919**	**153,327**
Total comprehensive income for the period		**968,863**	**2,840,324**

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

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

2023	Profit (loss) for the period	Other comprehensive income	Full comprehensive profit/loss
Parent company interest	786,682	-78,605	708,077
Non-controlling interest	301,100	-40,314	260,786
Total	**1,087,782**	**-118,919**	**968,863**

2022	Profit (loss) for the period	Other comprehensive income	Full comprehensive profit/loss
Parent company interest	2,171,743	100,901	2,272,644
Non-controlling interest	515,254	52,426	567,680
Total	**2,686,997**	**153,327**	**2,840,324**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

Changes	Share capital	Retained earnings	Revaluation surplus	Other capital items	Exchange difference according to IAS 21	Ownership transaction	Non-controlling interest	Total
Opening balance at 1 January 2023	**3,600**	**4,863,398**	**10,800**	**349,833**	**100,901**	**320,000**	**3,978,054**	**9,626,587**
Net profit for the period	0	786,682	0	0	0	0	301,100	1,087,782
Dividends to external members	0	0	0	0	0	0	-208,846	-208,846
Exchange difference according to IAS 21	0	0	0	0	-76,494	0	-40,314	-116,808
Revaluation difference of property held under the revaluation model	0	0	-2,111	0	0	0	0	-2,111
NCI resulting from subsidiary acquisition	0	0	0	0	0	0	18,684	18,684
Other changes	0	10,800	-10,800	0	0	0	0	0
Balance at 31 December 2023	**3,600**	**5,660,880**	**-2,111**	**349,833**	**24,407**	**320,000**	**4,048,678**	**10,405,287**

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

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

CONSOLIDATED CASH-FLOW STATEMENT

Description	Ref.		2023	2022
A. Cash flows from operating activities				
Profit before tax		+/-	**2,065,054**	**3,782,725**
Adjustments for:				
1. Depreciation	9,10	+	2,323,394	2,206,637
2. Foreign exchange gains/losses		+/-	-12,399	8,177
3. Interest and dividends received and paid		-	-577,352	-258,538
4. Interest expenses		+	963,372	770,184
5. Result on investment activities		+/-	-126,995	94
6. Valuation differences on investment properties	11	+/-	125,095	-706,094
7. Impairment and reversal of impairment		+/-	-50,540	121,202
8. Deferred income		-	-12,540	-12,549
9. Negative goodwill	1.15	-	0	-196,720
10. Other non-cash adjustment		+/-	-988,098	-4,179
11. Other non-cash adjustment related shares		+/-	-504	30,332
Changes in working capital:				
12. Changes in inventories		+/-	23,538	-17,002
13. Changes in trade receivables		+/-	-3,977,457	-5,398,524
14. Changes in other receivables and deferred income		+/-	231,848	1,862,256
15. Changes in non-current assets held for sale		+/-	122,300	52,940
16. Change in short term liabilities, without loans and credits		+/-	725,618	2,973,812
17. Change in provisions		+/-	195,999	-26,032
18. Other changes		+/-	30,829	-3,618
19. Income taxes paid		-	-1,243,980	-1,322,349
20. Exchange differences arising on the revaluation of cash		+/-	-23,280	16,447
Net cash flows from operating activities			**-206,098**	**3,879,201**
B. Cash flows from investing activities				
1. Sale of intangible and tangible fixed assets		+	128,221	224
2. Sale of shares		+	273,436	46,145
3. Interest revenue		+	174,691	1,105,538
4. Purchase of investment properties		-	-614,106	-73,706
5. Purchase of intangible and tangible fixed assets		-	-676,706	-869,127
6. Purchase of shares		-	-2,093,235	-9,150,377
7. Dividend received		+	129,224	0
8. Loans granted		-	-568,089	-35,529
9. Loan repayment		+	35,389	13,771
Net cash flows from investing activities			**-3,211,175**	**-8,961,060**
C. Cash flows from financing activities				
1. Issue of shares and capital instrument		+	-93	0
2. Proceeds from loans and credits		+	35,341,093	222,328,758
3. Issue of bonds		+	0	15,400,000
4. Dividends and other payments to shareholders		-	-500,000	-3,518,550
5. Repayments of loans and credits		-	-29,286,050	-226,585,888
6. Interest paid		-	-962,556	-770,184
7. Other long term liability changes		+/-	688,126	340,943
Net cash flows from financing activities			**5,280,520**	**7,195,079**
D. Net change in cash and cash equivalents before FX effect			**1,863,249**	**2,113,219**
FX effect on cash and cash equivalents			*2,364*	*0*
E. Net change in cash and cash equivalents after FX effect	4.4		**1,865,613**	**2,113,219**

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

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" or "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.

100% of the owners' shares were put into trust management as of 31 August 2023.

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.	12068920-2-13
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 Prohuman Zrt. (hereinafter "PHU") by SG. The closing date of the transaction was 19 January 2022, on which date SG acquired control over PHU.

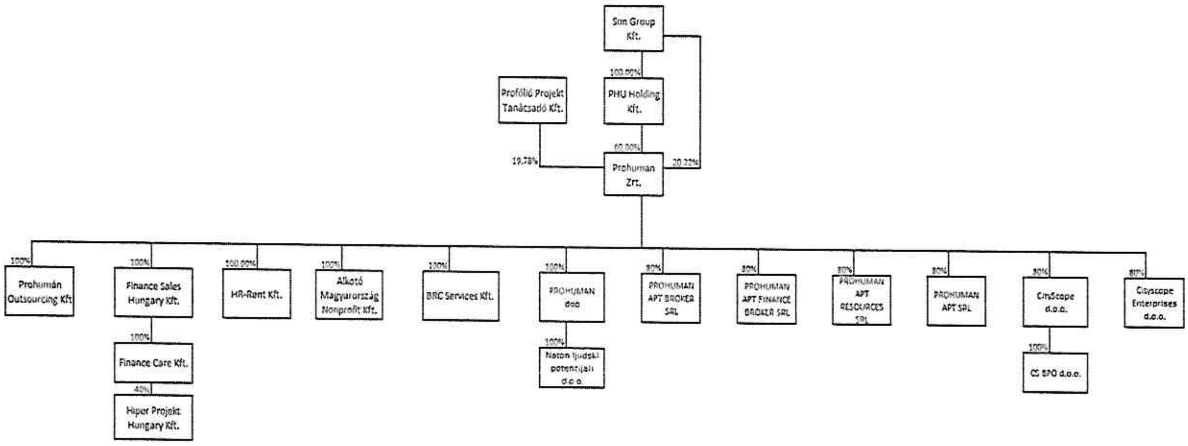
Since the profit after tax of PHU from 1 January 2022 to 19 January 2022 is not considered significant, we considered 1 January 2022 as the date of acquisition and at the same time as the date of the first consolidation.

Minority owner of Prohuman Zrt.

Profólió Projekt Tanácsadó Kft. (hereinafter "PPT") – owns 19.78% in Prohuman Zrt.

The PHU changed its company form as of 30 November 2023. The previous name of Prohumán 2004 Kft. became Prohuman Zrt. starting from 1 December 2023.

SG has control over the following legal entities and at the same time SG Group consists of the following legal entities on 31 December 2023:



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.

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

1.2. Scope of activities of companies of SG Group

Group composition

Subsidiary	Headquarters	Ownership 31 Dec 2023	Ownership 31 Dec 2022
PHU Holding Kft.	1143 Budapest, Ilka utca 50.	100%	0%
Prohuman Zrt.	1146 Budapest, Hungária körút 140-144.	80.22%	80.22%
Prohumán Outsourcing Kft.	1146 Budapest, Hungária körút 140-144.	80.22%	80.22%
HR-Rent Kft.	7624 Pécs, Ferencesek utcája 52.	80.22%	80.22%
Finance Sales Hungary Kft.	1146 Budapest, Hungária körút 140-144.	80.22%	80.22%
Finance Care Hungary Kft.	1146 Budapest, Hungária körút 140-144.	80.22%	80.22%
BRC Sevices Kft.	2724 Újlengyel, Ady Endre utca 41.	80.22%	0%
Alkotó Magyarország Nonprofit Kft.	2724 Újlengyel, Kossuth Lajos utca 86.	80.22%	0%
PROHUMAN kadrovsko svetovanje d.o.o.	Slovenia, 1231 Ljubljana- Cesta 24. junija 25.	80.22%	80.22%
Naton Ijudski potenciali d.o.o.	Croatia, Zagreb, Kralja Zvonimira 2	80.22%	80.22%
PROHUMAN APT SRL	Romania, Bucharest, Str. Av. Popisteanu 54A C	64.18%	64.18%
PROHUMAN APT RESOURCES SRL	Romania, Bucharest, Str. Av. Popisteanu 54A C	64.18%	64.18%
PROHUMAN APT BROKER SRL	Romania, Bucharest, Str. Av. Popisteanu 54A C	64.18%	64.18%
PROHUMAN APT FINANCE BROKER SRL	Romania, Bucharest, Str. Av. Popisteanu 54A C	64.18%	64.18%
CityScope Enterprises d.o.o.	Serbia, Beograd, Rige Od Fere 16	64.18%	0%
CityScope d.o.o.	Serbia, Beograd, Rige Od Fere 16	64.18%	0%
CS BPO d.o.o.	Serbia, Beograd, Rige Od Fere 16	64.18%	0%

Associated company	Headquarters	Ownership 31 Dec 2023	Ownership 31 Dec 2022
Hiper Projekt Hungary Kft.	1134 Budapest, Tüzér utca 39.	32.09%	0%

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

Aggregated financial data of subsidiaries with an NCI stake exceeding 35% in 2023:

Company group	APT Group*	CityScope Group**
Total Assets	7,932,939	742,619
Total Equity	2,288,979	141,761
Net sales	31,596,601	3,709,772
Profit (loss) for the period	142,961	47,314

*The APT Group includes the following companies: PROHUMAN APT SRL, PROHUMAN APT RESOURCES SRL, PROHUMAN APT BROKER SRL and PROHUMAN APT FINANCE BROKER SRL

**The CityScope Group includes the following companies: CityScope Enterprises d.o.o., CityScope d.o.o. and CS BPO d.o.o.

Aggregated financial data of subsidiaries with an NCI stake exceeding 35% in 2022:

Company group	APT Group
Total Assets	7,587,938
Total Equity	2,254,563
Net sales	28,101,096
Profit (loss) for the period	527,147

General information

The group came into existence on 1 January 2022, when SUN GROUP Kft. became 80.22% owner of Prohuman Zrt. 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, Prohuman Zrt. 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.

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

Prohuman Zrt. – 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 Prohuman Zrt. 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. Prohuman Zrt. owns 100% of the company.

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

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

BRC Services Kft. – The company provides relocation and accommodation services to temporary staff in Hungary. Prohuman Zrt acquired 100% of the company in October 2023.

Alkotó Magyarország Nonprofit Kft. – The company is specialized to offers wide range of jobs to disabled people and support their integration to labour market. It operates branches across Hungary. Prohuman Zrt purchased 100% of the company in September 2023.

Hiper Projekt Hungary Kft. – The company operates as a platform solution in connection with financial services provided by Finance Sales Hungary Kft.

PROHUMAN kadrovsko svetovanje d.o.o.– It is one of the oldest HR agencies in Slovenia and provides temporary staffing and recruitment services. Prohuman Zrt. 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. Prohuman Zrt. purchased 80% of the company in July 2017.

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

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

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

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

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

CS BPO d.o.o. – The company has no current business activity.

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: 30. April 2024.

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

On 24 January 2023, PHU concluded a contract to purchase HR-Rent Kft.'s (hereinafter "HR-Rent") 30% stake, which contract was amended on 24 January 2024 and on 27 March 2024. According to this contract the purchase of the remaining ownership will take place gradually, in several steps, from 27 March 2024 to 2 March 2026. The consideration for the remaining 30% ownership share is THUF 2,350,000. This contract will affect the fair value of the contingent consideration related to HR-Rent Kft.

PHU acquired 12.75% of the remaining business of HR-Rent Kft. for THUF 1,000,000 in 2023.

Finance Sales Hungary Kft. founded Hiper Projekt Hungary Kft. together with two other legal entities on 27 June 2023. Its first consolidation will take place on 1 July 2023 using the equity method (IAS 28).

In addition, PHU concluded contracts for the following acquisitions:

- 80% ownership of CityScope Enterprises d.o.o. and CityScope d.o.o.. The acquisition will be a step-by-step acquisition, during which the purchase price will be paid by the buyer in three instalments, no later than 29 February 2024. The closing date of the transaction is 20 March 2023, while the date of the first consolidation is 31 March 2023.

- 100% ownership of BRC Services Kft. The acquisition will be a step-by-step acquisition, during which the purchase price will be paid by the buyer in four instalments, no later than 30 July 2025. The closing date of the transaction is 31 October 2023, while the date of the first consolidation is 31 October 2023.

- 100% ownership of Alkotó Magyarország Nonprofit Kft. The purchase price was fully paid by the balance sheet date of these financial statements. The closing date of the transaction is 30 September 2023, while the date of the first consolidation is 30 September 2023.

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 2023.

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.

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 2023. 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.

Subsidiaries are those entities over which the parent company exercises control, i.e. where the parent company can earn variable returns from its investments and can influence those returns by influencing the significant activities of the controlled entity.

In general, we speak of control when the Group directly or indirectly owns more than 50% of the voting rights of the given company and, through its influence on the financial and operational activities of the company, benefits from its activities while being able to exercise control itself.

The Group exercises control over an investee if it is exposed to variable returns from its participation in the investee and has rights to them and is able to influence these returns through its power over the investee. Accordingly, the Group exercises control over the investee if and only if the investor has all of the following:

- power over the investee;
- exposure to, or rights to, variable returns from its participation in the investee; and
- the ability to use its power over the investee to influence the amount of returns to the investor.

1.9. Investments in associated companies

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

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

1.10. Merger of business entities

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

1.11. Conversion of items expressed in foreign currency

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

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

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

1.12. Tangible fixed assets

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

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

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

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

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

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

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

1.13. Costs of external financing

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

1.14. Investment real estates

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

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.

Negative goodwill in connection with the acquisition of PHU - 2022

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 overProhuman Zrt.. 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 negative goodwill arising from the acquisition is presented in the following table:

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

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

Goodwill in connection with the acquisition of CityScope Enterprises d.o.o. - 2023

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 CityScope Enterprises d.o.o. in accordance with IFRS 3. During the PPA, all assets and liabilities balance sheetable at the consolidated level were identified, while assets and liabilities that cannot be consolidated were omitted.

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

Description	CityScope Enterprises d.o.o.
Consideration paid (cash)	351,735
Total purchase price (1)	**351,735**
CityScope Enterprises d.o.o.'s total assets	**476,567**
CityScope Enterprises d.o.o.'s total liabilities	**388,387**
Non-controlling interest	17,637
Equity proportional net asset value (80%) (2)	**70,547**
Goodwill (1)-(2)	**281,189**

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

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

Goodwill in connection with the acquisition of CityScope d.o.o. - 2023

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 CityScope d.o.o. and its subsidiary (hereinafter "CS d.o.o. Group") in accordance with IFRS 3. During the PPA, all assets and liabilities balance sheetable at the consolidated level were identified, while assets and liabilities that cannot be consolidated were omitted.

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

Description	CS d.o.o. Group
Consideration paid (cash)	34,787
Total purchase price (1)	**34,787**
CS d.o.o. Group's total assets	**89,572**
CS d.o.o. Group's total liabilities	**84,335**
Non-controlling interest	1,047
Equity proportional net asset value (80%) (2)	**4,189**
Goodwill (1)-(2)	**30,598**

Based on the accounting policy of the Group, goodwill below MHUF 50 was expensed, and not included in the balance sheet as an intangible asset.

Goodwill in connection with the acquisition of BRC Services Kft. - 2023

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 BRC Services Kft. in accordance with IFRS 3. During the PPA, all assets and liabilities balance sheetable at the consolidated level were identified, while assets and liabilities that cannot be consolidated were omitted.

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

Description	BRC Services Kft.
Consideration paid (cash)	1,884,000
Total purchase price (1)	**1,884,000**
BRC Services Kft.'s total assets	**1,094,681**
BRC Services Kft.'s total liabilities	**704,280**
Non-controlling interest	-
Equity proportional net asset value (100%) (2)	**390,401**
Goodwill (1)-(2)	**1,493,599**

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

Goodwill in connection with the acquisition of Alkotó Magyarország Nonprofit Kft. - 2023

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 Alkotó Magyarország Nonprofit Kft. in accordance with IFRS 3. During the PPA, all assets and liabilities balance sheetable at the consolidated level were identified, while assets and liabilities that cannot be consolidated were omitted.

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

Description	Alkotó Magyarország Nonprofit Kft.
Consideration paid (cash)	25,000
Total purchase price (1)	**25,000**
Alkotó Magyarország Nonprofit Kft.'s total assets	**52,468**
Alkotó Magyarország Nonprofit Kft.'s total liabilities	**-104,794**
Non-controlling interest	-
Equity proportional net asset value (100%) (2)	**-52,326**
Goodwill (1)-(2)	**77,326**

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

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

1.17. Recoverable value of long-term assets

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

1.18. Financial instruments

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

Financial assets

Financial assets can typically be the followings:

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

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

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

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

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

Impairment of financial assets

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

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

General approach

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

Financial assets recorded at amortized cost

SG Group evaluates the following financial assets at amortized cost:

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

Cash and cash equivalents

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

Trade receivables

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

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

Financial assets valued at fair value against profit or loss

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

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

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

Financial liabilities

Financial liabilities can be valued in two ways:

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

Financial liabilities valued at fair value against profit or loss

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

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

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

Financial liabilities recorded at amortized cost

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

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

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

1.19. Inventories

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

1.20. Provisions for liabilities

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

1.21. Leasing

Identification of leases

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

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

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

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

Measurement at recognition

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

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

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

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

Measurement after initial recognition

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

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

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

After recognition, SG Group must value the right-of-use asset using the cost model:
- reduced by accumulated depreciation and impairment losses; and
- adjusted to the lease liability with adjustments due to revaluations or lease modifications.

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

1.22. Deferred tax

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

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

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

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

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

1.23. Revenues

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

The sales revenue is determined and accounted for according to the 5-step model detailed below:
- Identification of the contract;
- Identification of performance obligations;
- Determination of the transaction price;
- Allocation of transaction price to performance obligations;
- Accounting for revenue.

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

Contractual costs that would arise even without the conclusion of a contract must be shown as costs when incurred, unless they are specifically charged to the customer even in the absence of a contract.

SG Group immediately accounts for the additional costs of concluding the contract as costs when they arise, if they would be amortized within a maximum of one year after they were capitalized as assets.

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

Revenue recognition (based on IFRS 16)

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

1.24. Dividends

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

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

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

- estimates of write-downs on receivables - the level of value write-downs of receivables is established taking into account the expected risk associated with receivables and collateral made that affect the effectiveness of the recovery, despite the fact that the assumptions are based on best knowledge, actual results may differ from expected;
- write-downs of goodwill – are estimated based on assumptions of the management regarding the determination of the recoverable amount. SG Group shall disclose the major indications of impairment, the applied models, discount rates and growth rates;
- evaluation of the potential costs associated with fiscal and court proceedings pending against SG Group – during the preparation of financial statements, the opportunities and risks associated with such proceedings are always analysed and according to the results and outcomes of such analysis the reserves for potential losses are created – however, one cannot exclude the risk that a court or a tax authority will issue a judgement or a decision different from the expectations of entity and established reserves may not be sufficient.

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

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

The accounting principles adopted in these 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 2023, apart from changes described below.

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

Newly effective EU-endorsed standards for 1 January 2023

New IFRS 17 "Insurance Contracts"

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

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

- In February 2021 the IASB issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures.
- The key amendments to IAS 1 include:
    - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
    - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
    - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.
- The amendments are effective from 1 January 2023 but may be applied earlier.

Definition of Accounting Estimate (Amendments to IAS 8)

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

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

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

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

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

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

Non-binding standards (new standards and interpretations)

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

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

IFRS - Standards and interpretations still not binding in the reports for the annual periods starting on 1 January 2024 or later

Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS 1

- Under existing IAS 1 requirements, companies classify a liability as current when they do not have an *unconditional right* to defer settlement for at least 12 months after the reporting date. The International Accounting Standards Board (IASB) has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. Similar to existing requirements in IAS 1, the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early.
- A company will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. After reconsidering certain aspects of the 2020 amendments1, the IASB reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.
- The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with early application permitted. They also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments.

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

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

Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

- The IASB's amendments apply to supplier finance arrangements1 that have all of the following characteristics.
  - A finance provider2 pays amounts a company (the buyer) owes its suppliers.
  - A company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid.
  - The company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.
  - The amendments do not apply to arrangements for financing receivables or inventory.

- The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.
- The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

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

III. EXPLANATORY NOTES

3. FIXED ASSETS

SG Group had the following fixed assets on 31.12.2022 and 31.12.2023.

3.1. Changes in own property, plant and equipment

Description	Own property	Plant and equipment	WIP	Total
Opening gross value:				
01.01.2022	0	114,684	84,338	199,022
Growth due to the acquisition of subsidiaries +	408,362	555,625	0	963,987
Increase +	26,057	189,346	0	215,404
Sale -	0	12,903	0	12,903
Activation -	0	0	69,117	69,117
Scrapping -	0	0	0	0
FX differences	0	10,144	0	10,144
Reclass to Non-current Assets Held for Sale -	0	0	0	0
Reclass from investment property	0	0	0	0
Change in fair value recognized against OCI	0	0	0	0
Gross value 31.12.2022	**434,419**	**856,896**	**15,221**	**1,306,537**
Depreciation and amortization:				
01.01.2022	0	64,928	0	64,928
Growth due to the acquisition of subsidiaries +	33,235	388,582	0	421,818
Increase +	13,474	124,016	0	137,490
Sale -	0	12,698	0	12,698
Scrapping -	0	0	0	0
FX differences	0	6,481	0	6,481
Reclass from investment property	0	0	0	0
Reclass to Non-current Assets Held for Sale -	0	0	0	0
Depreciation 31.12.2022	**46,709**	**571,311**	**0**	**618,020**
Net value 31.12.2022	**387,710**	**285,586**	**15,221**	**688,517**
Opening gross value:				
01.01.2023	434,419	856,896	15,221	1,306,537
Growth due to the acquisition of subsidiaries +	205,296	44,802	5,050	255,148
Increase +	43,031	154,842	1,019,395	1,217,267
Sale -	0	24,039	0	24,039
Activation -	0	0	1,023,182	1,023,182
Scrapping -	0	982	0	982
FX differences	0 -	7,142	0 -	7,142
Reclass to Non-current Assets Held for Sale -	0	0	0	0
Reclass from investment property	98,180	0	0	98,180
Change in fair value recognized against OCI	0	0	0	0
Gross value 31.12.2023	**780,926**	**1,024,377**	**16,484**	**1,821,787**
Depreciation and amortization:				
01.01.2023	46,709	571,311	0	618,020
Growth due to the acquisition of subsidiaries +	3,834	19,195	0	23,029
Increase +	14,311	190,876	0	205,187
Sale -	0	21,797	0	21,797
Scrapping -	0	1,058	0	1,058
FX differences	0 -	5,549	0 -	5,549
Reclass from investment property	0	0	0	0
Reclass to Non-current Assets Held for Sale -	0	0	0	0
Depreciation 31.12.2023	**64,854**	**752,978**	**0**	**817,832**
Net value 31.12.2023	**716,072**	**271,399**	**16,484**	**1,003,955**

The following items appear as own property:

- Office building in Miskolc, purchased by Prohuman Zrt. and BRC Services Kft.. Its consolidated net book value was THUF 350,128 on 31.12.2023, part of which is for personal use (THUF 298,715)
- Office building in Székesfehérvár, purchased by BRC Services Kft. Its net book value was THUF 93,556.
- Office bulding in Tatabánya, purchased by BRC Services Kft. Its net book value was THUF 99,265.
- Part of an office building at Budapest, Tüzér utca. Its net book value was HUF 98,180. A significant part of the property is classified as investment property, which is presented in chapter 3.4.

In accordance with the SG Group's accounting policy to keep all properties under a revaluation model (at market price) valuations were prepared for the above property on 30 January 2024 and 12 March 2024.

The main details of the valuations are the followings:

Property of Miskolc:

The valuation used the market comparative valuation methodology, which established a market value for the property of Miskolc of THUF 387,700. The difference between the total book value and the market value (THUF +37,572) was not considered significant by the SG Group, therefore the Group did not make an adjustment in its financial statements.

Property of Székesfehérvár:

The valuation used the market comparative valuation methodology, which established a market value for the property of Székesfehérvár of THUF 95,200. The difference between the total book value and the market value (THUF +1,644) was not considered significant by the SG Group, therefore the Group did make an adjustment in its financial statements.

Property of Tatabánya:

The valuation used the market comparative valuation methodology, which established a market value for the property of Székesfehérvár of THUF 115,900. The difference between the total book value and the market value (THUF +16,635) was not considered significant by the SG Group, therefore the Group did make an adjustment in its financial statements.

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:						
01.01.2022	902	15,215	0	0	0	16,117
Growth due to the acquisition of subsidiaries +	320,055	1,358,414	395,231	6,003,175	11,159,941	19,236,816
Increase +	14,365	620,969	119,074	0	0	754,409
Sale -	0	13,675	0	0	0	13,675
Scrapping -	0	0	2,487	0	0	2,487
FX differences	2,449	45,078	14,756	0	0	62,283
Reclass to Non-current Assets Held for Sale -	0	0	0	0	0	0
Gross value 31.12.2022	**337,771**	**2,026,001**	**526,574**	**6,003,175**	**11,159,941**	**20,053,463**
Depreciation and amortization:						
01.01.2022	902	1,582	0	0	0	2,484
Growth due to the acquisition of subsidiaries +	164,740	579,944	204,561	0	0	949,245
Increase +	39,732	288,375	71,912	1,714,560	0	2,114,580
Sale -	0	0	0	0	0	0
Scrapping -	0	0	2,487	0	0	2,487
FX differences	2,291	15,993	4,658	0	0	22,942
Reclass to Non-current Assets Held for Sale -	0	0	0	0	0	0
Depreciation 31.12.2022	**207,665**	**885,895**	**278,644**	**1,714,560**	**0**	**3,086,765**
Net value 31.12.2022	**130,106**	**1,140,106**	**247,930**	**4,288,615**	**11,159,941**	**16,966,698**
Opening gross value:						
01.01.2023	337,771	2,026,001	526,574	6,003,175	11,159,941	20,053,463
Growth due to the acquisition of subsidiaries +	1,665	6,455	6,632	0	0	14,752
Increase +	15,399	552,156	1,334	0	0	568,888
Sale -	0	0	0	0	0	0
Scrapping -	0	36,140	387	0	0	36,527
Reversal -	0	124,652	0	0	0	124,652
FX differences	-1,829	-29,596	-9,214	0	0	-40,638
Reclass to Non-current Assets Held for Sale -	0	0	0	0	0	0
Gross value 31.12.2023	**353,006**	**2,394,224**	**524,940**	**6,003,175**	**11,159,941**	**20,435,286**
Depreciation and amortization:						
01.01.2023	207,665	885,895	278,644	1,714,560	0	3,086,765
Growth due to the acquisition of subsidiaries +	1,665	0	4,637	0	0	6,302
Increase +	60,197	344,189	87,975	1,709,422	0	2,201,783
Sale -	0	0	0	0	0	0
Scrapping -	0	15,308	387	0	0	15,695
Reversal -	0	14,769	0	0	0	14,769
FX differences	-1,603	-14,989	-4,319	0	0	-20,912
Reclass to Non-current Assets Held for Sale -	0	0	0	0	0	0
Depreciation 31.12.2023	**267,924**	**1,185,018**	**366,550**	**3,423,982**	**0**	**5,243,474**
Net value 31.12.2023	**85,082**	**1,209,207**	**158,390**	**2,579,193**	**11,159,941**	**15,191,813**

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 2,579,193.

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

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

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

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

At the end of 2022 and of 2023 the market value of the trademark was reviewed using the discounted cash-flow valuation ("DCF") methodology.

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 debt	Weight of equity	Weight of debt	WACC
Trademark valuation 2022	8.06%	9.23%	1.268	19.77%	3.78%	67.03%	32.97%	14.50%
Trademark valuation 2023	6.26%	7.38%	1.170	14.90%	5.00%	71.15%	28.85%	12.04%

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 in 2022:

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

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

The table below shows the calculation of the market value of the trademark in 2023:

The market value of the trademark	2023	2024	2025	2026	Residual value
Royalty income		2,814,331	2,814,331	2,814,331	2,814,331
Direct costs		-509,413	-509,413	-509,413	-509,413
Local business tax (2%)		-56,287	-56,287	-56,287	-56,287
Profit before tax		2,248,631	2,248,631	2,248,631	2,248,631
Income tax (9%)		-202,377	-202,377	-202,377	-202,377
Free cash flow		2,046,255	2,046,255	2,046,255	2,046,255
Discount rate		12.04%	12.04%	12.04%	12.04%
Discount factor		*0.8925*	*0.7966*	*0.7110*	*0.7110*
Discounted cash flow		1,826,316	1,630,016	1,454,816	1,454,816
Discounted present value of a trademark (2024-2026)	**4,911,148**				
Long-term growth rate of residual value	0.0%				
Capitalization rate	12.04%				
Present value of residual value	**12,080,407**				
DCF based market value	**16,991,555**				

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 in 2022	13,572,315	11,159,941	0	11,159,941
Trademark in 2023	16,991,555	11,159,941	0	11,159,941

Based on the impairment test carried out at the end of 2022 and 2023, there is no sign of impairment, the market value exceeded trademark's book value.

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

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

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

3.3. Goodwill

The Group recognized goodwill on the 2023 acquisitions as presented in chapter 1.15. The value of goodwill in the balance sheet was reviewed by the Group on 31.12.2023. During the impairment test, the Group compared the amount of goodwill related to the given company with the market value of the company as a cash generating unit (hereinafter "CGU"). The recoverable value of Group's goodwill were determined using the DCF valuation method.

The DCF method is based on revenue generating capacity analysis, in other words the Income Approach. This approach provides an indication of value by converting future cash flows to a single current capital value.

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 WACC.

The summary of the market value of the acquired companies is presented in the tables below:

Company	Return on 10-year State bonds	Market risk premium	Beta	Cost of capital	Cost of debt	Weight of equity	Weight of debt	WACC
BRC Services Kft.	6.26%	7.38%	1.170	14.90%	2.07%	64.88%	35.12%	10.39%
Alkotó Magyarország Nonprofit Kft.	6.26%	7.38%	1.170	14.90%	4.73%	31.18%	68.82%	7.90%
CityScope Group*	6.04%	9.00%	1.170	16.57%	5.53%	97.85%	2.15%	16.33%

*CityScope Group refers to the combined value of Group's three Serbian investments.

The table below shows the calculation of the market value of the acquired companies:

Company	DCF based market value	Cash and cash equivalents	Loan granted	Other financial receivables	Credit items	Market value	Ownership ratio	Market value of share
BRC Services Kft.	6,182,494	57,623	0	98,669	-263,545	6,075,241	100%	6,075,241
Alkotó Magyarország Nonprofit Kft.	1,207,689	9,106	0	800	-36,539	1,181,056	100%	1,181,056
CityScope Group	443,795	76,784	10,198	5,157	-6,648	529,285	80%	423,428

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

Company	Market value of share	Book value of goodwill	Impairment requirement	Goodwill value after impairment
BRC Services Kft.	6,075,241	1,493,599	0	1,493,599
Alkotó Magyarország Nonprofit Kft.	1,181,056	77,326	0	77,326
CityScope Group	423,428	281,189	0	281,189
Total	**7,679,725**	**1,852,114**	**0**	**1,852,114**

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

3.4. Investment Property

Description	Development plots	Investment property	Total
Book value			
01.01.2022	0	4,702,498	4,702,498
Increase +	0	196,006	196,006
Sale -	0	0	0
Reclass to 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**
Book value			
01.01.2023	0	5,482,298	5,482,298
Growth due to the acquisition of subsidiaries +	0	51,413	51,413
Increase +	0	993,206	993,206
Sale -	0	-168,436	-168,436
Reclass to own property -	0	-98,180	-98,180
Change in fair value	0	-125,095	-125,095
Other changes	0	-212,775	-212,775
Book value 31.12.2023	**0**	**5,922,432**	**5,922,432**

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.

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

Area	Property	m2
Investment area	office space	11,917.99
	warehouse	5,257.10
Development areas		398

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

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

3.5. Long-term receivables

Description	31.12.2023	31.12.2022
Loans granted	272,060	94,126
Impairment	0	0
Other long-term receivables	37,751	32,843
Total loan granted and other long-term receivables	**309,811**	**126,970**

The balance of long-term loans is given by the following items in 2023:
- THUF 196,281 loan to other companies by HR-Rent Kft;
- THUF 65,729 loan to employees by Prohuman Zrt.

The largest part of long-term receivables is the loan given to employees by Prohuman Zrt. in 2022.

3.6. 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	31.12.2023					
	Slovenian tax environment	Croatian tax environment	Romanian tax environment	Serbian tax environment	Hungarian tax environment	Total
Depreciation of tangible and intangible assets	0	0	5,504	0	-15,306	-9,802
Impairment of trade receivables	3,281	23,917	10,366	35	189,821	227,420
Provision	0	0	372,189	988	0	373,177
Accrued loss	45,033	0	0	0	0	45,033
Other items	0	0	33,759	0	817,444	851,203
Total taxable difference	0	0	0	0	0	0
Total deductible difference	48,314	23,917	421,818	1,023	991,959	1,487,030
Tax rate	22%	10%	16%	15%	9%	
Total Deferred tax liabilities	0	0	0	0	0	0
Total Deferred tax assets	10,629	2,392	67,491	153	89,276	**169,941**

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

In 2023, similar to 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 accounting 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. As a result, there are two leaseback deals with SG in 2023.

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

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	31.12.2023	31.12.2022
Goods	14,141	36,773
Total inventories	**14,141**	**36,773**

Work clothes and masks were included in goods in 2022 and 2023. No impairment of value was recognized for inventories at the end of the period, since there were no identified indications of impairment.

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

4.2. Trade receivables

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.

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

Description	31.12.2023	31.12.2022
Trade receivables	19,986,908	15,542,872
Impairment	- 263,240	- 306,623
Total trade receivables	**19,723,668**	**15,236,249**

4.3. Other current assets and accruals

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

Description	31.12.2023	31.12.2022
Short term loan granted	2,624,376	4,244,439
Tax receivables	1,210,341	499,535
Accrued income	278,236	133,870
Prepaid expenses	145,268	33,477
Other items	5,446,207	4,674,279
Total other current assets and accruals	**9,704,428**	**9,585,600**

Short-term loan granted

The amount of the loan granted includes the amount of loans given by Prohuman Zrt.

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

Expected credit loss (ECL)

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

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

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

Accrued income and expenses

The amount of the accrued income for the year 2022 and 2023 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	31.12.2023	31.12.2022
Uninvoiced customers	2,414,731	2,651,557
Suppliers with debit balance	1,760,951	936,615
Advance payment to suppliers	558,606	484,685
Rental deposit	212,386	87,077
Salary advances	174,310	86,343
Taxes receivables	118,198	117,033
Dividend representing the sale price of a sold subsidiary	83,066	0
Concessions	38,492	12,039
Factor claim	0	34,747
Warranty retention	0	21,090
Other items	85,467	243,093
Total other items	**5,446,207**	**4,674,279**

4.4. Cash and cash equivalents

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

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

Description	31.12.2023	31.12.2022
Petty cash	51,091	42,301
Cash at bank	4,176,052	2,319,229
Total cash and cash equivalents	**4,227,143**	**2,361,530**

5. NON-CURRENT ASSETS HELD FOR SALE

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

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

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.

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

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

Description	31.12.2023	31.12.2022
Assets held for sale	0	122,300
Liabilities related to assets held for sale	0	0
Total assets and liabilities held for sale	**0**	**122,300**

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

6. LONG-TERM LIABILITIES

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

Description	31.12.2023	31.12.2022
Long-term loans	22,555,824	17,296,138
Other long-term liabilities	1,714,264	1,274,123
Deferred tax liabilities	268,632	456,925
Provisions	8,414	3,672
Total long-term liabilities	**24,547,134**	**19,030,857**

6.1. Long-term loans

Financial liabilities

Typically financial liabilities are:

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

Financial liabilities can be valued in two ways:

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

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

Financial liabilities measured at fair value against profit or loss

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

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

Financial liabilities recorded at amortized cost

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

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

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

Description	31.12.2023	31.12.2022
Bond issuance	15,400,000	15,400,000
Loan received (long-term)	7,155,824	1,896,138
Total loan received	**22,555,824**	**17,296,138**

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

Long-term loans include the sum of four investment loans, two working capital loans and a liqudity loan taken by the parent company and the subsidiaries in 2023. 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.	Investmet loan 3.	Investmet loan 4.	Liquidity loan 1.	Working capital loan 1.	Working capital loan 2.
Lender	Takarékbank Zrt.	Takarékbank Zrt.	OTP Bank Nyrt.	OTP Bank Nyrt.	OTP Bank Nyrt.	OTP Bank Nyrt.	OTP Bank Nyrt.
Loan amount	1,500,000	1,000,000	87,300	102,600	237,000	4,000,000	1,126,557
Credit availability date	14.05.2018	12.12.2022	31.05.2023	31.05.2023	01.01.2023	31.03.2023	16.06.2023
Date of expiration	01.02.2030	11.10.2030	20.12.2030	December 2030	28.12.2025	31.03.2025	06.02.2025
Interest base	1m BUBOR	fixed 9%	fixed 1.5%	fixed 1.5%	fixed 3.5%	fixed 6%	fixed 6%
Interest surcharge	2.20%	-	-	-	-	-	-
Interest period	monthly	monthly	monthly	monthly	monthly	six months	six months
Frequency of capital repayment	monthly	monthly	monthly	monthly	monthly	at the end of the term	at the end of the term
	under repayment	**under repayment**	**under repayment**	**under repayment**	**under repayment**	**under repayment**	**under repayment**

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

Long-term loans include the sum of three investment loans taken by the parent company in 2022. 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 warehouse sold by the parent company in December 2023 was leased back for property rental purposes. In this leaseback transaction, SG Group had a long-term lease liability of THUF 541,807

The amount of interest expense resulting from the lease liabilites amounted to THUF 60,255 in 2023 and THUF 49,232 in 2022. The total cash outflows related to leases amounted to THUF 289,684 in 2023 and THUF 256,312 in 2022.

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

- Due within 2-3 years: THUF 545,330
- Due within 4-5 years: THUF 589,024
- Due over 5 years: THUF 579,910

(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	
	31.12.2023	31.12.2022
Depreciation of tangible and intangible assets	-53,382	-99,917
Impairment of trade receivables	34,832	39,888
Provision	3,672	3,672
Accrued loss	0	0
Other items	0	0
Total taxable difference	-14,878	-56,358
Total deductible difference	0	0
Tax rate %	9%	9%
PPA adjustment	-267,293	-451,852
Total Deferred tax liabilities	**-268,632**	**-456,925**
Total Deferred tax assets	0	0

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

6.4. Provisions

A provision must be shown if:

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

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.

Provisions were made for the following cases in 2023:

- THUF 4,742 for other legal matters.

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

7. SHORT-TERM LIABILITIES

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

Description	31.12.2023	31.12.2022
Suppliers	1,239,469	1,427,409
Short-term loans	2,959,183	1,778,372
Short-term part of long-term loans	232,198	251,548
Short-term taxes payable	7,886,717	7,495,104
Short-term liabilities related to employee benefits	372,189	195,131
Other short-term liabilities and accruals	10,479,297	10,897,809
Total short-term liabilities	**23,169,053**	**22,045,372**

7.1. Short-term loans

The balance of short-term loans appearing among short-term liabilities is the amount of the loan taken by the Romanian, the Slovenian and the Hungarian subsidiaries in 2023. Information about the loan is as follows:

Description	Loan 1.	Loan 2.	Loan 3.	Loan 4.
Lender	Unicredit Bank SA	Addiko Bank AG	NKBM	OTP Bank Nyrt.
Loan amount	30,000,000 RON	620,000 EUR	183,643 EUR	778,580 THUF
Date of expiration	26.05.2024	24.03.2024	30.09.2024	26.09.2024
Interest base	3m ROBOR	3m EURIBOR	3m EURIBOR	1m BUBOR
Interest surcharge	1.40%	2.7%	2.9%	1.3%

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. In addition, the creation of provisions due to the rehabilitation tax appears.

7.3. Other short-term liabilities and accruals

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

Description	31.12.2023	31.12.2022
Payroll liabilities	4,299,117	3,744,271
Accrued expenses	1,281,984	1,312,401
Lease liabilities	368,230	235,696
Deferred income	152,775	191,496
Deferred income related to subsidies	131,134	146,453
Advances received	321,299	173,266
Other liabilities	3,924,758	5,094,227
Total other short - term liabilities and accruals	**10,479,297**	**10,897,809**

(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 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	31.12.2023	31.12.2022
Contingent Consideration	2,485,139	3,379,869
Dividend payable	1,194,149	1,481,422
Customers with credit balance	70,871	0
Restrictions against employees	58,167	45,880
Other vouchers	16,192	36,570
Factoring claims	68	42,345
Other items	100,172	108,140
Total other liabilities	**3,924,758**	**5,094,227**

Contingent Consideration

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

1. Contingent consideration related to HR-Rent Kft.

Prohuman Zrt. 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 70% ownership in HR-Rent. The contingent consideration obligation related to HR-Rent's 30% ownership share is THUF 3,379,870 at 31 December 2022.

On 24 January 2023, PHU concluded a contract to purchase HR-Rent's 30% stake, which contract was amended on 24 January 2024 and on 27 March 2024. According to this contract the purchase of the remaining ownership will take place gradually, in several steps, from 27 March 2024 to 2 March 2026. The consideration for the remaining 30% ownership share is THUF 2,350,000. This contract will affect the fair value of the contingent consideration related to HR-Rent Kft.

PHU acquired 12.75% of the remaining business of HR-Rent Kft. for THUF 1,000,000 in 2023.

In 2023, the following changes occurred in HR-Rent's contingent consideration:

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

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

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

PHU purchased the 80% ownership shares of CityScope d.o.o. and of CityScope Enterprises d.o.o. within the framework of a share purchase agreement dated 14 February 2023. The date of closing the transaction and thus obtaining control: 20 March 2023.
The companies will be purchased within the framework of a step-by-step acquisition, where the purchase price will be paid in 3 installments, in March 2023, in August 2023 and in 2024.
The corresponding unpaid purchase price is presented as contingent consideration as follows:

- THUF 17,416 liability related to CityScope Enterprises d.o.o.;
- THUF 1,723 liability related to CityScope d.o.o.

3. Contingent consideration related to BRC Services Kft.

PHU purchased the 100% ownership of BRC Services Kft. within the framework of a share purchase agreement dated 31 October 2023. The date of closing the transaction and thus obtaining control: 31 October 2023.
The company will be purchased within the framework of a step-by-step acquisition, where the purchase price will be paid in 4 installments, in October 2023, in January 2024, in July 2024 and in July 2025.
The unpaid purchase price in the amount of THUF 1,116,000 is presented as contingent consideration.

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

Dividends payable

The balance of dividend obligations is made up of the following items:
- THUF 785,268 unpaid dividends due to PPT,
- THUF 405,000 unpaid dividends due to the owners of SG,
- THUF 3,881 other unpaid dividends.

8. NET SALES

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

Description	2023	2022
Revenue from temporary employment	97,517,011	78,250,838
Revenue from outsourcing	5,136,143	6,298,006
Revenue from recruitment	1,261,271	1,536,757
Revenue from partnership fee	1,175,354	1,220,336
Revenue from property rental	455,506	517,159
Revenue from property management fee	357,421	0
Income from payroll services	262,800	199,788
Revenue from real estate sale	180,000	975,500
Other net sales	364,045	61,405
Total net sales	**106,709,551**	**89,059,788**

9. DIRECT COST

The following table shows the breakdown of direct cost:

Description	2023	2022
Material-type expenditures	253,516	205,660
Services used	3,905,761	3,558,737
Payroll costs	84,537,980	68,429,846
Depreciation	1,737,246	1,746,324
Other direct cost items	4,088,678	3,066,546
Total direct cost	**94,523,181**	**77,007,113**

The other direct cost items include the following costs:

Description	2023	2022
Intermediated services	3,045,554	2,602,036
Additional work fee costs	624,403	0
Travel costs	132,768	155,311
Authority fees	60,373	94,012
Other	225,580	215,187
Total other direct cost	**4,088,678**	**3,066,546**

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

10. INDIRECT COST

The following table shows the breakdown of indirect cost:

Description	2023	2022
Material-type expenditures	271,073	246,729
Services used	3,228,171	2,945,641
Payroll costs	5,314,615	4,091,321
Depreciation	586,149	460,312
Other indirect cost items	204,768	223,213
Total indirect cost	**9,604,776**	**7,967,216**

The other indirect cost items include the following costs:

Description	2023	2022
Insurance costs	66,618	52,581
Intermediated services	47,189	38,105
Promotion costs	33,182	32,917
Travel costs	15,127	13,229
Authority fees	7,047	47,783
Other	35,605	38,598
Total other indirect cost	**204,768**	**223,213**

11. CHANGE IN FAIR VALUE OF INVESTMENT PROPERTY

Description	2023	2022
Change in fair value of investment property	-125,095	706,094
Total	**-125,095**	**706,094**

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.

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

Description	
Date of valuation	31.12.2022 and 31.12.2023
Real estate appraiser	Euro-Immo Expert Kft.
Method	**31.12.2022:** 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%. **31.12.2023:** In the case of real estate, an approach based on market comparison was used to determine its market value.

The SG group only accounted for changes in the fair value of properties owned by SG and held for investment purposes. Since the difference between the book value and market value of the property owned by BRC in Miskolc is not significant, the Group did not recognize any change in fair value. (see 3.1. chapter)

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 2,111.

12. OTHER INCOME, NET OF OTHER EXPENSES

The following table shows the breakdown of other profit:

Description	2023	2022
Contingent consideration due to purchase price of subsidiary	1,029,689	398,472
Release of provisions	943,280	948,675
Subsidies	310,134	307,445
Proceeds from sale of fixed assets	128,221	224
Other income related to salaries	84,437	82,806
Release of impairment write-down on receivables	55,274	16,829
Negative goodwill on acquisition	0	196,720
Miscellaneous items	105,349	51,714
Total other income	**2,656,384**	**2,002,885**
Provisions	1,135,259	937,043
Write-off of inventories and receivables	53,332	112,976
Donations	40,882	23,419
Value of sold components of fixed capital	81	318
Miscellaneous items	251,295	377,474
Total other expenses	**1,480,849**	**1,451,230**
Total other income, net of other expenses	**1,175,535**	**551,655**

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

Termination of contingent consideration

2023 transaction

Prohuman Zrt. 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 70% ownership in HR-Rent. The contingent consideration obligation related to HR-Rent's 30% ownership share is THUF 3,379,870 at 31 December 2022.

On 24 January 2023, PHU concluded a contract to purchase HR-Rent's 30% stake, which contract was amended on 24 January 2024 and on 27 March 2024. According to this contract the purchase of the remaining ownership will take place gradually, in several steps, from 27 March 2024 to 2 March 2026. The consideration for the remaining 30% ownership share is THUF 2,350,000. This contract will affect the fair value of the contingent consideration related to HR-Rent Kft.

PHU acquired 12.75% of the remaining business of HR-Rent Kft. for THUF 1,000,000 in 2023.

In 2023, the following changes occurred in HR-Rent's contingent consideration:

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

2022 transaction

Prohuman Zrt. 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:

Description	2023	2022
Penalties	63,100	6,733
Waived claim	57,600	0
Goodwill that does not reach a materiality level	30,597	0
Building tax	31,224	28,852
Money for forfeit	0	300,000
Salary withholdings	0	16,462
Other	68,774	25,427
Miscellaneous items in total other expenses	**251,295**	**377,474**

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

13. FINANCIAL RESULT

The following table shows the breakdown of financial result:

Description	2023	2022
Exchange rate differences (revenue)	291,007	444,934
Interest income	425,553	241,926
Dividends and profit shares	129,224	0
Result for the current year of associated companies	504	0
Other financial revenue items	17,743	82,915
Total financial revenues	**864,031**	**769,775**
Interest expense	969,957	1,577,818
Exchange rate differences (expense)	414,045	417,182
Interest related to bond issuance	846,892	0
Bank charges	88,534	159,333
Interest write off	41,424	17,396
Loss on the sale of a subsidiary	0	95,637
Other financial expense items	70,159	62,892
Total financial expenses	**2,431,011**	**2,330,258**
Total net financial result	**-1,566,980**	**-1,560,483**

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

14. TAX EXPENSES

The following table shows the breakdown of tax expenses:

Description	2023	2022
Corporate income tax	416,860	587,846
Local business tax	666,435	602,062
Innovation contribution	159,561	131,824
Deferred tax expense	-265,584	-226,003
Total tax expenses	**977,272**	**1,095,729**

The SG Group discloses the local business tax and innovation contribution among the tax expenditures.

Corporate tax rates used to determine corporate tax between profit tax is the following for each entity:

- Hungarian companies 9%,
- Romanian companies 16%,
- Serbian companies 15%,
- Slovenian companies 22% in 2023 (19% in 2022),
- Croatian companies 10%.

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

The Hungarian rate of the local business tax is 2% and the rate of the innovation contribution is 0.3%.

The definition of the tax base is summarized in the table below:

Description	2023	2022
Profit before tax	2,065,054	3,782,725
Theoretical tax (9%)	185,855	340,445
Difference from negative tax base	11,821	-
Effect from differences of foreign tax keys	20,737	46,400
Effect from tax base adjustments	198,447	201,000
Corporate tax	416,860	587,846
Local tax	666,435	602,062
Innovation contribution	159,561	131,824
Deferred tax in profit and loss accounts	- 265,584	- 226,003
Total tax expenses	**977,272**	**1,095,729**

Important elements between tax base corrections:

- corrections due to accounting for impairment;
- effect of making and releasing provisions;
- differences between accounting and tax depreciation;
- correction with costs not related to the operation of the business.

15. OTHER COMPREHENSIVE INCOME

Other comprehensive income in 2022 and 2023 includes the exchange rate difference of SG Group's foreign subsidiaries in accordance with IAS 21.

A loss from the revaluation of own property appears in the amount of THUF 2,111 in 2023.

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	2023	2022
Net sales	25,471	18,881
Direct cost	77,768	0
Indirect cost	102,153	118,460
Other expenses	57,600	0
Financial revenue	57,600	8,915
Receivables	675	1,017
Liabilities	465,88	411,604

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

The amount of benefits provided to executives as persons in key positions by SG Group:

- THUF 13,200 short-term employee benefits in 2023.

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

17. SEGMENT INFORMATION

Based on geographical location, the SG group identified the following significant segments for 2023 and 2022:

2023	Hungarian	Romanian	Slovenian and Croatian	Serbian*	Eliminations	Total
Net sales	68,551,157	31,596,601	3,380,528	3,709,772	- 528,507	106,709,551
Direct cost	59,199,065	29,211,710	3,105,734	3,448,173	- 441,501	94,523,181
Indirect cost	7,400,949	1,820,601	293,682	192,067	- 102,523	9,604,775
Change in fair value of investment property	- 125,095		-	-	-	- 125,095
Other result	1,447,312	- 202,865	- 47,135	- 6,259	- 15,517	1,175,535
Operating result	**3,273,360**	**361,425**	- **66,023**	**63,273**	-	**3,632,034**
EBITDA	*5,425,935*	*522,141*	- *57,812*	*65,165*	-	*5,955,429*
Financial results	- 1,330,117	- 167,271	- 65,321	- 4,272		- 1,566,980
Profit before tax	**1,943,243**	**194,154**	- **131,344**	**59,001**	-	**2,065,054**
Tax expenses	923,279	51,194	- 8,888	11,687		977,272
Profit after tax from continuing operations	**1,019,964**	**142,960**	- **122,456**	**47,314**	-	**1,087,782**
Profit (loss) from discontinuing operations	-	-	-	-	-	-
Profit (loss) for the period	**1,019,964**	**142,960**	- **122,456**	**47,314**	-	**1,087,782**
Profit (loss) for the period	**1,019,964**	**142,960**	- **122,456**	**47,314**	-	**1,087,782**
Other comprehensive income	- 2,111	- 108,544	- 9,291	1,027		- 118,919
Other comprehensive income for the period, after tax	- **2,111**	- **108,544**	- **9,291**	**1,027**	-	- **118,919**
Total comprehensive income for the period	**1,017,853**	**34,416**	- **131,747**	**48,341**	-	**968,863**
Assets that can be assigned to segments	57,962,230	7,932,939	645,361	742,619	- 9,161,675	58,121,474
Liabilities that can be assigned to segments	50,060,528	5,643,960	572,516	600,858	- 9,161,675	47,716,187

* *The subsidiary's profit since acquisition.*

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

2022	Hungarian	Romanian	Slovenian and Croatian	Eliminations	Total
Net sales	57,645,831	28,101,096	3,427,684	- 114,823	89,059,788
Direct cost	48,345,096	25,620,997	3,098,680	- 57,660	77,007,113
Indirect cost	6,073,428	1,698,011	255,878	- 60,100	7,967,216
Change in fair value of investment property	706,094	-	-	-	706,094
Other result	574,132	1,335	- 20,220	- 3,592	551,655
Operating result	**4,507,533**	**783,423**	**52,906**	**- 655**	**5,343,208**
EBITDA	*6,573,672*	*915,615*	*61,211*	*- 655*	*7,549,845*
Financial results	- 1,376,618	- 155,222	- 28,642		- 1,560,483
Profit before tax	**3,130,915**	**628,201**	**24,264**	**- 655**	**3,782,725**
Tax expenses	983,626	101,055	11,702	- 655	1,095,729
Profit after tax from continuing operations	**2,147,289**	**527,146**	**12,562**	-	**2,686,997**
Profit (loss) from discontinuing operations	-	-	-	-	-
Profit (loss) for the period	**2,147,289**	**527,146**	**12,562**	-	**2,686,997**
Profit (loss) for the period	**2,147,289**	**527,146**	**12,562**	-	**2,686,997**
Other comprehensive income	-	137,735	15,592		153,327
Other comprehensive income for the period, after tax	-	**137,735**	**15,592**	-	**153,327**
Total comprehensive income for the period	**2,147,289**	**664,881**	**28,154**	-	**2,840,324**
Assets that can be assigned to segments	49,677,026	7,587,938	902,070	- 7,464,219	50,702,816
Liabilities that can be assigned to segments	42,509,593	5,333,375	697,479	- 7,464,219	41,076,229

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

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

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

Capital management

The Group's policy is to maintain a share capital level that is sufficient for the confidence of investors and creditors in the future development of the Group. It is the Group's policy to assume higher exposure resulting from loans only with a higher yield based on the benefits and security provided by a strong capital position.

The capital structure of the Group consists of net foreign capital and the Group's own capital (the latter includes the registered capital, reserves and non-controlling interest).

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.

The book value of financial assets shows the maximum risk exposure. The table below shows the Group's maximum credit risk exposure at 31 December:

Description	2023	2022
Trade receivables	19,723,668	15,236,249
Short-term loan granted	2,624,376	4,244,439
Other receivables	7,080,052	5,341,161
Long-term loan granted	272,060	94,126
Other-long term receivables	37,751	32,843
Cash and cash equivalents	4,227,143	2,361,530
Total	**33,965,050**	**27,310,348**

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.

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

Liquidity analysis of the company:

Data in THUF 31.12.2023	Liquid	Due within 1 year	Due within 1-5 years	Due over 5 years	Total
Cash and cash equivalents	4,227,143				4,227,143
Short-term loan granted		2,624,376			2,624,376
Trade receivables		19,723,668			19,723,668
Accrued income		278,236			278,236
Accrued expenses		145,268			145,268
Other receivables		6,656,548			6,656,548
Inventories		14,141			14,141
Long-term receivables			309,811		309,811
Property, plant and equipment				1,003,955	1,003,955
Other intangible assets		1,662,394	916,799	12,612,620	15,191,813
Goodwill				1,852,114	1,852,114
Investment property				5,922,432	5,922,432
Investments in equity instruments				2,028	2,028
Deferred tax assets			169,941		169,941
Total assets	**4,227,143**	**31,104,631**	**1,396,551**	**21,393,149**	**58,121,474**

Data in THUF 31.12.2023	Liquid	Due within 1 year	Due within 1-5 years	Due over 5 years	Total
Suppliers		1,239,469			1,239,469
Short-term loans		2,959,183			2,959,183
Short-term part of long-term loans		232,198			232,198
Short-term taxes payable		7,886,717			7,886,717
Short-term liabilities related to employee benefits		372,189			372,189
Other short-term liabilities and accruals		10,479,297			10,479,297
Long-term loans			22,555,824		22,555,824
Deferred tax liabilities			268,632		268,632
Long-term provisions			8,414		8,414
Leasing long-term liabilities			1,134,353	579,910	1,714,263
Equity				10,405,287	10,405,287
Total equity and liabilities	**0**	**23,169,053**	**23,967,223**	**10,985,197**	**58,121,474**

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

Data in THUF 31.12.2022	Liquid	Due within 1 year	Due within 1-5 years	Due over 5 years	Total
Cash and cash equivalents	2,361,530				2,361,530
Short-term loan granted		4,244,439			4,244,439
Trade receivables		15,236,249			15,236,249
Accrued income		133,870			133,870
Accrued expenses		33,477			33,477
Other receivables		5,173,814			5,173,814
Inventories		36,773			36,773
IFRS 5 asset		122,300			122,300
Long-term receivables			126,970		126,970
Property, plant and equipment				688,518	688,518
Other intangible assets		1,709,422	2,579,193	12,678,083	16,966,698
Investment property				5,482,298	5,482,298
Investments in equity instruments				1,540	1,540
Deferred tax assets			94,340		94,340
Total assets	**2,361,530**	**26,690,344**	**2,800,503**	**18,850,439**	**50,702,816**

Data in THUF 31.12.2022	Liquid	Due within 1 year	Due within 1-5 years	Due over 5 years	Total
Suppliers		1,427,409			1,427,409
Short-term loans		1,778,371			1,778,371
Short-term part of long-term loans		251,548			251,548
Short-term taxes payable		7,495,104			7,495,104
Short-term liabilities related to employee benefits		195,131			195,131
Other short-term liabilities and accruals		10,897,809			10,897,809
Long-term loans			17,296,138		17,296,138
Deferred tax liabilities			456,925		456,925
Long-term provisions			3,672		3,672
Leasing long-term liabilities			1,274,123		1,274,123
Equity				9,626,587	9,626,587
Total equity and liabilities	**0**	**22,045,372**	**19,030,858**	**9,626,587**	**50,702,816**

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.

Since Group mainly has loans and credits with fixed interest rates, the Group did not identify interest rate risk as a significant risk for the year 2023.

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

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

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

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

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

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

Sensitivity analysis

Exchange rate (FX)	31.12.2023	31.12.2022
Profit before tax - without exchange rate effects	2,188,092	3,754,973
Net exchange rate effect	- 123,038	27,752
Profit before tax	**2,065,054**	**3,782,725**
1%		
Profit before tax - without exchange rate effects	2,188,092	3,754,973
Net exchange rate effect	- 124,268	28,030
Profit before tax	**2,063,824**	**3,783,003**
Change in profit before tax	- ***1,230***	***278***
Change in profit before tax (%)	***-0.06%***	***0.01%***
5%		
Profit before tax - without exchange rate effects	2,188,092	3,754,973
Net exchange rate effect	- 129,190	29,140
Profit before tax	**2,058,902**	**3,784,113**
Change in profit before tax	- ***6,152***	***1,388***
Change in profit before tax (%)	***-0.30%***	***0.04%***
10%		
Profit before tax - without exchange rate effects	2,188,092	3,754,973
Net exchange rate effect	- 135,342	30,527
Profit before tax	**2,052,750**	**3,785,500**
Change in profit before tax	- ***12,304***	***2,775***
Change in profit before tax (%)	***-0.60%***	***0.07%***
-1%		
Profit before tax - without exchange rate effects	2,188,092	3,754,973
Net exchange rate effect	- 121,808	27,474
Profit before tax	**2,066,284**	**3,782,447**
Change in profit before tax	***1,230***	- ***278***
Change in profit before tax (%)	***0.06%***	***-0.01%***
-5%		
Profit before tax - without exchange rate effects	2,188,092	3,754,973
Net exchange rate effect	- 116,886	26,364
Profit before tax	**2,071,206**	**3,781,337**
Change in profit before tax	***6,152***	- ***1,388***
Change in profit before tax (%)	***0.30%***	***-0.04%***
-10%		
Profit before tax - without exchange rate effects	2,188,092	3,754,973
Net exchange rate effect	- 110,734	24,977
Profit before tax	**2,077,358**	**3,779,950**
Change in profit before tax	***12,304***	- ***2,775***
Change in profit before tax (%)	***0.60%***	***-0.07%***

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

Interest	31.12.2023	31.12.2022
Profit before tax - without interest	3,456,350	5,118,617
Net interest revenue/expenses	- 1,391,296	- 1,335,892
Profit before tax	**2,065,054**	**3,782,725**
1%		
Profit before tax - without interest	3,456,350	5,118,617
Net interest revenue/expenses	- 1,405,209	- 1,349,251
Profit before tax	**2,051,141**	**3,769,366**
Change in profit before tax	- ***13,913***	- ***13,359***
Change in profit before tax (%)	***-0.67%***	***-0.35%***
5%		
Profit before tax - without interest	3,456,350	5,118,617
Net interest revenue/expenses	- 1,460,861	- 1,402,687
Profit before tax	**1,995,489**	**3,715,930**
Change in profit before tax	- ***69,565***	- ***66,795***
Change in profit before tax (%)	***-3.37%***	***-1.77%***
10%		
Profit before tax - without interest	3,456,350	5,118,617
Net interest revenue/expenses	- 1,530,426	- 1,469,481
Profit before tax	**1,925,924**	**3,649,136**
Change in profit before tax	- ***139,130***	- ***133,589***
Change in profit before tax (%)	***-6.74%***	***-3.53%***
-1%		
Profit before tax - without interest	3,456,350	5,118,617
Net interest revenue/expenses	- 1,377,383	- 1,322,533
Profit before tax	**2,078,967**	**3,796,084**
Change in profit before tax	***13,913***	***13,359***
Change in profit before tax (%)	***0.67%***	***0.35%***
-5%		
Profit before tax - without interest	3,456,350	5,118,617
Net interest revenue/expenses	- 1,321,731	- 1,269,097
Profit before tax	**2,134,619**	**3,849,520**
Change in profit before tax	***69,565***	***66,795***
Change in profit before tax (%)	***3.37%***	***1.77%***
-10%		
Profit before tax - without interest	3,456,350	5,118,617
Net interest revenue/expenses	- 1,252,166	- 1,202,303
Profit before tax	**2,204,184**	**3,916,314**
Change in profit before tax	***139,130***	***133,589***
Change in profit before tax (%)	***6.74%***	***3.53%***

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

Future acquisitions

On 16 October 2023, PHU entered into a contract for the acquisition of 100% ownership of KIK-EDU Kft. The purchase price was paid in 2023, but the ownership was only transferred to the PHU on 1 January 2024, therefore, the date of consolidation of the company is 1 January 2024.

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 2023. However, due to the uncertainty of the situation, it is conceivable that such significant effects could occur in the future.

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

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

Statement
To the best of our knowledge, based on international financial reporting standards these 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.