

MASTERPLAST
GROUP-INTERNATIONAL
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MASTERPLAST PLC.
ANNUAL REPORT
2017

MASTERPLAST PLC.

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2017
in accordance with International Financial Reporting Standards (IFRS)
(as adopted by the EU)

Sárszentmihály, 27 April 2018



Chairman of the Board

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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of MASTERPLAST Nyilvánosan működő Részvénytársaság

Report on the audit of the annual financial statements

Opinion

We have audited the accompanying 2017 annual financial statements of MASTERPLAST Nyilvánosan működő Részvénytársaság ("the Company"), which comprise the statement of financial position as at 31 December 2017 - showing a balance sheet total of HUF 7,458,012 thousand and a total comprehensive income for the year of HUF 852,393 thousand -, the related statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion the annual financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and has been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for annual financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the annual financial statements" section of our report.

We are independent of the Company in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the annual financial statements section” of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying annual financial statements.

Valuation of long term participations in affiliated companies

The Company’s participations in affiliated companies represent HUF 3 billion, and represent approximately 41% of total assets. Valuation of investment in subsidiaries is a significant judgmental area. Management annually assesses if these investments are impaired in accordance with the EU IFRSs. This is a key audit matter as significant judgement is involved in determination if the investments are impaired.

Our audit procedures included, among others, evaluating assumptions and methodologies used by the Company to assess whether the participations in affiliated companies are impaired. Furthermore, we assessed the expected future cash flows, whether these future cash flows were based on the strategic plan as prepared by management. We assessed the adequacy of the Company’s disclosures about participations in affiliated companies in accordance with EU IFRSs including the information how the impairment is evaluated by the Company.

The Company’s accounting policy and disclosures about its participations in affiliated companies and related impairment are included in Note 8.6.1 and Note 13.

Other information

Other information consists of the 2017 business report of the Company. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the annual financial statements does not cover the business report.

In connection with our audit of the annual financial statements, our responsibility is to read the business report and, in doing so, consider whether 1) the business report is materially inconsistent with the annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Our opinion on the business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available.

In our opinion, the business report of the Company, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2017 is consistent, in all material respects, with the 2017 annual financial statements of the Company and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Company further requirements with regard to its business report, we do not express opinion in this regard.

We also confirm that the Company have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Company and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the business report, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the annual financial statements

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with EU IFRSs and the supplementary requirements of the Hungarian Accounting Law relevant for annual financial statements prepared in accordance with EU IFRSs, and for such internal control as

management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If

- we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as statutory auditor by the General Assembly of Shareholders of the Company on April 26, 2016.

Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 9 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the annual financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the business report and in the annual financial statements, no other services were provided by us to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Szabó Gergely.

Budapest, 27 April, 2018

(The original Hungarian language version has been signed.)

Szabó Gergely
engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No.: 001165

Szabó Gergely
Registered auditor
Chamber membership No.: 005676

MASTERPLAST PLC.
ANNUAL FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017
(all figures in thousand HUF unless indicated otherwise)

2. STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	Notes	31 December 2017	31 December 2016	01 January 2016
NON-CURRENT ASSETS				
Property, plant and equipment	11	1 748 974	1 819 213	1 857 438
Intangible assets	11	14 147	19 259	18 308
Shares	13	3 084 602	2 945 207	2 774 867
Investments in associates	14	10 598	10 817	8 940
Deferred tax assets	27	13 540	15 461	11 903
Other long-term financial assets	15	930 420	933 060	0
Non-current assets		5 802 281	5 743 017	4 671 456
CURRENT ASSETS				
Trade receivables	16	91 979	280 914	290 424
Tax assets	27	82 447	15 987	15 056
Other current financial assets	17	1 374 681	1 220 878	1 005 283
Cash and cash equivalents	18	106 624	56 439	888 460
Current Assets		1 655 731	1 574 218	2 199 223
TOTAL ASSETS		7 458 012	7 317 235	6 870 679
EQUITY				
	7, 8			
Share capital		1 374 296	1 374 296	1 374 296
Reserves		2 999 670	3 639 341	4 017 408
Redeemed treasury shares		-6 833	-5 503	-10 463
Profit or loss for the year		852 393	-308 724	0
Equity		5 219 526	4 699 410	5 381 241
LONG-TERM LIABILITIES				
Long term financial leasing liabilities	12	11 867	17 488	9 436
Deferred income	19	99 282	102 077	104 875
Other long-term liabilities	20	0	490 140	686 185
Long-term liabilities		111 149	609 705	800 496
CURRENT LIABILITIES				
Trade payables	21	14 815	18 168	2 787
Short term financial leasing liabilities	12	9 362	9 068	11 623
Short-term deferred income	19	2 795	2 797	2 795
Other short-term liabilities	22	2 100 365	1 978 087	671 737
Current liabilities		2 127 337	2 008 120	688 942
TOTAL LIABILITIES		2 238 486	2 617 825	1 489 438
TOTAL EQUITY AND LIABILITIES		7 458 012	7 317 235	6 870 679

MASTERPLAST PLC.
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 (all figures in thousand HUF unless indicated otherwise)

3. PROFIT AND LOSS STATEMENT

	Notes	31 December 2017	31 December 2016
Sales revenues	29	1 730 043	745 092
Material and services used	23	-275 230	-281 519
Payments to personnel	24	-408 201	-378 009
Depreciation, amortisation and impairment	11	-91 023	-88 503
Other operating income (expense)	25	-49 325	-339 682
OPERATING PROFIT		906 264	-342 621
Interest received	26	49 718	52 621
Interest paid	26	-27 368	-33 409
Other financial (expense) income	26	-74 081	9 250
FINANCIAL PROFIT / LOSS		-51 731	28 462
Profit or loss attribute to associates	14	-219	1 877
PROFIT BEFORE TAX		854 314	-312 282
Income tax	27	-1 921	3 558
Profit/loss after taxation		852 393	-308 724

MASTERPLAST PLC.
ANNUAL FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017
(all figures in thousand HUF unless indicated otherwise)

4. COMPREHENSIVE INCOME STATEMENT

	31 December 2017	31 December 2016
Profit for the year	852 393	-308 724
Other comprehensive income	0	-0
Comprehensive income	852 393	-308 724

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 (all figures in thousand HUF unless indicated otherwise)

5. STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Treasury shares	Capital reserve	Retained earnings	Reserves, total	Profit or loss for the year	Equity, total
01 January 2017		<u>1 374 296</u>	<u>-5 503</u>	<u>1 913 941</u>	<u>1 725 400</u>	<u>3 639 341</u>	<u>-308 724</u>	<u>4 699 410</u>
Profit for the year						0	852 393	852 393
Other comprehensive income						0		0
Prior year's profit or loss reclassified					-308 724	-308 724	308 724	0
Redeemed treasury shares			-1 330			0		-1 330
Dividends paid					-315 753	-315 753		-315 753
Shareholders' contribution				-15 194		-15 194		-15 194
31 December 2017		<u>1 374 296</u>	<u>-6 833</u>	<u>1 898 747</u>	<u>1 100 923</u>	<u>2 999 670</u>	<u>852 393</u>	<u>5 219 526</u>

The attached notes form part of these consolidated annual financial statements.

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(all figures in thousand HUF unless indicated otherwise)

	Note	Share capital	Treasury shares	Capital reserve	Retained earnings	Reserves, total	Profit or loss for the year	Equity, total
01 January 2016		1 374 296	-10 463	1 948 895	2 068 513	4 017 408	0	5 381 241
Profit for the year						0	-308 724	-308 724
Other comprehensive income						0		0
Prior year's profit or loss reclassified								0
Redeemed treasury shares			4 960			0		4 960
Dividends paid					-343 113	-343 113		-343 113
Shareholders' contribution				-34 954		-34 954		-34 954
31 December 2016		1 374 296	-5 503	1 913 941	1 725 400	3 639 341	-308 724	4 699 410

The attached notes form part of these consolidated annual financial statements.

MASTERPLAST PLC.
ANNUAL FINANCIAL STATEMENT
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(all figures in thousand HUF unless indicated otherwise)

6. CASH FLOW STATEMENT

	31 December 2017	31 December 2016
OPERATING ACTIVITIES		
Profit before tax	854 314	-312 282
Depreciation, amortisation and impairment of tangible assets	91 023	88 503
Impairment loss	90 386	330 701
Inventory shortage, scrapped inventories	21	21
Provisions (released) made	0	0
(Gains) on the disposal of tangible and intangible assets	-20 866	-153
Interest paid	27 368	33 409
Interest received	-49 718	-52 621
(Profit) loss from associates	219	-1 878
Unrealised foreign exchange (gain) loss	79 169	-5 995
Working capital changes:		
Movements in trade receivables	405 463	-199 264
Movements in inventories	0	0
Movements in other current assets	-217 862	-216 672
Movements in trade payables	-1 459 656	1 471 478
Movements in other liabilities	846 946	-175 404
Income tax paid		
Net cash flows from operations	646 807	959 844
INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	-39 124	-51 229
Subsidiaries increase	-230 869	-533 000
Subsidiaries sold	0	18 861
Subsidiaries closing		
Proceeds from the disposal of tangible and intangible assets	32 592	5 579
Support received	0	0
Interest received	49 718	52 621
Net cash flows from investing activities	-187 683	-507 168
FINANCING ACTIVITIES		
Loans taken		
Loans repaid	28 545	53 845
Dividends paid	-315 751	-343 113
Changes in long-term loans	-79 169	-933 060
Interest paid	-42 564	-68 363
Net cash flows from financing activities	-408 939	-1 290 691
Increase (decrease) in cash and cash equivalents	50 185	-838 016
Cash and cash equivalents at the beginning of the year	56 439	888 460
Net foreign exchange translation gain or loss	0	5 995
Cash and cash equivalents at the end of the year	106 624	56 439

The attached notes form part of these consolidated annual financial statements.

MASTERPLAST PLC.
NOTES TO THE ANNUAL FINANCIAL STATEMENT
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 (all figures in thousand HUF unless indicated otherwise)

7. COMPANY INFORMATION

The financial statements is prepared by Masterplast Nyilvánosan Működő Részvénytársaság [public company limited by shares] (company registration No.: 07-10-001342, tax ID: 13805300-4-07).

The company's registered seat is at: Árpád u. 1/a., 8143 Sárszentmihály, Hungary. The parent company's website at www.masterplastgroup.com contains more details.

Core operation: Asset management (holding).

Masterplast Group („Group” or „Masterplast”) comprises Masterplast Nyilvánosan Működő Részvénytársaság („Masterplast Nyrt.” or „Company”) and its subsidiaries and associates. The Company was incorporated on 29 September 2006 upon transformation of its legal predecessor, Masterplast Műanyagipari és Kereskedelmi Korlátolt Felelősségű Társaság [Masterplast Plastics and Trading Limited Liability Company] as beneficiary. The legal predecessor company started operating in 1997 as a Hungarian Kft. owned by Hungarian nationals. On 20 April 2011, the company transformed into a public limited company by shares and was duly registered by the companies court.

On 29 November 2011, the Company's shares were technically introduced to trade at the Budapest Stock Exchange.

The Company's financial year is from 1 January to 31 December each year.

The Company's average number of staff was 44 in 2017 (2016: 45).

The cost of the company's external audit for 2017: EUR 59 250 (2016: EUR 55 000) which also contains the audit of the consolidated report.

This report is an individual IFRS report of the Company. The Company also prepares an IFRS consolidated report, available at www.masterplastgroup.com.

Shares:

The share capital comprises:

13 742 961 registered ordinary shares of HUF 100 face value each (2016: 13 742 961 registered ordinary shares of HUF 100 face value each).

Share types: registered, dematerialised
 ISIN code of the shares: HU0000093943

The shareholders are as follows:

Shareholders	2017	2016
1 Tibor Dávid	476 707 600 Ft	529 675 200 Ft
2 Ács Balázs	409 627 800 Ft	409 627 800 Ft
3 OTP Alapkezelő	91 554 500 Ft	91 554 500 Ft
4 Bunford Tivadar	45 198 700 Ft	45 198 700 Ft
5 Csokló Gábor	3 528 700 Ft	4 158 700 Ft
6 Nádasi Róbert	3 386 400 Ft	3 386 400 Ft
7 Additional minority owners	343 089 400 Ft	289 729 300 Ft
8 Repurchased shares	1 203 000 Ft	965 500 Ft
TOTAL:	1 374 296 100 Ft	1 374 296 100 Ft

MASTERPLAST PLC.
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(all figures in thousand HUF unless indicated otherwise)

The voting rights are as follows:

		2017	2016	
1	Tibor Dávid	4 767 076	5 296 752	votes
2	Ács Balázs	4 096 278	4 096 278	votes
3	OTP Alapkezelő	915 545	915 545	votes
4	Bunford Tivadar	451 987	451 987	votes
5	Csokló Gábor	35 287	41 587	votes
6	Nádasi Róbert	33 864	33 864	votes
7	Additional minority owners	3 430 894	2 897 293	votes
Total		13 730 931	13 733 306	votes

The Company's executive body is its five-member Board of Directors. The Board of Directors, and the Audit Committee, whose members are the independent members of the Board of Directors, as an integrated corporate governance body, fulfil the statutory roles of the Directors and the Supervisory Board. The Board of Directors is responsible for decision making in issues that are not the exclusive authority of the Shareholders' Meeting and are made the responsibility of the Board of Directors by legislation or by the Articles of Association.

Board of Directors:

TIBOR Dávid – chairman
ÁCS Balázs – vice chairman
KAZÁR András – independent member
Dr. MARTIN HAJDU György – independent member
Dirk THEUNS – independent member

Audit Committee:

Dr. MARTIN HAJDU György
KAZÁR András
Dirk THEUNS

The Company's activity:

The Company's principal activity is asset management, but since its investments are in enterprises in the construction industry, its present and future are defined by domestic and international construction industry trends.

MASTERPLAST PLC.
NOTES TO THE ANNUAL FINANCIAL STATEMENT
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8. ACCOUNTING POLCY

8.1 Basis of reporting

The Company's Annual Report is prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union. Every IFRS issued by the International Accounting Standards Board (IASB) in effect at the time of the preparation of the Annual Report and relevant for the Company has been adopted by the EU. Therefore, the Annual Report both complies with the IFRS principles issued by the IASB and meets the requirements of the Hungarian Accounting Standards pertaining to reports, where the latter references the IFRS rules adopted by the EU.

For every period up to (and including) the year ending on 31 December 2016, the Company has prepared its financial statements according to the Hungarian Accounting Standards. These financial statements pertaining to the year ending on 31 December 2017 are the first statements which the Company prepared according to the IFRS.

8.2 Changes in the accounting policies

New standards, interpretations and amendments adopted by the Company

In 2017, the Company has adopted all new and revised standards and interpretations applicable to accounting periods beginning on or after 01 January 2017 by the International Financial Reporting Interpretations Committee (IASB) and the International Accounting Standards Board (IASB). [In cases where a standard transitional provision permits the beginning of standard acceptance, based on the Company's decision that the standard is applied forward by 1 January 2017.] The introduction of these revised standards and interpretations had no impact on the financial performance or position of the Company, but in some cases additional disclosure requirements with the modification of accounting policies were required. The amendment of the accounting principles is the result of the introduction of the following new or revised standards:

Except for the revised IFRS standards as adopted by the Company on 01 January 2017, the accounting policies applied to the preparation of the annual report are the same as in the previous year:

IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)

The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment.

IAS 7: Disclosure Initiative (Amendments)

The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes.

MASTERPLAST PLC.
NOTES TO THE ANNUAL FINANCIAL STATEMENT
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(all figures in thousand HUF unless indicated otherwise)

The IASB has issued the **Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The following annual improvement has not yet been endorsed by the EU

IFRS 12 Disclosure of Interests in Other Entities: The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

Standards issued but not yet effective and not early adopted

IFRS 9 Financial Instruments: Classification and Measurement

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Group determined that the impact of the standard on profit and loss is immaterial.

IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group determined that the impact of the standard on profit and loss is immaterial.

IFRS 15: Revenue from Contracts with Customers (Clarifications)

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The Group determined that the impact of the standard on profit and loss is immaterial.

IFRS 16: Leases

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU.

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Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

The amendments have not yet been endorsed by the EU.

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU.

IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2018. The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach, which would permit entities that issue contracts within the scope of IFRS 4 to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets.

IAS 40: Transfers to Investment Property (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These Amendments have not yet been endorsed by the EU.

IFRS 9: Prepayment features with negative compensation (Amendment)

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income.

These Amendments have not yet been endorsed by the EU.

IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

These Amendments have not yet been endorsed by the EU.

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IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation has not yet been endorsed by the EU.

The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures.

These annual improvements have not yet been endorsed by the EU.

IFRS 1 First-time Adoption of International Financial Reporting Standards: This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.

IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.

This Interpretation has not yet been endorsed by the EU.

The **IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted.

These annual improvements have not yet been endorsed by the EU.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

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8.3 Foreign exchange operations

Functional and reporting currency

The Company's Annual Report is prepared using the currency of its primary operating environment (functional currency). Considering the contents and circumstances of the underlying economic events, the Company's functional currency is forint (HUF).

Transactions and balances

Transactions in foreign currencies are translated to the functional currency at the exchange rates prevailing at the dates of the transactions. Any gain or loss on the initial recognition and year-end revaluation of foreign currency transactions is recognised in financial profit or loss.

8.4 Intangible assets

Intangible assets are measured at initial cost upon acquisition. Intangible assets are recognised when an inflow of economic benefits is expected in connection with the asset and the cost of the assets can be reliably measured. Intangible assets are carried at initial cost less any accumulated amortisation and impairment loss. Intangible assets are written off on a straight line basis over the best estimate of their useful lives. The period and method of amortisation are reviewed at the end of each financial year. The annual amortisation rates range between 10 and 33% and are recognised by the Company on a straight line basis.

8.5 Property, plant and equipment

Property, plant and equipment are carried at initial cost less any accumulated amortisation and impairment loss. Upon disposal of an asset or decrease otherwise, the cost of the asset is derecognised along with any accumulated depreciation and impairment loss and any gain or loss on the disposal is recognised in profit or loss. Any post-commissioning costs, such as maintenance and repairs, are expensed as and when incurred against profit or loss.

Land is not depreciated.

Depreciation is charged on a component and straight line basis over the useful life of the asset.

The depreciation rates used are as follows:

Properties	2% - 8%
Machinery, equipment	6% - 33%

Any capitalised improvement on rented equipment is depreciated over the shorter of the useful life and the rent period.

The useful lives and the depreciation methods are reviewed at least annually in order to reflect the actual inflows of economic benefits from the assets.

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8.6 Impairment of assets

The Company has ownership in the following companies at the balance sheet date:

Company	Incorporated in	Core operations	Foundation date	Ownership (%)		Voting right (%)	
				2016	2017	2016	2016
Master Plast S.r.o.	Slovakia	Wholesale of construction materials	1999.11.04	100%	100%	100%	100%
MasterFoam Kft.	Hungary	Foam sheet production	2004.06.29	100%	100%	100%	100%
Masterplast d.o.o.	Croatia	Wholesale of construction materials	2002.02.25	100%	100%	100%	100%
Masterplast Kft.	Hungary	Wholesale of construction materials	2007.09.30	100%	100%	100%	100%
Masterplast Hungária Kft.	Hungary	Wholesale of construction materials	2016.05.17	100%	100%	100%	100%
Masterplast International Kft.	Hungary	Wholesale of construction materials	2016.05.17	100%	100%	100%	100%
Mastermesh Production Kft.	Hungary	Wholesale of construction materials	2016.05.17	100%	100%	100%	100%
Masterplast Österreich GmbH	Austria	Wholesale of construction materials	2007.03.20	100%	100%	100%	100%
Masterplast Romania S.R.L.	Romania	Wholesale of construction materials	2001.01.19	100%	100%	100%	100%
Masterplast Sp zoo	Poland	Wholesale of construction materials	2005.06.06	80,04%	80,04%	80,04%	80,04%
MasterPlast TOV	Ukraine	Wholesale of construction materials	2005.03.17	80%	80%	80%	80%
Masterplast YU D.o.o.	Serbia	Wholesale of construction materials EPS and fiberglass production	2002.03.19	100%	100%	100%	100%
OOO Masterplast RUS	Russia	Wholesale of construction materials	2011.09.14	100%	100%	100%	100%
MP Green Invest	Ukraine	Asset management	2012.06.08	100%	100%	100%	100%
Masterplast Bulgaria EOOD	Bulgaria*	Wholesale of construction materials	2004.11.26	0%	99,88%	0%	99,88%
Masterplast D.O.O.	Macedonia**	Wholesale of construction materials	2002.02.17	10%	10%	10%	10%

*In February 2017, the Company sold its Bulgarian subsidiary to the Bulgarian executive director. The transaction did not have a substantive effect on the results of the Company.

** 80% of the company held by Masterplast YU d.o.o., 10% is held by Masterplast Nyrt.

In February 2017, Masterplast Nyrt. sold its quota in Masterplast Bulgaria Eood., so this previously consolidated subsidiary was hived off the Group.

Investment	Buyer	Percentage of investment sold (%)	Selling price (EUR)
Masterplast Bulgaria Eood	Bulgarian executive director	99,88%	4 964

The Company records its holdings at their historical costs as per IAS 27.

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The first time adoption of the IFRS, the initial valuation of holdings is performed according to the deemed historical cost based on IFRS 1.D15. As deemed historical cost, the Company selected the book value as per the accounting standards used in the past.

8.6.1. Impairment of holdings

In the separate financial statement, the holdings in subsidiaries are reported at historical cost, the value of which is equal to the amount paid in cash or cash equivalents, or the fair value of any other compensation paid. In case of ownership acquired in a foreign currency, historical cost is the value calculated according to the official exchange rate published by the Hungarian National Bank on the day of the transaction. Holdings carried in foreign currency are not subject to revaluation.

Investments occurring among holdings are reviewed by the Company on an annual basis, in view of the affiliated enterprise's equity and future plans. If the affiliated enterprise recorded a loss in the relevant period and in the year before that, or if the affiliated enterprise's equity decreases by at least 50% in the relevant period (a sign indicating impairment), the Company performs an impairment test based on IAS 36 at the end of the relevant year.

The net recovery value of the given holding is equal to the present value of future cash flows originating from it. If the recovery value is below the book value, an impairment recognition is required.

In future years, provided that the loss due to the previously recognised impairment no longer exists or decreases, the impairment needs to be reversed to the recovery value, up to the original historical cost of the investment. Reversal can occur only if there has been a change in the estimates used to establish the recovery value since the latest recognition of the impairment loss. Impairment and its reversal should be recorded as expense/income from financial operations in the Profit and Loss Statement.

8.7 Impairment of assets

The carrying amounts of assets subject to depreciation or impairment are reviewed when changes in the events or circumstances indicate that the carrying value of an asset may not be recoverable. Impairment loss is the carrying value of the asset over the recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. For impairment testing purposes, assets are classified at the lowest level of identifiable cash flows (cash generating units). Upon the reversal of any previously recognised impairment loss, the carrying value of the asset (cash generating unit) is increased to the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised. The Company's smallest cash generating units are its subsidiaries with distinct and independent operations.

8.8 Investments and other financial assets

Financial assets include financial assets held at fair value through profit and loss, loans granted, trade receivables, investments held-to-maturity and financial assets available-for-sale initially recognised at fair value through profit or loss in accordance with IAS 39. Financial assets are initially recognised at fair value plus any transactions costs directly attributable to the acquisition in case of financial assets that are not recognised at fair value through profit.

8.8.1 Non-current financial assets

Investments are carried at initial cost, which is the amount paid for the investment including related acquisition costs. Following initial recognition, investments held-for-trading and available-for-sale are measured at fair value. Any gain or loss on investments held-for-trading -that does not include acquisition costs- is recognised in profit or loss.

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Where no comparable or reliable market information is available for an investment, the fair value of the investment is determined based on a comparison of the fair values of similar investments and in view of the expected future cash flows. Where the fair value cannot be reliably measured, the investment is recognised at cost less any impairment loss. Any permanent impairment in the value of an investment is expensed in the reporting period.

The Company examines on an annual basis whether there are any indications of impairment, in its investments and investment categories.

The Company has the following investments in associate:

Company	Incorporated in	Core operations	Foundation date	Ownership (%)		Voting rate (%)	
				2017	2016	2017	2016
MasterProfil Kft.	Hungary	Profiles production	2007.04.26	20%	20%	20%	20%

Investments in associates are measured by the equity method at initial recognition and at the subsequent measurement.

8.8.2 Trade and other receivables

Trade and other receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method less any accumulated impairment loss. Trade and other receivables are considered to be impaired if objective evidence indicates that the Company will be unable to recover all the amounts due based on the underlying arrangement. Indications of possible impairment of a debtor include significant financial difficulties experienced by the debtor, the probability of insolvency or financial restructuring, delayed payments or non-performance or any prior forced collection event.

8.8.3 Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognized initially at fair value less discounts and attributable transaction costs. Following initial recognition, interest bearing loans and borrowings are stated at amortised cost using the effective interest rate method. The amortised cost includes disbursement expenses, any interest discount and early repayment charges. Any foreign exchange gain or loss that may arise when the liability is derecognised or written off is recognised in profit or loss.

8.8.4 Derivative financial instruments

The Group holds derivative financial instruments, such as foreign exchange forward and interest rate swap contracts, to hedge its foreign currency and interest rate risk exposures. Derivatives are recognised initially at their fair value on the contract date and are subject to revaluation in the ensuing periods. Derivatives with a positive fair value are recognised as financial assets; derivatives with a negative fair value are recognised as liabilities. Any income or expense on the changes in the fair value of derivatives that do not qualify for hedge accounting are recognised as financial income or expense in the profit and loss account for the relevant year. The year-end fair values of derivatives are recognised by the Group based on the fair values calculated by the Group's contractual partner based on the daily foreign exchange rate fluctuations and on the applicable contractual terms.

The Group uses the following hierarchy for presenting and determining the fair values of financial instruments:
Level 1: quoted price on active markets for the identified assets and liabilities.

Level 2: other techniques where all underlying data significantly influencing the fair value are directly or indirectly accessible

Level 3: techniques including data not accessible at the market that has a significant influence on the fair value

Fair value hierarchy: in view of the above measurement method, the fair value hierarchy for derivative financial under IFRS 13 is: Level 2.

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8.9 Redeemed treasury shares

Treasury shares are recognised as a reduction in equity (retained earnings). Any gain or loss on the disposal of treasury shares is recognised directly in retained earnings accordingly.

8.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. Cash equivalents are short-term (maturing within three months), highly liquid and low risk investments that can be readily converted into cash.

8.11 Issued capital and reserves

Issued capital and retained earnings are presented at initial cost in the financial statements

8.12 Trade payables and other liabilities

Trade payables and other liabilities (including prepayments and accrued expenses) are recognised by the Company at initial fair value, and are presented in later periods at amortised cost calculated based on the effective interest rate method. Owing to their short-term nature, the book values of trade payables and other liabilities approximate, and therefore presents fairly, their fair values.

8.13 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The Company makes provisions for:

- fines and penalty interest that are legally enforceable or are payable towards an authority.
- expected severance costs when the underlying decision to lay off staff was made and the decision was communicated to those affected before the balance sheet date.
- litigations and other legal cases where third party claims are already at court and the Company has sufficient information to make a reliable estimate of any resulting payment liability.

8.14 Pension contributions

The amount of pension contribution is deducted from an employee's gross salary and is forwarded to private pension funds or social security. The Company does not have a corporate pension plan and therefore has no legal or constructive obligation to pay further contributions should the assets of the private pension funds or social security fail to provide sufficient coverage for the retirement benefits the employees have already served in prior periods or in the reporting period.

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8.15 Operating profit or loss

Operating profit or loss reflects revenues and other income (expenses) less other costs.

8.16 Leases

Determining whether an arrangement is, or contains, a lease at the inception of the arrangement shall be based on whether fulfilment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset. A reassessment of whether the arrangement contains a lease after the inception of the arrangement shall be made only if any one of the following conditions is met:

- a) there is a change in the contractual terms, unless the change only renews or extends the arrangement;
- b) a renewal or an extension is agreed to by the parties to the arrangement, unless the term of the renewal or extension had initially been included in the lease term;
- c) there is a change in the determination of whether fulfilment is dependent on a specified asset; or
- d) there is a substantial change to the asset.

If an arrangement is reassessed, lease accounting shall be applied (or cease to apply) from, in the case of (a), (c) or (d), when the change in circumstances giving rise to the reassessment occurs; or, in the case of (b), from the inception of the renewal or extension period.

The Company as a lessee:

Upon the initial recognition of the financial leases, under which the Company assumes substantially all the risks and rewards of ownership of the leased asset, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Lease payments made under finance leases are apportioned between finance expense and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The finance expense is recognised through profit or loss.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

The Company as a lessor:

The Company also conducts leasing activities for its subsidiaries and external companies not classified as finance leases. The Company did not apply the IFRS16 standard for the 2017 business year. The assets leased are included in the balance sheet as fixed assets. Revenues from lease activities are recognized in the income statement as revenue.

8.17 Dividends

Dividends distributable to the Company's shareholders are recognized as a liability against equity in the period when they are approved by the shareholders.

8.18 Government grants

Government grants are recognized initially at fair value when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses are recognised in the same periods in which the expenses are recognised.

Government grants attributable to an asset is classified as deferred income and is recognised in profit or loss on a pro rata basis over the useful life of the asset.

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8.19 Revenues

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, and sales taxes or duty.

Revenue from the sale of goods and services is recognised net of sales taxes and discounts when the significant risks and rewards of ownership of the goods have passed to the buyer, or when the service has been completed.

Interest income is recognised as the interest accrues in order to reflect the actual gains on the underlying asset. Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to through profit or loss in the period in which the change occurred.

8.20 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready are capitalised as part of the cost of that asset. Other borrowing costs are recognised by the Company in profit or loss. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

Borrowing costs are capitalised until the asset is commissioned. Borrowing costs consist of interest and other finance costs, including any gain or loss on borrowed foreign exchange project funds that are considered a substitute for interest expense. The amount of capitalisable borrowing cost equals the weighted average of general borrowing costs in the period. An asset is considered a qualifying asset by the Company when the commissioning process of the asset is prolonged for a considerable period (typically more than 6 months).

8.21 Income taxes

Current year taxes:

Corporate income tax is payable to the tax authority in the relevant jurisdiction. The corporate income tax base is the entity's pre-tax profit or loss as adjusted for deductible and non-deductible items.

Other income taxes include local taxes (local business tax). In Hungary, such taxes are payable on the basis of the net profit of a business calculated in line with applicable regulations.

Deferred taxes:

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not an acquisition and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are expected to reverse. The amounts of deferred tax asset and deferred tax expense reflect the Company's best estimate as to how the current tax assets and tax liabilities at the balance sheet date will be realised.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Previously unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Conversely, deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current income tax and deferred taxes are recognised directly in equity when these relate to an item recognised in the same period or in a prior period in equity. Such items include the opening balances of reserves that may be adjusted retrospectively as a result of changes in the accounting policies with a retrospective effect.

8.22 Contingencies

Contingent liabilities, unless acquired through a business combination, are not recognised in the statement of financial position or statement of income. These are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the statement of financial position or statement of income but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

8.23 Segment reporting

From the business aspect, the Company has a single segment: asset management.

9. SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

Management makes accounting estimates and assumptions regarding the future results of operations. However, the actual results could differ from these estimates. These estimates and assumptions that are based on past experience and other factors, including expectations for the reasonable outcomes of future events, are continuously reviewed by the Company. Below is a summary of assumptions and estimates where the high degree of uncertainty could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

9.1 Sufficient taxable profits for the recognition of deferred tax assets

The recognition of deferred tax assets is subject to the Company's ability to generate taxable profits in the future so that deferred tax assets can be utilised. The recognition of any deferred tax asset requires significant management assumptions based on the Company's tax planning strategy as to the timing and amounts of any future taxable profits.

9.2 Impairment of debtors

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The Company determines any impairment loss on doubtful receivables based on the estimated amount of loss due to non-performance or insolvency by debtors. To make these estimates, the Company considers factors such as debtor ageing information, litigated debtors and past experience of debtor payment behaviour. These factors are assessed by the Company for each debtor at the end of the reporting year. The carrying values of the impaired debtors are reduced to the expected recoverable amount and a corresponding impairment loss is recognised for each affected debtor.

9.3 Impairment of investments

In the separate financial statement, the holdings in subsidiaries are reported at historical cost, the value of which is equal to the amount paid in cash or cash equivalents, or the fair value of any other compensation paid. In case of ownership acquired in a foreign currency, historical cost is the value calculated according to the official exchange rate published by the Hungarian National Bank on the day of the transaction. Holdings carried in foreign currency are not subject to revaluation.

Investments occurring among holdings are reviewed by the Company on an annual basis, in view of the affiliated enterprise's equity and future plans. If the affiliated enterprise recorded a loss in the relevant period and in the year before that, or if the affiliated enterprise's equity decreases by at least 50% in the relevant period (a sign indicating impairment), the Company performs an impairment test based on IAS 36 at the end of the relevant year.

The net recovery value of the given holding is equal to the present value of future cash flows originating from it. If the recovery value is below the book value, an impairment recognition is required.

In future years, provided that the loss due to the previously recognised impairment no longer exists or decreases, the impairment needs to be reversed to the recovery value, up to the original historical cost of the investment. Reversal can occur only if there has been a change in the estimates used to establish the recovery value since the latest recognition of the impairment loss. Impairment and its reversal should be recorded as expense/income from financial operations in the Profit and Loss Statement.

9.4 Provisions

Making provisions involves significant subjective judgment, especially when the underlying cause is a legal dispute. The Company makes a provision for the total amount of a liability when an undesired event is considered a consequence of a past event and the probability of the undesired event is over 50 percent.

9.5 Impairment of property, plant and equipment

The calculation of impairment loss reflects the realisable value of the Company's cash generating units and is the higher of their fair value less costs to sell and their value in use.

The value in use is determined based on the discounted expected cash flows. The key variables used to determine the expected cash flows are the discount rates, residual values, the length of the period considered in the cash flow projections as well as estimates and assumptions of cash inflows and outflows, including forecasts as to the prices of goods, operating costs, future product mixes and future market demand. The cash flows reflect the expectations of management for the future for each non-current asset. As a result, the estimates are subject to a higher degree of uncertainty in view of the economic slowdown in the Central-Eastern-European region where the Group operates.

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10. FIRST TIME ADOPTION OF THE IFRS

Since 1 January 2017, the Company has been keeping its books according to the IFRS, and it prepared its first IFRS Annual Report for the fiscal year ending on 31 December 2017. For the fiscal year ending on 31 December 2016, the Company prepared its Report according to the Hungarian Accounting Standards. For this reason, it is necessary to prepare also the comparative data defined by the IFRS for 31 December 2016, as well as the opening balance sheet defined by the IFRS pertaining to 1 January 2016.

Therefore, according to the IFRS requirements, simultaneously with the Annual Report data pertaining to the fiscal year ending on 31 December 2017, the Company also prepared the comparative data pertaining to 31 December 2016.

The Supplement item below presents the major differences between the reports prepared according to the Hungarian Accounting Standards and according to the IFRS with regard to the report pertaining to the fiscal year ending on 31 December 2016 and the balance sheet prepared for 1 January 2016.

Exemptions and exceptions as per IFRS 1

The rules of IFRS 1 allow for certain exemptions from retroactive application of the IFRS for first-time adopters.

The Company uses the following exemptions:

Valuation of holdings

The initial valuation of holdings is performed according to the deemed historical cost based on IFRS 1.D15. According to the standard, the deemed historical cost can be one of two types:

- fair value on the day of transition to the IFRS, or
- book value according to the previous accounting system. (in case of foreign currency holding, as converted at the exchange rate applicable on the day of transition to the IFRS).

The Company selected the book value as per the accounting standards used in the past to be the deemed historical cost.

According to IFRS 1, the following mandatory exceptions must be applied:

Derecognition of financial assets and financial liabilities

The Company does not have to report the financial assets and financial liabilities which were derecognised from its statements before the time of the transition.

Hedge accounting

A business entity shall not reflect in its opening IFRS statement of financial position a hedging relationship of a type that does not qualify for hedge accounting in accordance with IAS 39.

Estimates

The accounting estimates prepared in accordance with IFRS for 1 January 2016 and 31 December 2016 shall be consistent with estimates made for the same dates in accordance with previous rules, unless there is objective evidence that those estimates were in error.

Classification and valuation of financial instruments

For the classification and valuation of financial instruments, the facts and circumstances applicable at the time of transition shall be considered.

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Embedded derivatives

The Company does not have any derivatives.

State loans

The Company does not have any state loans.

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Reconciliation of the financial situation as of 1 January 2016 according to the Hungarian Accounting Standards and the IFRS

	Note	01 January 2016 HAS	Reclassi- fications	Impact of IFRS modi- fications		1 January 2016 IFRS
				Assets	Other	
NON-CURRENT ASSETS						
Property, plant and equipment	A, B, F	1 978 336	16 140	-137 038		1 857 438
Intangible assets		18 308				18 308
Shares		2 774 867				2 774 867
Investments in associates	C	600			8 340	8 940
Deferred tax assets		0			11 903	11 903
Other long-term financial assets						
Non-current assets		4 772 111	16 140	-137 038	20 243	4 671 456
CURRENT ASSETS						
Trade receivables		290 424				290 424
Tax assets	G	0	15 056			15 056
Other current assets	E, F, G	1 072 548	-55 477	-1 326	-10 463	1 005 283
Cash and cash equivalents		873 139	15 322			888 460
Current assets		2 236 111	-25 099	-1 326	-10 463	2 199 223
TOTAL ASSETS		7 008 222	-8 959	-138 364	9 780	6 870 679
EQUITY						
Share capital		1 374 296				1 374 296
Reserves	A, B, C, D	3 730 335	343 114	-142 099	86 058	4 017 408
Redeemed treasury shares	E				-10 463	-10 463
Profit or loss for the year		0		0	0	0
Equity		5 104 631	343 114	-142 099	75 595	5 381 241
LONG-TERM LIABILITIES						
Long term financial leasing liabilities		9 436				9 436
Deferred income		107 670	-2 795			104 875
Other long-term liabilities	D	752 000			-65 815	686 185
LONG-TERM LIABILITIES		869 106	-2 795	0	-65 815	800 496
Current liabilities						
Trade payables		11 725	-8 939			2 787
Short term financial leasing liabilities	B	7 888		3 735		11 623
Short-term deferred income		0	2 795			2 795
Other short-term liabilities		1 014 872	-343 134			671 737
Current liabilities		1 034 485	-349 277	3 735	0	688 942
TOTAL LIABILITIES		1 903 591	-352 072	3 735	-65 815	1 489 438
TOTAL EQUITY AND LIABILITIES		7 008 222	-8 959	-138 364	9 780	6 870 679

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Reconciliation of the financial situation as of 31 December 2016 according to the Hungarian Accounting Standards and the IFRS

	Note	31 December 2016		Impact of IFRS modifications		31 December 2016
		HAS	Reclassifications	Impact of IFRS modifications		IFRS
				Assets	Other	
NON-CURRENT ASSETS						
Property, plant and equipment	A, B, F	1 942 202	17 308	-140 297		1 819 213
Intangible assets		19 259				19 259
Shares		2 905 333			39 874	2 945 207
Investments in associates	C	600			10 217	10 817
Deferred tax assets		0			15 461	15 461
Other long-term financial assets			933 060			933 060
Non-current assets		4 867 394	950 368	-140 297	65 553	5 743 017
CURRENT ASSETS						
Trade receivables		280 914				280 914
Tax assets	G		15 987			15 987
Other current assets	E, F, G	2 411 992	-1 184 217	-1 394	-5 503	1 220 878
Cash and cash equivalents		56 438				56 439
Current assets		2 749 344	-1 168 230	-1 394	-5 503	1 574 218
TOTAL ASSETS		7 616 738	-217 862	-141 691	60 050	7 317 235
EQUITY						
Share capital		1 374 296				1 374 296
Reserves	A, B, C, D	3 730 336		-141 919	50 924	3 639 341
Redeemed treasury shares	E				-5 503	-5 503
Profit or loss for the year		-354 147		-68	45 491	-308 724
Equity		4 750 485	0	-141 987	90 912	4 699 410
LONG-TERM LIABILITIES						
Long term financial leasing liabilities		17 488				17 488
Deferred income		104 874	-2 797			102 077
Other long-term liabilities	D	521 000			-30 860	490 140
LONG-TERM LIABILITIES		643 362	-2 797	0	-30 860	609 705
Current liabilities						
Trade payables		18 168				18 168
Short term financial leasing liabilities	B	8 772		296		9 068
Short-term deferred income			2 797			2 797
Other short-term liabilities		2 195 951	-217 862	-2		1 978 087
Current liabilities		2 222 891	-215 065	296	-2	2 008 120
TOTAL LIABILITIES		2 866 253	-217 862	296	-30 862	2 617 825
TOTAL EQUITY AND LIABILITIES		7 616 738	-217 862	-141 691	60 050	7 317 235

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Reconciliation of total comprehensive income as per the IFRS and the income calculated according to the Hungarian Accounting Standards for the fiscal year ending on 31 December 2016

	Note	31 December 2016 HAS	based on IFRS		31 December 2016 IFRS
			Reclassi- fication	Modifica- tion	
Sales revenues		720 395	24 697		745 092
Material and services used	A, B	-275 001	-10 020	3 502	-281 519
Payments to personnel		-388 029	10 020		-378 009
Depreciation, amortisation and impairment	A	-85 244		-3 259	-88 503
					0
Movements in self-produced inventories					
Other operating income (expense)		3 657	-340 207	-3 131	-339 682
Operating Profit		-24 222	-315 510	-2 888	-342 621
Interest received		52 621	0		52 621
Interest paid	B	-33 321	43	-131	-33 409
Other financial (expense) income	C	-349 225	315 469	43 006	9 250
FINANCIAL PROFIT / LOSS		-329 925	315 512	42 875	28 462
Profit or loss attribute to associates	C			1877	1 877
PROFIT BEFORE TAX		-354 147	0	41 865	-312 282
Income tax				3558	3 558
Profit/loss after taxation		-354 147	0	45 423	-308 724
Comprehensive income		0	0	-308 724	-308 724

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Reconciliation of equity as per the IFRS and the equity according to the Hungarian Accounting Standards

	Note	31 December 2016	1 January 2016
Equity according to HAS		4 750 485	5 104 631
Effects of differences between HAS and IFRS accounting policies			
transfer of dividends			343 114
change of fixed assets	A, B	-141 984	-142 099
discontinuation of shareholders' obligation	D	30 860	65 815
changes in investments		39 874	
reclassification of repurchased shares	F	-5 503	-10 463
the value of the attribute to associates	C	10 217	8 340
deferred tax		15 461	11 903
Equity according to IFRS		4 699 410	5 381 241

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Reconciliation of the cash flow statement as per the IFRS and the cash flow statement according to the Hungarian Accounting Standards for the fiscal year ending on 31 December 2016

	Note	31 December 2016 HAS	Modifications	31 December 2016 IFRS
OPERATING ACTIVITIES				
Profit before tax		-354 148	41 866	-312 282
Depreciation, amortisation and impairment of tangible assets		85 244	3 259	88 503
Impairment loss		-190 551	521 252	330 701
Inventory shortage, scrapped inventories			21	21
Provisions (released) made				
(Gains) on the disposal of tangible and intangible assets		-142	-11	-153
Interest paid			33 409	33 409
Interest received			-52 621	-52 621
(Profit) loss from associates			-1 878	-1 878
Unrealised foreign exchange (gain) loss		30 026	-36 021	-5 995
Working capital changes:				
Movements in trade receivables		-205 648	6 384	-199 264
Movements in inventories			0	
Movements in other current assets		-170 008	-46 664	-216 672
Movements in trade payables		1 462 540	8 938	1 471 478
Movements in other liabilities		120 050	-295 454	-175 404
Dividend		-343 111	-2	-343 113
Income tax paid				
Net cash flows from operations		434 252	221 086	616 731
INVESTING ACTIVITIES				
Purchase of tangible and intangible assets		-588 509	537 280	-51 229
Sales of tangible and intangible assets		547 431	-541 852	5 579
Capital increase of investments			-533 000	-533 000
Subsidiaries sold			18 861	18 861
Support received			0	
Interest received			52 621	52 621
Net cash flows from investing activities		-41 078	-466 090	-507 168
FINANCING ACTIVITIES				
Loans taken		-986 927	986 927	
Loans repaid		-222 948	276 793	53 845
Changes in long-term loans			-933 060	-933 060
Interest paid			-68 363	-68 363
Cash and cash equivalents at the end of the year		-1 209 875	262 297	-947 578
Increase (decrease) in cash and cash equivalents		-816 701	-21 315	-838 016
Cash and cash equivalents at the beginning of the year		873 140	15 320	888 460
Net foreign exchange translation gain or loss			5 995	5 995
Cash and cash equivalents at the end of the year		56 439	0	56 439

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Notes for the reconciliation of financial situation, total comprehensive income, equity and cash flow pertaining to 31 December 2016 and 1 January 2016

A Fixed assets

At the time of its separation, the Company appreciated its assets, and this appreciation was entered in the books against the accumulated profit reserve, according to the Hungarian Accounting Standard.

In its IFRS separate financial statement, the Company values fixed assets according to the historical cost model as per IAS 16, hence the appreciation is not recognised.

In its IFRS separate financial statement, the Company reversed the revaluation of the land relative to the report prepared according to the Hungarian Accounting Standard.

B Leasing

The Company is leasing a server within the framework of a 5-year lease agreement, which provides for a purchase option after the expiration of 1 year. According to the Hungarian Accounting Standard, the Company treats the lease as operative lease in accordance with the agreement.

According to the rules of IAS 17, a server lease is considered a finance lease, hence the Company reports it according to the recognition and valuation principles of finance lease as per IAS 17.

Accordingly, in the IFRS report, at initial recognition, the asset is valued at the lower of the fair value and the present value of the minimum lease payments, whereas the Company records a lease liability at the present value of the minimum lease payments. The Company reversed the operating expenses recorded according to the Hungarian Accounting Standard relative to the Hungarian financial report.

C Investments

Masterplast Nyrt had an investment of HUF 8,940,000 in MasterProfil Kft. on 01/01/2016 and an investment of HUF 10,817,000 on 31/12/2016, which is considered an associate according to the Hungarian Accounting Standard. In the report prepared according to the Hungarian Accounting Standard, the investment was recorded at its historical cost.

In the IFRS separate financial statement, the Company values its investment in associates using the equity method defined in IAS 28.

D Shareholder loan

In the report prepared according to the Hungarian Accounting Standard, the Company records the interest-free shareholder loan as a liability in the balance sheet, at a value equal to the amount loaned.

In its IFRS separate financial statement, the interest-free loan received from the parent company is recorded at its fair value, while the follow-up is measured at amortized cost. The difference between the fair value and the nominal value is recorded in the equity.

Interest is recorded annually in the profit/loss statement, using the effective interest rate method.

E Treasury shares

According to the Hungarian Accounting Standards, the Company recorded treasury shares and reacquired holdings as receivables and carried over the book value of repurchased shares from the accumulated profit reserve to committed reserves.

According to the rules of the IFRS, the Company records the value of repurchased shares as part of the equity.

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F Tangible assets – Inventories reclassification

According to HAS the Company keeps its property, plant and equipment in the Inventories. According to IFRS they are kept in the tangible assets.

G Reclassification of other current assets

According to Hungarian Accounting Standards, the Company discloses its claims on the state budget among other current assets. According to IFRS rules, receivables from the state budget are shown on tax receivables.

H Reclassification of Other liabilities

The Company reclassified its dividend payment liability in the in the opening balance sheet of 01 January 2016 from other liabilities to reserves with the amount of HUF 343 114 thousand.

Equity reconciliation table for 31/12/2017

	Note	Equity based on IFRS	Transfer of re- tained earnings	Reclassifi- cation	Equity based on HAS
Share capital		1 374 296		0	1 374 296
Treasury shares	E	-6 833		6 833	
Capital reserve	D	2 999 670	-1 100 923	-15 666	1 883 081
Committed reserve	E			10 463	10 463
Retained earnings	B		1 100 923	65 971	1 166 894
Profit for the year	A, B	852 393		5 821	858 214
Total		5 219 526	0	73 422	5 292 948

Equity reconciliation table for 31/12/2016

	Note	Equity based on IFRS	Transfer of re- tained earnings	Reclassifi- cation	Equity based on HAS
Share capital		1 374 296		0	1 374 296
Treasury shares	E	-5 503		5 503	
Capital reserve	D	3 639 341	-1 725 400	-30 860	1 883 081
Committed reserve	E			10 463	10 463
Retained earnings	B		1 725 400	111 392	1 836 792
Profit for the year	A, B	-308 724		-45 423	-354 147
Total		4 699 410	0	51 075	4 750 485

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11. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND ASSETS IN THE COURSE OF CONSTRUCTION

2017	Intangible assets	Properties	Machinery, equipment	Assets in construction	Tangible Assets	Total
Gross value, opening	143 276	2 217 326	226 563	24 688	2 468 577	2 611 853
Increase	350	12 183	31 374	897	44 454	44 804
Decrease	-98	-17 308	-7 170	-11 200	-35 678	-35 777
Gross value, closing	143 528	2 212 201	250 767	14 385	2 477 353	2 620 880
Accumulated depreciation and impairment, opening	124 017	494 479	154 885	0	649 364	773 381
Increase	5 363	60 359	25 301		85 660	91 023
Decrease			-6 645		-6 645	-6 645
Accumulated depreciation and impairment, closing	129 380	554 838	173 541	0	728 379	857 759
Net book value, opening	19 259	1 722 847	71 678	24 688	1 819 213	1 838 472
Net book value, closing	14 147	1 657 363	77 226	14 385	1 748 974	1 763 121

2016	Intangible assets	Properties	Machinery, equipment	Assets in construction	Tangible Assets	Total
Gross value, opening	137 211	2 208 636	216 934	18 764	2 444 334	2 581 545
Increase	6 065	8 800	35 887	53 894	98 581	104 646
Decrease		-110	-26 258	-47 970	-74 338	-74 338
Gross value, closing	143 276	2 217 326	226 563	24 688	2 468 577	2 611 853
Accumulated depreciation and impairment, opening	118 904	434 710	152 186		586 896	705 800
Increase	5 113	59 879	23 511		83 390	88 503
Decrease		-110	-20 812		-20 922	-20 922
Accumulated depreciation and impairment, closing	124 017	494 479	154 885	0	649 364	773 381
Net book value, opening	18 307	1 773 926	64 748	18 764	1 857 438	1 875 745
Net book value, closing	19 259	1 722 847	71 678	24 688	1 819 213	1 838 472

Masterplast Nyrt. does not have intangible assets with an indefinite useful life.

No finance expense was capitalised as part of an increase in costs in 2017 and 2016.

Part of our bank loans are covered by the closing balance of the tangible assets of Masterplast Nyrt. in the value of:

2017	2016
1 728 876	1 804 226

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12. ASSETS PURCHASED UNDER FINANCIAL LEASE

Tangible assets include the assets the Company purchased under finance lease.

The Company took over various tangible assets under finance leases in the following values:

	31 December 2017	31 December 2016	01 January 2016
Gross value	77 061	70 867	43 378
Accumulated depreciation	33 781	21 556	13 555
Net value	43 279	49 311	29 823

Payment obligations related to the assets taken over under finance lease were as follows:

	31 December 2017	31 December 2016	01 January 2016
Lease liabilities within 1 year	9 362	9 067	13 171
Due in 2-5 years	11 867	17 488	7 888
Due over 5 years	0	0	0
Total lease obligations	21 229	26 556	21 059

The present values of minimum lease payments were as follows:

Period	31 December 2017	31 December 2016	01 January 2016
	Minimum lease payments	Minimum lease payments	Minimum lease payments
Lease payments falling due within 1 year	9 362	9 067	13 171
Lease payments falling due within 2-5 years	11 867	17 488	7 888
Lease payments falling due over 5 years	0	0	0
Minimum lease payments	21 229	26 556	21 059
Financing expenses			
Present value of minimum lease payments	21 229	26 556	21 059

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13. INVESTMENTS

The Company's investments and their book values

Company	31 December 2017		31 December 2016		01 January 2016	
	Ownership (%)	Book Value	Ownership (%)	Book Value	Ownership (%)	Book Value
Masterplast Kft.	100%	871 924	100%	871 924	100%	871 924
MasterFoam Kft	100%	108 575	100%	108 575	100%	108 575
Masterplast Hungária Kft.	100%	230 000	100%	230 000		
Mastermesh Production Kft.	100%	300 000	100%	300 000		
Masterplast International Kft.	100%	3 000	100%	3 000		
Master Plast S.r.o.	100%	0	100%	0	100%	78 068
Masterplast Sp zoo	80,04%	59 503	80,04%	59 503	80,04%	59 503
Masterplast Österreich GmbH	100%	0	100%	0	100%	
Masterplast Romania S.R.L.	100%	0	100%	91 474	100%	353 071
Masterplast Bulgaria EOOD	0	0	99,88%	0	99,88%	0
Masterplast YU D.o.o.	100%	1 049 134	100%	818 265	100%	818 266
Masterplast d.o.o	100%	255 581	100%	255 581	100%	255 581
Masterplast D.O.O	10%	8 385	10%	8 385	10%	8 385
MasterPlast Ukrajna	80%	322	80%	322	80%	322
OOO Masterplast RUS	100%	0	100%	0	100%	
Green MP Invest	100%	198 178	100%	198 178	100%	198 178
Master Plast Plus S.r.o.	0	0		0	100%	0
Fóliatex Kft	0	0		0	100%	19 000
Green MP Prom	0	0		0	100%	3 995
Total		3 084 602		2 945 207		2 774 867

Changes in investments during 2017:

Company	Opening	Changes in investments	Impairment reverse	Impairments	Closing
Masterplast YU D.o.o.	818 266	230 869			1 049 135
Masterplast Romania S.R.L.	91 474			-91 474	0
Masterplast Bulgaria EOOD	0	-282 048	282 048		0
Total	909 740	230 869	282 048	-91 474	1 049 135

In February 2017, the Company transferred capital to the Serbian subsidiary to the manufacturer's investment and production financing.

The Company recorded a 100% impairment for its holding in Masterplast Romania S.r.l., and it still maintains the operation of this subsidiary.

In February 2017, the Company sold its Bulgarian subsidiary to the Bulgarian executive director.

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Changes in investments during 2016:

Company	Opening	Changes in investments	Impairment reverse	Impairments	Closing
Masterplast Hungária Kft.	0	230 000			230 000
Mastermesh Production Kft	0	300 000			300 000
Masterplast International Kft.	0	3 000			3 000
Fóliatex Kft.	19 000	-19 000			0
Master Plast S.r.o. (SK)	78 068			-78 068	0
Master Plast Plus S.r.o. (CZ)	0	-510 902	510 902		0
Masterplast Romania S.r.l.	353 071			-261 597	91 474
Green MP Prom (UA)	3 996	-11 941	7 945		0
Total	454 135	-8 842	518 847	339 665	624 474

In order to optimize the operation of the Company in Hungary, on 17 May 2016 three new subsidiaries were founded with the names of Masterplast Hungária Kft., Mastermesh Production Kft. And Masterplast International Kft.

In 2016 the Company reported 100% impairment on investments for Masterplast Plast S.r.o (SK) with maintaining the subsidiary's operations.

Of the previous holdings, in 2016, Master Plast Plus s.r.o (CZ) and Fóliatex Kft. were sold and Green MP Prom was closed on April 28, 2016. by liquidation.

In 2017, impairment and reversal recorded for holdings were as follows:

Impairments of investments	Opening impairment	Conversion difference	Accounted impairment	Released impairment	Closing impairment
Masterplast Romania S.R.L.	-261 597		-91 474		-353 071
Total	-261 597	0	-91 474	0	-353 071

In 2016, impairment and reversal recorded for holdings were as follows:

Impairments of investments	Opening impairment	Conversion difference	Accounted impairment	Released impairment	Closing impairment
Master Plast S.r.o.	0		-78 068		-78 068
Masterplast Romania S.R.L.	0		-261 597		-261 597
Total	0	0	-339 665	0	-339 665

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14. INVESTMENTS IN ASSOCIATES

The Company's investments in associates and their book values

Company	31 December 2017		31 December 2016		01 January 2016	
	Ownership (%)	Book Value	Ownership (%)	Book Value	Ownership (%)	Book Value
MasterProfil Kft.	20,00%	10 598	20,00%	10 817	20,00%	8 940
Total		10 598		10 817		8 940

The initial share of Masterplast Nyrt. was HUF 600 thousand in MasterProfil Kft.

In the individual report under IFRS, the Company's investments in the associates is evaluated with the equity method in IAS 28, so in the opening balance of 01 January 2016 the Company's share in MasterProfil Kft. is HUF 8 940 thousand.

Changes in book value in 2017:

Opening	Profit or loss attributable to associates	Comprehensive income	Closing*
10 817	-219	-219	10 598

Changes in book value in 2016:

Opening	Profit or loss attributable to associates	Comprehensive income	Closing*
8 940	1 877	1 877	10 817

* Does not include any profit/loss from discontinued operations

In 2016 and 2017, the Company did not receive any dividends from associates.

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Key financial data of the Associated Company:

Associate's balance sheet:

	31 December 2017	31 December 2016	01 January 2016
Non-current assets	126 325	11 121	12 936
Current assets	372 215	443 641	258 672
Long-term liabilities	161 273	161 730	130 258
Short-term liabilities	284 275	238 947	96 651
Net asset value	52 992	54 085	44 699
Ownership of the company	20%	20%	20%
Net asset value for the Company [Appreciation per assets]	10 598	10 817	8 940
Booking value of the investment	11 198	11 417	9 540

Associate's profit and loss:

	31 December 2017	31 December 2016
Sales revenue	869 288	699 981
Operating profit	1 313	15 374
Earning attributable to owners	-1 096	9 386
Income to the Company on the basis of the ownership ratio	-219	1 877

The financial data presenting the Company's holding in Masterprofil Kft. were prepared based on the rules of the IFRS, according to the policy used by the Company for similar transactions.

15. OTHER LONG-TERM FINANCIAL ASSETS

	31 December 2017	31 December 2016	01 January 2016
Loans given			
Masterplast YU D.o.o.	930 420	933 060	0
Total	930 420	933 060	0

The Company has granted a loan to its subsidiary under the following conditions:

Company	Start of loans	Value	Currency	Interest rate	Expiration date
Masterplast d.o.o (YU)	2016.02.02.	1.000.000	EUR	1 month EURIBOR+2%	2024.06.30
Masterplast d.o.o (YU)	2016.05.20.	2.000.000	EUR	1 month EURIBOR+2%	2024.06.30.

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16. TRADE ACCOUNTS RECEIVABLES

	31 December 2017	31 December 2016	01 January 2016
Trade accounts receivables	92 197	282 220	300 693
Impairments of doubtful receivables	-218	-1 306	-10 269
Trade accounts receivables	91 979	280 914	290 424

The average payment term of trade receivables was 28 days in 2017 (in 2016: 21 days).

Impairment loss recognised and reversed on trade receivables in 2017:

Impairment of trade receivables	Opening impairment	Recalculation difference	Impairment increase	Impairment used	Reversed	Closing
Impairment of trade receivables	-1 306				1 088	-218
Total	-1 306	0	0		1 088	-218

Impairment loss recognised and reversed on trade receivables in 2016:

Impairment of trade receivables	Opening impairment	Recalculation difference	Impairment increase	Impairment used	Reversed	Closing
Impairment of trade receivables	-10 269		-1 131	10 095		-1 306
Total	-10 269	0	-1 131	10 095	0	-1 306

* Receivables and impairment were derecognised as customer lending losses.

The aged analysis of debtors:

	31 December 2017			31 December 2016			01 January 2016		
	Gross value	Impairment loss	Net book value	Gross value	Impairment loss	Net book value	Gross value	Impairment loss	Net book value
Not yet due	71 406		71 406	272 670		272 670	286 117		286 117
Due over 0-60 days	2 665		2 665	7 258		7 258	3 902		3 902
Due over 61-90 days	51		51	0		0	48		48
Due over 91-180 days	0		0	51	-13	38	365	-91	274
Due over 181-360 days	17 857		17 857	1 895	-947	948	167	-84	84
Due over 360 days	218	-218	0	346	-346	0	10 095	-10 095	0
Total	92 197	-218	91 979	282 220	-1 306	280 914	300 694	-10 270	290 424

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17. OTHER CURRENT ASSETS

Other current assets	31 December 2017	31 December 2016	01 January 2016
Advanced paid	19 473	7 142	3 470
Other receivables *	935 971	1 049 887	989 238
Impairment loss on other receivables	-2 946	-2 946	-2 946
Accrued bonus	342 602	152 018	50
Accrued other costs	15 297	14 778	15 346
Receivables on MRP	61 861		
Other receivables on affiliated company (allocated wages and salaries)	2 422		125
Total	1 374 681	1 220 878	1 005 283

* The following items are included in other receivables

Description	31 December 2017	31 December 2016	01 January 2016
Ownership acquisition		19 000	12 000
Bonuses	149 048	87 371	71 717
Interest of loans granted affiliates **	756 448	863 831	851 576
VAT receivables from VAT group members	8 936	48 640	42 256
Other receivables	21 539	31 044	11 688
Total	935 971	1 049 887	989 238

**The Company has granted a loan to its subsidiary under the following conditions:

Company	Start of loans	Value	Currency	Interest rate	Expiration date
Masterplast Srl. (RO)	2017.01.02	2.000.000	USD	1 month EURIBOR+3%	2017.12.31.
Masterplast Srl. (RO))	2017.01.02	700.000	EUR	1 month EURIBOR+3%	2017.12.31.
Masterplast Sp.z.oo	2016.11.25	118.850	EUR	1 month EURIBOR+3%	2017.12.31

The Company did not accounted impairment for the loan granted to the Romanian subsidiary at the end of the year because the contract was extended to 31 December 2018. The Polish loan was repaid before the balance sheet date.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	31 December 2017	31 December 2016	01 January 2016
Cash	1 621	1 686	2 354
Bank deposits	105 003	54 753	886 106
Total	106 624	56 439	888 460

The Company had no non-liquid cash equivalent as at 31 December 2017 or 31 December 2016.

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19. DEFERRED INCOME

Deferred income includes the non-refundable parts (grants) of tendered government subsidies as long as the applicable requirements are met.

Subsidy ID	Description of support	Beneficiary	31 December 2017	31 December 2016	01 January 2016
GVOP-1.1.2.-2004-11-0003/5.0	"Master" educator; MAS-TER3AS centre - Products, Services, Training at "Master" level	Masterplast Nyrt.	88 071	90 264	92 457
SZVP-2003-6-03-08-1	Networking at "Master" level	Masterplast Nyrt.	14 006	14 610	15 213
Total:			102 077	104 874	107 670
Short-term part:			2 795	2 797	2 795
Long-term part:			99 282	102 077	104 875

Regarding deferred income, the Company has no. contingent liabilities and commitments.

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20. OTHER LONG-TERM LIABILITIES

Description	31 December 2017	31 December 2016	01 January 2016
Long-term liabilities to shareholders (Note 33) *	0	490 140	686 185
Total	0	490 140	686 185

* In 2017 the liability was reclassified to (due to maturity within one year) other short-term liabilities.

21. TRADE PAYABLES

Maturity of trade payables is as follows:

Description	31 December 2017	31 December 2016	01 January 2016
Not yet due	3 693	11 247	2 510
Due over 0-60 days	11 122	6 921	277
Total	14 815	18 168	2 787

The average payment days of creditors was as follows:

2017	2016
17	19

22. OTHER CURRENT LIABILITIES

Description	31 December 2017	31 December 2016	01 January 2016
Liabilities to state budget	33 738	103 422	66 049
Other current liabilities	98 272	47 697	56 274
Short-term loans	435 275	463 734	517 664
Liabilities to shareholders (Note 33)	505 335	0	0
Liabilities to affiliates (cash pool, other)	1 027 744	1 363 234	31 750
Other current liabilities	2 100 365	1 978 087	671 737

23. MATERIALS AND SERVICES USED

Description	2017	2016
Material costs	-43 295	-38 005
Services used	-40 612	-38 485
Cost of services sold	-191 323	-205 028
Total	-275 230	-281 519

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24. PERSONNEL RELATED COSTS

Description	2017	2016
Payroll costs	-312 951	-272 914
Other payments to personnel	-23 361	-25 973
Payroll taxes and social security	-71 889	-79 122
Total	-408 201	-378 009

25. OTHER INCOME AND EXPENSES

Description	2017	2016
Received and paid concessions	-2 355	-11 488
Impairments	-90 386	-340 796
Gains on fixed asset sales	3 558	152
Other	39 858	12 450
Total	-49 325	-339 682

26. OTHER FINANCIAL PROFIT OR LOSS

Description	2017	2016
Interest income	49 718	52 621
Interest expense	-27 368	-33 409
Other incomes and expenses of financial transactions	-74 081	9 250
Total	-51 731	28 462

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The Company's financial instruments at book value and fair value were as follows

	Book value	Book value	Book value	Fair value	Fair value	Fair value
Valuation of financial instruments	31 December 2017	31 December 2016	01 January 2016	31 December 2017	31 December 2016	01 January 2016
Debtors	91 979	280 914	290 424	91 979	280 914	290 424
Tax receivables	82 447	15 987	15 056	82 447	15 987	15 056
Other financial receivables	1 374 681	1 220 878	1 005 283	1 374 681	1 220 878	1 005 283
Liquid assets	106 624	56 439	888 460	106 624	56 439	888 460
Total	1 655 731	1 574 218	2 199 223	1 655 731	1 574 218	2 199 223
Long-term financial lease liabilities	11 867	17 488	9 436	11 867	17 488	9 436
Other long-term liabilities	0	490 140	686 185	0	490 140	686 185
Short-term financial lease liabilities	9 362	9 068	11 623	9 362	9 068	11 623
Creditors	14 815	18 168	2 787	14 815	18 168	2 787
Short-term finance lease liabilities	2 100 365	1 978 087	671 737	2 100 365	1 978 087	671 737
Total	2 136 409	2 512 951	1 381 768	2 136 409	2 512 951	1 381 768

Short term debtors, receivables and liabilities are instruments with maturity less than one year and their realisation is expected in short term. As such their net book value agrees to their fair value.

The short term loans of the Company are based on reference rates, so beside their short term realisation any potential market interest rate change is reflected in the reference rates of the loans and as such their net book value agrees to their value.

The cash pool has the same conditions as the short-term loans of the Company.

Undiscounted cash-flow 2017	Payment within 1 year	Payment within 2-5 year	Payment beyond 5 year
Total loans and credits	435 275	0	0
Cash pool	923 706		
Interests of loans and credits	8 589	0	0
Total	1 367 570	0	0

Undiscounted cash-flow 2016	Payment within 1 year	Payment within 2-5 year	Payment beyond 5 year
Total loans and credits	463 734	0	0
Cash pool	1 238 567		
Interests of loans and credits	10 759	0	0
Total	1 713 060	0	0

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27. TAXES

Tax assets and tax liabilities were as follows:

	31 December 2017	31 December 2016	01 January 2016
Tax asset	82 447	15 987	15 056
Tax liability	-33 738	-103 422	-66 049
Net tax asset	48 709	-87 435	-50 993

Income tax for the years ended 31 December 2017 and 31 December 2016 includes the following components:

Income tax expense	2017	2016
Income tax for the current year	0	0
Deferred income tax	-1 921	3 558
Total	-1 921	3 558

The average tax rate of the Company in the past two years was as follows:

Period	Average tax rate
2017	9%
2016	10%

The year-end balance of deferred tax includes the following items:

Year-end balance of deferred tax	31 December 2017	31 December 2016	01 January 2016
Tangible fixed assets	11 929	12 324	11 955
Receivables	131	131	10
Deferred loss	3 000	6 500	6 500
Ownership obligation	- 1 519	- 3 495	- 6 581
Leasing		3	21
Closing deferred tax assets, net	13 540	15 461	11 903
Of which deferred tax assets	13 540	15 461	11 903
Of which deferred tax (liability)	0	0	0

The Company does not consider it relevant to present the difference between the tax liability calculated using the average tax rate and the actual tax liability, given that the two tax rates are the same.

The amount and usability of the accrued losses not included in the report are as follows:

	Tax loss that can be carried forward	Realisability of tax loss carried forward
31 December 2017	158 433	158 433
31 December 2016	153 755	153 755

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The corporate tax on 31 December 2017 of the Company:

Items increasing corporate tax base

Description	2017
Depreciation and released fixed assets book value for tax-year based on HAS	102 477
Impairment recognized on receivables	
Receivable forgiven	233
Paid fines and allowances	19
Impairment recognized for the registered investment	90 562
Incurring costs to non-operational activity	259
Total:	193 550

Items decreasing corporate tax base

Description	2017
Depreciation and released fixed assets book value based on corporate tax law	101 678
Dividends received	940 000
Impairment loss reversed on receivables in the tax year	1 088
Total:	1 042 766

Corporate tax

<i>Pre-tax profit</i>	854 314
Adjusted pre-tax profit	854 314
Tax-base reduction items	-1 042 766
Tax-base increasing items	193 550
Tax base of 2017	5 098
Adjusted pre-tax profit increasing item	0
Adjusted pre-tax profit decreasing item	-43 451
Adjusted tax base	-38 353
Corporate tax payable (9%)	0

Presentation of the difference between the tax calculated by the actual tax rate and the actual tax liability:

Pre-tax profit	854 314
Actual tax rate	9,0%
Tax liability calculated based on the actual tax rate	76 888
Permanent differences with no return	
Impairments of shares	8 151
Received dividends	- 84 600
Other	- 2 360
Differences total:	- 78 809
Total corporation tax expense	- 1 921
Calculated tax rate	- 0,2%

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28. SALES REVENUES

The Company has a single segment, hence reporting by segment is not relevant.

The distribution of sales revenue by geographic and activity breakdown for the years ending 2017 and 2016 is as follows:

Hungary	2017	2016
Received dividend	941 372	24 697
Services (rental of real estates, bookkeeping, finance, HR services)	324 325	313 782
Invoicing of services based on Group-level contracts	65 189	55 962
Bonuses, concessions	399 157	350 651
Total	1 730 043	745 092

29. RELATED PARTY TRANSACTIONS

Related party transactions are conducted on an arm's length basis. Both the prices applied in related party transactions between related parties and our pricing practice comply with the arm's length principle and the concept of an arm's length price as defined in the applicable OECD Guidelines that form the legal basis of transfer pricing.

Income received from affiliated enterprises for the years ending on 31 December 2017 and 2016 is as follows:

Company name	2017	2016
Masterplast Gyártó és Ker. Kft.	689 486	477 062
Master Plast S.r.o.	2 373	1 610
Masterplast d.o.o.	2 946	1 260
Masterplast D.O.O. (MAC)		3 908
Masterplast Romania S.R.L.	5 623	4 799
Masterplast YU D.o.o.	4 640	2 926
MasterFoam Kft.	495 286	40 188
Masterplast Ukraina TOV	3 594	24 730
Masterplast Sp. z.o.o.	305	614
Masterplast Hungária Kft.	128 296	21 047
Mastermesh Production Kft.	25 282	6 997
Masterplast International Kft.	41	
Total:	1 357 872	585 140

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Interest received from affiliated enterprises for the years ending on 31 December 2017 and 2016 is as follows:

Company name	2017	2016
Masterplast Romania S.R.L.	33 800	32 007
Masterplast YU D.o.o.	15 107	10 331
Masterplast Sp. z.o.o.	546	987
Total:	49 453	43 325

Services provided by affiliated enterprises in the years ending on 31 December 2017 and 2016 are as follows:

Company name	2017	2016
Master Plast S.r.o.	834	841
Masterplast YU D.o.o.		200
MasterFoam Kft.	650	
Masterplast Gyártó és Ker. Kft.	7 698	3 082
Masterplast Hungária Kft.	1 948	44
Total:	11 130	4 167

Receivables due from affiliated enterprises as of 31 December 2017, 31 December 2016 and 1 January 2016 are as follows:

Company name	31 December 2017	31 December 2016	01 January 2016
Masterplast Kft.	26 030	257 431	273 836
Masterfoam Kft.	7 646	88	7 788
Masterprofil Kft.			1 553
Masterplast Hungária Kft.	24 784	3 096	
Mastermesh Production Kft.	4 444	42	
Master Plast S.r.o.	76	301	96
Master Plast Plus S.r.o.			10 095
Masterplast Sp zoo		83	120
Masterplast Romania S.R.L.	3 795	9 680	4 105
Masterplast YU D.o.o.	2 753	1 075	168
Masterplast D.o.o.	364		121
OOO Masterplast Rus.		360	363
Total:	69 891	271 796	297 880

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Liabilities to affiliated enterprises as of 31 December 2017, 31 December 2016 and 1 January 2016 are as follows:

Company name	31 December 2017	31 December 2016	01 January 2016
Masterfoam Kft	165	4	1 133
Masterplast Kft.		60	
Masterplast Hungária Kft.	108		
Master Plast S.r.o.		187	
Total:	272	251	1 133

Cash pool receivables and payables to affiliates for 31 December 2017 and 31 December 2016 are shown in the table below. Masterplast Nyrt. is the main account holder of the cash pool. The cash pool balance of the Company shows the liability for Raiffeisen Bank.

31 December 2017		
Company name	Receivable	Liability
Masterplast Kft.		-264 617
Masterplast Hungária Kft.		-829 981
Mastermesh Production Kft.	233 813	
Masterplast International Kft.	299 836	
MasterFoam Kft.		-362 757
Total:	533 649	-1 457 355
	Balance:	-923 706

31 December 2016		
Company name	Receivable	Liability
Masterplast Kft.		-185 625
Masterplast Hungária Kft.		-613 287
Mastermesh Production Kft.	217 736	
Masterplast International Kft.		-2 391
MasterFoam Kft.		-655 000
Total:	217 736	-1 456 303
	Balance:	-1 238 567

Loans granted to affiliated enterprises as of 31 December 2017, 31 December 2016 and 1 January 2016 are as follows:

Company name	31 December 2017	31 December 2016	01 January 2016
Masterplast Sp zoo		36 965	37 214
Masterplast Romania S.R.L.	756 448	826 865	814 362
Masterplast YU D.o.o.	930 420	933 060	
Total:	1 686 868	1 759 925	851 576

The Company does not have loans from affiliated companies for 31 December 2017, 31 December 2016 and 1 January 2016.

Key executives of the Company discharge their duties as employees. Short-term allowances paid to them in 2017 amounted to HUF 144 854 thousand. No loans were granted to senior officers in 2016 or 2017

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The sum total of fees paid to members of the Board of Directors was HUF 7 410 thousand in 2017 and HUF 7 710 thousand in 2016.

30. FINANCIAL RISK MANAGEMENT

The Company's activities are subject to various financial risks: such as market risks (especially exchange rate risk and price risk), liquidity and credit risk.

The Company's comprehensive risk management programme focuses on the unpredictability of financial markets and tends to minimise its potential negative effects on the Company's financial operations.

Market risk

Market risk is the risk of market trends, such as changes in exchange rates, interests and prices affecting the Company's income and the value of financial instruments. The goal of market risk management is to keep market risks within the Company's risk appetite, in addition to optimising the yield.

Exchange rate risk

The Company conducts some operations in foreign currency, which entails the risk arising from the fluctuation of exchange rates, especially the exchange rates of the Euro. Exchange rate risk may arise from future commercial transactions, assets and liabilities included in the balance sheet.

The analysis of EUR/HUF exchange rate risk sensitivity associated with loans and its effect on pre-tax profit (exchange rate risk is calculated against the EUR loans):

	2017	2016
Appreciation of EUR / HUF rates by 3 %		
Financial result	-51 731	28 461
Effect at FX rate increase	-3 098	0
Adjusted financial loss	-54 829	28 461
Profit before tax	854 314	-312 282
Effect at FX rate increase	-3 098	0
Adjusted profit before tax	851 216	-312 282
Depreciation of EUR / HUF rates by 3 %		
Financial result	-51 731	28 461
Effect at FX rate decrease	13 590	4 638
Adjusted financial loss	-38 141	33 099
Profit before tax	854 314	-312 282
Effect at FX rate decrease	13 590	4 638
Adjusted profit before tax	867 904	-307 644

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Interest rate risk

The management does not consider the interest rate risk from floating rate loans to be a major risk factor, because the interest rates changed as a result of banking measures taken in the wake of the financial crisis are not so high that they could not be managed from the operating profits.

Sensitivity test of interest adjustments and its impact on profit before tax:

	2017	2016
Appreciation of interest rates by 1 % point		
Financial result	-51 731	28 461
Effect of interest increase	-13 590	-4 638
Adjusted financial loss	-65 321	23 823
Profit before tax	854 314	-312 282
Effect of interest increase	-13 590	-4 638
Adjusted profit before tax	840 724	-316 920
Depreciation of interest rates by 1 % point		
Financial result	-51 731	28 461
Effect of interest decrease	13 590	4 638
Adjusted financial loss	-38 141	33 099
Profit before tax	854 314	-312 282
Effect of interest decrease	13 590	4 638
Adjusted profit before tax	867 904	-307 644

Total credit risk

The Company performs the majority of its business activities with subsidiaries operating under its own control, whereas its contact with external suppliers and customers is marginal.

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Liquidity risk

Liquidity risk is the risk that the Company cannot meet its liabilities on due date. The Company is on to ensure that there is always sufficient resources available when the liability expire.

The table below includes the financial liabilities of the Company broken down by maturity as at 31 December 2016 and 2017 based on the non-discounted values of contractual payments.

2017	Falling due within 1 year	Falling due within 1-5 years	Falling due beyond 5 years	Total
Finance lease liabilities	9 362	11 867		21 229
Liabilities to shareholders	505 335			505 335
Creditors and other liabilities	1 609 845			1 609 845
Total	2 124 542	11 867	0	2 136 409

2016	Falling due within 1 year	Falling due within 1-5 years	Falling due beyond 5 years	Total
Finance lease liabilities	9 067	17 488		26 556
Liabilities to shareholders		490 140		490 140
Creditors and other liabilities	1 996 255			1 996 255
Total	2 005 322	507 629	0	2 512 951

Bank financing of the Company is based on group agreements, and its covenants and performances are presented in the table below:

Name and calculation of indicator	Required	Met	
	2017	2017	2016
Liquidity ratio (current assets / (current liabilities -liabilities to shareholders))	1,00	1,12	1,37
Leverage ratio (equity / (balance sheet total-accrued income))	40,00%	39.58%	41,39%
Operating profitability (Operating profit or loss / net sales revenues)	4,00%	4.02%	4,10%
net debt/EBITDA	3,80	3,62	3,23

The Company did not meet the leverage ratio on 31 December 2017, which was restored by HUF 521 million (EUR / HUF exchange rate of 15 January with EUR 1 684 721) capital increase on 15 January 2018. The Company agreed with the lending banks affected by the covenant offence to acknowledge the offence of 31 December 2017 and consider it to be fulfilled the capital increase of 15 January 2018.

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Tax risk

The Company monitors the changes in legislation and acts immediately when a change in regulations affecting the Company as a whole takes effect, and implements measures or amends existing policies as necessary. As a result, management is no aware of any significant tax risk.

Equity risk

Regarding capital structure formation, the Company aims to protect its ability to operate continuously, ensure profits for its shareholders and other interest groups, and maintain an optimal capital structure for the purpose of reducing the cost of capital.

Dividend payment policy: In the event the Company cannot find development and acquisition targets required for its growth, it can pay its shareholders dividends, if the profits so allow, subject to specific decisions of the Board of Directors.

Optimum capital structure: following the capital increase implemented in 2012, the Group's debt/equity ratio improved significantly and this rate is intended to be maintained in the future in order to mitigate any liquidity risk (unreliable money markets).

Continuous operations: To ensure the efficiency of its financial operations, the Group makes continuous efforts to prolong the payment terms of transactions and contracts with its suppliers in order to compensate for payment delays by its debtors.

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31. CONTINGENT LIABILITIES AND FUTURE COMMITMENTS

On 31 December 2017, the Company did not have expired running tenders.

Unclosed tenders and related commitments – 2016

Tender ID	Tender title	Subsidised company	Amount	Method of settlement	Source of funds	Amount to be repaid	Implemented project	Commitments	Fund available until
TÁMOP-2.1.3.C-12/1-2012-0512	"Measures to improve competitiveness with Masterplast Nyrt."	Masterplast Nyrt.	52 294	26.09.2013 19.11.2013 06.03.2014	From the European Social Fund and government budget of the Republic of Hungary.	-	None	At least 90% of participants in the training complete the course and at least 60% of those passing the test are employed by the Company later.	31.05.2017

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Bank guarantees

The Company guaranteed its Bank Guarantee of 2016 to the Slovak subsidiary's OTP loan. To the extension in 2017 the Bank Guarantee was no longer a condition so the Company withdrew it.

Company	Type of guarantee	2017	2016
Masterplast Nyrt	Loan collateral	0 EUR	245 000 EUR
Total:		0 EUR	245 000 EUR

Litigations and extrajudicial cases launched by the Company

There is no litigation initiated against and initiated by the Company, and there is no ongoing legal process.

32. MASTERPLAST EMPLOYEE SHARED OWNERSHIP PROGRAM

Masterplast Plc. established the MASTERPLAST Employee Shared Ownership Program on 14 December 2016. The MRP organization is based in: 1062 Budapest, Andrásy út 100.

Masterplast Plc. (Founder) has established the MRP organization to efficiently conduct incentive remunerations related to Masterplast's business goals (Participants).

The Participants of the MRP in 2017 were the employees of Masterplast Plc. and of by 100% controlled Masterplast Ltd., Masterplast Hungária Kft. and Masterfoam Kft, where the Company's Remuneration Policies are applied and covered. The Founder assigned those leaders of the aforementioned companies to the Participants, who had the greatest impact on the achievement of the company's business goals set out in the Remuneration Policies.

Participants have acquired a stake in the MRP organization against the Masterplast shares and financial assets that are transferred by the Founder as non-cash financial assets or cash benefits. When the goals set out in the Remuneration Policies were met, the MRP paid dividends to the Participants on the basis of the shareholder's shares and withdrawn their ownerships. Payments to Participants made through the MRP Organization are recognized by the Company as personnel costs in accordance with IFRS.

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Below is the simplified statement of financial position sheet and profit and loss account of the MASTERPLAST Employee Shared Ownership Program

Summary

Simplified statement of financial position

	2017
Accounts receivable	61 861
Cash and cash equivalents	19 499
TOTAL ASSETS	81 360
Share capital	61 861
Current year result	2 123
Liabilities	17 376
EQUITY AND LIABILITIES	81 360

Simplified Profit and loss account

	2 017
Other income	138 182
Other expenses	136 059
Current year result	2 123

33. SUBSEQUENT EVENTS

In January 2017, bonuses were paid to the senior and middle management of the company based on their individual performance in the previous financial year. The related payroll costs and social security (HUF 4 444 thousands) are presented in the financial statements.

Share capital increase

On 15th of January 2018 the Board of Directors decided to increase the share capital to 1.460.127.900 HUF through private offering of 858.318 pieces of new dematerialized ordinary shares where all rights attached to the new shares shall be identical to the previously issued ordinary shares (series 'A') with nominal value of 100,- HUF per shares, on issue price of 607,-HUF per shares.

The increase of the share capital took place against asset contributions (apport).

The asset contributions provided by Tibor Dávid and Balázs Ács were an acknowledged claims against the Company, which was reported as short-term liabilities in the Company's books.

The mutually agreed value of the claims and the number and nominal value of the shares issued against the apport are as follows:

Name of contributor	Value of claim (HUF)	Number of shares (pc)	Nominal value of total shares (HUF)	Issue price per share (HUF/pc)	Total value of issued shares (HUF)
Ács Balázs	217 772 727	358 768	35 876 800	607	217 772 176
Tibor Dávid	303 227 273	499 550	49 955 000	607	303 226 850
Total:	521 000 000	858 318	85 831 800		520 999 026

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The Company did not meet the leverage ratio on 31 December 2017, which was restored by HUF 521 million (EUR / HUF exchange rate of 15 January with EUR 1 684 721) on 15 January 2018. The Company agreed with the lending banks affected by the covenant offence to acknowledge the offence of 31 December 2017 and consider it to be fulfilled the capital increase of 15 January 2018.

The Company did not accounted impairment for the loan granted to the Romanian subsidiary at the end of the year because the contract was extended to 31 December 2018

Company	Start of loans	Value	Currency	Interest rate	Expiration date
Masterplast Srl. (RO)	2017.01.02	2.000.000	USD	1 month EURIBOR+3%	2017.12.31.
Masterplast Srl. (RO))	2017.01.02	700.000	EUR	1 month EURIBOR+3%	2017.12.31.

34. STATEMENTS FOR THE FUTURE

The Annual Report includes some statements relating to the future. These statements are based on current plans, estimations and forecasts, therefore it would be imprudent to place unreasonable reliance on them. Statements relating to the future carry inherent risks and uncertainties. We draw attention to the fact that several important factors exist, as a result of which the actual results of operations may be significantly different from those in the statements relating to the future.

35. ASSUMPTION OF RESPONSIBILITY

In compliance with the applied accounting framework, annual financial statements have been prepared to the best knowledge of the Company and provide a true and fair view of the assets, liabilities, financial position and the results of the operations of Masterplast Nyrt. The business report gives a fair view of the positions, development and performance of Masterplast Nyrt. describes all the major risks uncertainties involved.

36. APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements of Masterplast Nyrt. for the year ended 31 December 2017 were approved by the Board of Directors in a resolution dated 27 April 2018 and allowed their publication. The annual financial statements may only be amended by the Annual Meeting of the Shareholders.

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STATEMENT

MASTERPLAST Open Joint Stock Company (8143 Sárszentmihály, Árpád u. 1/A; hereinafter: "Company") hereby states that the parent company's annual report and the joint (consolidated) annual report prepared based on the applicable accounting requirements, according to the Company's best knowledge, give a true and fair view of the assets, liabilities, financial situation and profit and loss of the issuer and its consolidated enterprises; furthermore, the parent company's management report and the joint (consolidated) management report give a fair view of the situation, development and performance of the issuer and its consolidated enterprises, while presenting the main risks and uncertainty factors.

Sárszentmihály, 2018. április 27.



Tibor Dávid

az Igazgatótanács elnöke



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