



MASTERPLAST PLC.  
ANNUAL REPORT 2018





# **MASTERPLAST Nyrt.**

## **ANNUAL FINANCIAL STATEMENTS**

**for the year ended 31 December 2018**  
**in accordance with International Financial Reporting Standards (IFRS)**  
**(as adopted by the EU)**

Sárszentmihály, 25 April 2019



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CEO

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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 2018 annual financial statements of MASTERPLAST Nyilvánosan működő Részvénytársaság ("the Company"), which comprise the statement of financial position as at 31 December 2018 - showing a balance sheet total of HUF 7,178,327 thousand and a total comprehensive loss for the year of HUF 539,835 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 2018 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 43% of total assets. Valuation of investments 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 Impairment of investments and Note 13 Investments in subsidiaries.

## Other information

Other information consists of the 2018 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 and whether the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

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 2018 is consistent, in all material respects, with the 2018 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 and that the business report includes the non-financial statement as required by Section 95/C 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 27 April 2018. 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 10 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, 25 April 2019

(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 STATEMENTS**  
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(all figures in thousand HUF unless indicated otherwise)

**2. STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)**

	Notes	31 December 2018	31 December 2017
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	1 736 629	1 748 974
Intangible assets	11	29 361	14 147
Investments in subsidiaries	13	3 084 602	3 084 602
Investments in associates	14	10 859	10 598
Deferred tax assets	26	13 284	13 540
Other non-current financial assets	15	964 530	930 420
<b>Non-current assets</b>		<b>5 839 265</b>	<b>5 802 281</b>
<b>CURRENT ASSETS</b>			
Trade receivables	16	319 653	91 979
Tax receivables	26	22 080	82 447
Other current financial assets	17	939 447	1 374 681
Cash and cash equivalents	18	57 882	106 624
<b>Current Assets</b>		<b>1 339 062</b>	<b>1 655 731</b>
<b>TOTAL ASSETS</b>		<b>7 178 327</b>	<b>7 458 012</b>
<b>EQUITY</b>			
	5		
Share capital		1 460 128	1 374 296
Reserves		4 096 844	2 999 670
Treasury shares		(6 701)	(6 833)
Profit/(loss) for the year		(539 835)	852 393
<b>Equity</b>		<b>5 010 436</b>	<b>5 219 526</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current finance lease liabilities	12	9 304	11 867
Deferred income	19	96 489	99 282
<b>Long-term liabilities</b>		<b>105 793</b>	<b>111 149</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	20	17 032	14 815
Current finance lease liabilities	12	7 789	9 362
Current deferred income	19	2 793	2 795
Other current liabilities	21	2 034 484	2 100 365
<b>Current liabilities</b>		<b>2 062 098</b>	<b>2 127 337</b>
<b>TOTAL LIABILITIES</b>		<b>2 167 891</b>	<b>2 238 486</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7 178 327</b>	<b>7 458 012</b>

The attached notes form part of the annual financial statements.

**MASTERPLAST PLC.**  
**ANNUAL FINANCIAL STATEMENTS**  
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**3. PROFIT AND LOSS STATEMENT**

	Notes	2018	2017
Revenues	27	933 351	748 058
Materials and services used	22	(245 521)	(234 618)
Payments to personnel	23	(420 849)	(408 201)
Depreciation, amortisation and impairment	11	(86 825)	(91 023)
Dividend income	27	24 880	941 373
Other operating income/(expense)	24	(846 443)	(49 464)
<b>OPERATING PROFIT</b>		<b>(641 407)</b>	<b>906 125</b>
Interest income	25	37 656	49 718
Interest expense	25	(16 523)	(27 368)
Other financial (expense)/income	25	90 665	(73 942)
<b>FINANCIAL PROFIT/(LOSS)</b>		<b>111 798</b>	<b>(51 592)</b>
<b>Profit/ (loss) attributable to associates</b>	14	261	(219)
<b>PROFIT BEFORE TAX</b>		<b>(529 348)</b>	<b>854 314</b>
Income tax	26	(10 487)	(1 921)
<b>Profit/(loss) after taxation</b>		<b>(539 835)</b>	<b>852 393</b>

**MASTERPLAST PLC.**  
**ANNUAL FINANCIAL STATEMENTS**  
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**4. COMPREHENSIVE PROFIT AND LOSS STATEMENT**

	31 December 2018	31 December 2017
Profit/(loss) for the year	(539 835)	852 393
Other comprehensive income	0	0
<b>Comprehensive income/(loss)</b>	<b>(539 835)</b>	<b>852 393</b>

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

**5. STATEMENT OF CHANGES IN EQUITY**

	Share capital	Treasury Shares	Share Premium	Retained earnings	Reserves, total	Profit or loss for the year	Equity, total
<b>1 January 2018</b>	<b>1 374 296</b>	<b>(6 833)</b>	<b>1 898 747</b>	<b>1 100 923</b>	<b>2 999 670</b>	<b>852 393</b>	<b>5 219 526</b>
Profit for the year						(539 835)	(539 835)
Other comprehensive income							
Prior year's profit or loss reclassified				852 393	852 393	(852 393)	
Redeemed treasury shares		132					132
Dividends paid				(174 721)	(174 721)		(174 721)
Shareholders' contribution			(15 665)		(15 665)		(15 665)
Issuance of shares	85 832		435 167		435 167		520 999
<b>31 December 2018</b>	<b>1 460 128</b>	<b>(6 701)</b>	<b>2 318 249</b>	<b>1 778 595</b>	<b>4 096 844</b>	<b>(539 835)</b>	<b>5 010 436</b>

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	Share capital	Treasury Shares	Share Premium	Retained earnings	Reserves, total	Profit or loss for the year	Equity, total
<b>1 January 2017</b>	<b>1 374 296</b>	<b>(5 503)</b>	<b>1 913 941</b>	<b>1 725 400</b>	<b>3 639 341</b>	<b>(308 724)</b>	<b>4 699 410</b>
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)
<b>31 December 2017</b>	<b>1 374 296</b>	<b>(6 833)</b>	<b>1 898 747</b>	<b>1 100 923</b>	<b>2 999 670</b>	<b>852 393</b>	<b>5 219 526</b>

**MASTERPLAST NYRT.**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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(all figures in thousand HUF unless indicated otherwise)

**6. CASH FLOW STATEMENT**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Profit before tax	(529 348)	854 314
Depreciation, amortisation and impairment of tangible assets	86 825	91 023
Impairment loss/gain	486 906	90 386
Inventory shortage, scrapped inventories	0	21
Provisions (released)/made	0	0
(Gains)/losses on disposal of tangible and intangible assets	6 995	(20 866)
Subsidiaries sold (loss)	349 402	0
Interest paid	16 523	27 368
Interest received	(37 656)	(49 718)
(Profit)/loss from associates	(261)	219
Unrealised foreign exchange (gain) loss	(34 110)	79 169
Working capital changes:		
Increase/(decrease) in trade receivables	(228 476)	405 463
Movements in inventories	0	0
Increase/(decrease) in other current assets	(476 285)	(217 862)
(Increase)/decrease in trade payables	2 217	(1 459 656)
(Increase)/decrease in other liabilities	(88 477)	846 946
Income tax paid	(10 487)	0
<b>Net cash flows from operations</b>	<b>(456 232)</b>	<b>646 807</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible and intangible assets	(104 327)	(39 124)
Subsidiaries purchased/ increased in capital	(587 975)	(230 869)
Subsidiaries sold	32	0
Issuance of shares	520 999	0
Proceeds from the disposal of tangible and intangible assets	7 638	32 592
Interest received	37 656	49 718
<b>Net cash flows from investing activities</b>	<b>(125 977)</b>	<b>(187 683)</b>
<b>FINANCING ACTIVITIES</b>		
Loans taken	724 711	28 545
Loans repaid	0	0
Dividends paid	(174 721)	(315 751)
Increase in non-current loans provided to subsidiaries	0	(79 169)
Interest paid	(16 523)	(42 564)
<b>Net cash flows from financing activities</b>	<b>533 467</b>	<b>(408 939)</b>
Increase/(decrease) in cash and cash equivalents	(48 742)	50 185
Cash and cash equivalents at the beginning of the year	106 624	56 439
Net foreign exchange translation gain or loss	0	0
<b>Cash and cash equivalents at the end of the year</b>	<b>57 882</b>	<b>106 624</b>



## 7. COMPANY INFORMATION

These financial statements are 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. For further details refer to the Company's website at [www.masterplastgroup.com](http://www.masterplastgroup.com).

The Company's core operation: Asset management (holding). TEAOR 6420 '08

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 the beneficiary transformation of its legal predecessor Masterplast Műanyagipari és Kereskedelmi Korlátolt Felelősségű Társaság [Masterplast Plastics and Trading Limited Liability Company]. The legal predecessor company started operating in 1997 as a limited liability company owned by Hungarian nationals. On 20 April 2011, the Company transformed into a public company limited by shares and was duly registered as such by the Registry Court of Hungary. On 29 November 2011, the Company's shares were technically introduced to trade at the Budapest Stock Exchange.

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

The Company's average number of staff was 41 in 2018 (44 in 2017).

The cost of the Company's external audit for 2018 is 61 028 EUR (EUR 59 250 in 2017) including the audit of the consolidated financial statements as well.

These are the IFRS stand-alone annual financial statements of the Company. The Company also prepares IFRS consolidated annual financial statements that are available at [www.masterplastgroup.com](http://www.masterplastgroup.com).

### Masterplast Business Report

The core activity of Masterplast Nyrt. is asset management, however it is also involved in real estate management.

As an asset manager the Company hold investments in subsidiaries of the Masterplast Group thus changes in the construction industry have a significant impact on the Company's profitability through the profitability and capital structure of its subsidiaries.

The Company's real estate management activity is linked to its properties in Sárszentmihály and Kál. The Company owns several buildings and other properties in these two locations, which are rented primarily to the Company's subsidiaries but also – to a lesser extent – to third parties independent from the Group.

In addition of the above the Company grants intercompany loans to its subsidiaries, obtains bank loans for the Group and signs purchasing contracts in the name of the Group. Group management as well as employees carrying out various group-level activities are employed by Masterplast Nyrt. As a consequence group-level functions are supervised by the Company, thus it is the Company that manages the Group.

The 2018 profitability of Masterplast Nyrt. is attributed to the following factors:

- The Company's incomes are attributed to rental fees, interest and dividend income of the above described activities.
- In order to being able to sell the Russian subsidiary additional capital had to be injected into it, which resulted in and impairment of HUF 349.434 thousand at the sale of the subsidiary
- Additional capital of HUF 238.540 thousand had to be injected into the Austrian subsidiary as well, which was impaired at the end of the year.
- HUF 247.562 thousand out of the intercompany loan granted to the Romanian subsidiary was forgiven which decreased the operating income of the Company.

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The above transaction did not have an impact on the consolidated profit of the Group.

The Company measures its investments in subsidiaries at each year-end. All of the Group's subsidiaries – with the exception of the above listed ones – made a profit and had positive cash flows as a consequence all of their equities (both per statutory and IFRS reporting standards) exceeded the net book value of the corresponding investments in the records of Masterplast Nyrt. The Management does not consider that further impairment would be needed for any of the subsidiaries based on the market conditions and their business models in place.

There have been no other significant changes in 2018 in operational factors that may significantly influence the Company's profitability.

**Information on shares:**

The share capital comprises of: 14 601 279 pieces of registered ordinary shares with nominal value of HUF 100 each (13 742 961 pieces of registered ordinary shares with nominal value of HUF 100 each in 2017).

Type of shares: registered, dematerialised  
 ISIN code of the shares: HU0000093943

The shareholders are as follows:

Shareholders		2018	2017
1	Tibor Dávid	476 707 600 Ft	476 707 600 Ft
2	Ács Balázs	409 627 800 Ft	409 627 800 Ft
3	OTP Alapkezelő	97 872 700 Ft	91 554 500 Ft
4	LPH Kft., SOH Kft.	77 967 600 Ft	n/a
5	Nádasi Róbert	3 386 400 Ft	3 386 400 Ft
6	Additional minority owners	393 384 100 Ft	391 816 800 Ft
7	Treasury shares	1 181 700 Ft	1 203 000 Ft
<b>Total:</b>		<b>1 460 127 900 Ft</b>	<b>1 374 296 100 Ft</b>

The voting rights are as follows:

	2018	2018	2017	2017	
1 Tibor Dávid	4 767 076	33%	4 767 076	35%	votes
2 Ács Balázs	4 096 278	28%	4 096 278	30%	votes
3 OTP Alapkezelő	978 727	7%	915 545	7%	votes
4 LPH Kft., SOH Kft.	779 676	5%	n/a	0%	votes
5 Nádasi Róbert	33 864	0%	33 864	0%	votes
6 Several minority owners	4 767 076	33%	4 767 076	35%	votes
<b>Total:</b>	<b>14 589 462</b>	<b>100%</b>	<b>13 730 931</b>	<b>100%</b>	<b>votes</b>

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 - fulfil the statutory roles of the Directors and the Supervisory Board as an integrated corporate governance body, The Board of Directors is responsible for decision making in all issues that are not the exclusive authority of the Shareholders' Meeting

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and for those that are declared to be the responsibility of the Board of Directors by legislation or by the Articles of Association.

**Members of the Board of Directors:**

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

**Members of the Audit Committee:**

Dr. MARTIN HAJDU György  
KAZÁR András  
Dirk THEUNS

**The Company's activity:**

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

**Issuance of shares**

On 15 January 2018 the Board of Directors decided to privately issue 858.319 pieces of new dematerialized ordinary shares where all rights attached to the new shares were identical to the previously issued ordinary shares (series 'A') with a nominal value of HUF 100 per shares, at an issue price of HUF 607 per shares and thus increasing the share capital to HUF 1.460.127.900.

The newly issued shares are fully paid through contributing-in-kind the acknowledged claims of Tibor David and Balázs Ács against the Company, which were previously reported as short-term liabilities in the Company's records. The mutually agreed value of these acknowledged claims contributed-in-kind and the number and nominal value of shares issued in exchange of them are as follows:

Name of contributor	Value of acknowledged claims ('000 HUF)	Number of shares (pc)	Nominal value of total shares ('000 HUF)	Issue price per share (HUF/pc)	Total value of issued shares ('000 HUF)	Share Premium ('000 HUF)
Ács Balázs	217 773	358 768	35 877	607 Ft	217 772	181 896
Tibor Dávid	303 227	499 550	49 955	607 Ft	303 227	253 272
<b>Total:</b>	<b>521 000</b>	<b>858 318</b>	<b>85 832</b>		<b>520 999</b>	<b>435 168</b>

## **8. ACCOUNTING POLICY**

### **8.1 Basis of reporting**

The Company's stand alone annual financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The EU endorsed and adopted all the IFRS standards issued by the International Accounting Standards Board (IASB) that were effective at the date of preparing the stand-alone annual financial statements and are relevant to the Company. As a result, the stand-alone annual financial statements are also in accordance with the principles of IFRS as issued by the IASB and also meet the requirements of the Hungarian accounting act applicable for consolidated financial statements by reference to IFRS as adopted by the EU.

For each period up to (and including) the year ending on 31 December 2016, the Company has prepared its annual financial statements according to the Hungarian Accounting Standards. The annual financial statements as at 31 December 2017 were the first ones prepared in accordance with IFRS by the Company.

### **8.2 Changes in the accounting policies**

#### **8.2.1 New standards, interpretations and amendments adopted by the Company**

The accounting policies adopted are consistent with those of the previous financial year except for the following new or amended IFRSs which have been adopted by the Company as of 1 January 2018:

#### **IFRS 9 Financial Instruments: Classification and Measurement and the impact of the standard's adoption on the annual financial statements**

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 Company analysed the measurement of receivables and concluded that no additional impairment needed to be charged and that the adoption of the standard does not have a material impact on the Company's financial statements. Based on the above, the adoption of the standard does not have a material impact on the Company's profit and loss or on its balance sheet lines.

#### **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 Company decided to adopt this standard retrospectively.

#### **8.2.2 Standards, interpretations and amendments issued but not yet effective and not early adopted**

#### **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.

The Company has assessed the potential impact of the standard on profit and loss of the Company and deemed it to be immaterial.

**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.

The Company has assessed the potential impact of the standard on profit and loss of the Company and deemed it to be immaterial.

**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.

The Company has assessed the potential impact of the standard on profit and loss of the Company and deemed it to be immaterial.

**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.

The Company has assessed the potential impact of the standard on profit and loss of the Company and deemed it to be immaterial.

**IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU.

The Company has assessed the potential impact of the standard on profit and loss of the Company and deemed it to be immaterial.

**Conceptual Framework in IFRS standards**

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the

Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The Company has assessed the potential impact of the conceptual framework on profit and loss of the Company and deemed it to be immaterial.

### **IFRS 3: Business Combinations (Amendments)**

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU.

The Company has assessed the potential impact of the standard on profit and loss of the Company and deemed it to be immaterial.

### **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU.

The Company has assessed the potential impact of the standard on profit and loss of the Company and deemed it to be immaterial.

## **8.3 Foreign exchange operations**

### *Functional and reporting currency*

The Company's stand-alone annual financial statements are 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. Intangible assets are amortised 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. Upon disposal of an asset or decrease otherwise, the cost of the asset is derecognised along with any accumulated depreciation and impairment and any gain or loss on the disposal is recognised as profit or loss. Any post-initial recognition costs, such as maintenance and repairs, are expensed when incurred against profit or loss.

Land is not depreciated.

Depreciation is charged on a straight line basis over the useful life of the component of an 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 or 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 Investments in subsidiaries & associates**

**8.6.1 Investments in subsidiaries**

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

Company	Incorporated in	Core operations	Foundation date	Ownership (%)		Voting right (%)	
				2018	2017	2018	2017
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	0%	100%	0%	100%
MP Green Invest	Ukraine	Asset management	2012.06.08	100%	100%	100%	100%
Masterplast D.O.O.	Macedonia*	Wholesale of construction materials	2002.02.17	10%	10%	10%	10%

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

Investments in subsidiaries were evaluated during the first time adoption of the IFRS using their 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.



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**8.6.2 Investments in associates**

The Company has the following investment in an associate company:

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 using the equity method both at initial recognition and subsequently. Results from the valuation of investments are recognized through profit and loss statement and not through other comprehensive income.

**8.6.3 Impairment on investments in subsidiaries**

Investments in subsidiaries are reported at initial recognition value less impairment in the stand-alone annual financial statements of the Company. Initial recognition value is equal to the amount paid in cash or cash equivalents, or the fair value of any other kind of compensation paid. In case of an acquisition in foreign currency, initial recognition value is translated into HUF using the official exchange rate published by the Hungarian National Bank on the day of the transaction. Investments in subsidiaries carried in foreign currencies are not subject to annual year-end revaluation.

Investments in subsidiaries are reviewed by the Company for impairment on an annual basis in accordance with IAS 36 based on the Company's share in their equity as well as their future plans. In case a subsidiary has been making losses for the past two consecutive years or it has lost more than 50% of its equity in the current year then these facts are considered to be indications of impairment. In such a case the Company assesses the potential impairment by estimating the net present value of expected future cash flows of the subsidiary. In case the net present value is lower than the net carrying value then impairment is recognized to the extent that the new carrying value of the investment equals its estimated net present value.

At subsequent measurement dates if impairment tests show that the impairment of an investment in a subsidiary is no longer valid then the carrying amount of the investment is increased up to the recoverable amount by reversing the previously recognized impairment, but only up to its original initial recognition value. Impairments and their reversals are recognized in operating profit.

**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 their carrying value may not be recoverable. Impairment equals the amount by which the asset's carrying value exceeds 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, the carrying value of the asset (cash generating unit) is increased to the recoverable amount. An impairment 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.

## **8.8 Financial assets**

The first-time adopted IFRS 9 introduced new requirements for the classification, measurement and impairment as well as for the hedge accounting of financial assets.

### **8.8.1 Classification of financial assets**

The Company recognises a financial asset in its statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument. The Company classifies its financial assets at their initial recognition to the following three categories based on the Company's business model for managing the financial assets and the characteristics of their contractual cash flows:

- (a) financial assets subsequently measured at amortised cost,
- (b) financial assets subsequently measured at fair value through other comprehensive income
- (c) financial assets subsequently measured at fair value through profit or loss

The classification of financial assets to the above three categories is carried out based on the characteristics of their contractual cash flows and the Company's business model for managing them. The business model for managing financial assets relates to the method how the Company plans to recover cash from that particular financial assets. Namely, whether the Company plans to recover cash solely through payments of principal and interest or through the subsequent sale of the financial assets or a combination of both.

A financial asset is measured at amortised cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss unless it is measured – in accordance with the above listed requirements - at amortised cost or at fair value through other comprehensive income.

### **8.8.2 Measurement of financial assets**

Except for trade receivables that do not contain a significant financing component, the Company measures a financial asset at its fair value plus or minus - in the case of a financial asset not at fair value through profit or loss - transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Trade receivables that do not contain a significant financing component are measured at their transaction price as defined in IFRS 15.

### **8.8.3**     *Impairment on financial assets*

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.

The company recognises a loss allowance for expected credit losses on a financial asset measured at amortized cost or at fair value through other comprehensive income. On each reporting date the Company assesses whether the credit risk of the related financial asset has increased significantly since its initial recognition and depending on this assessment recognizes impairment equal to either lifetime expected credit losses or 12-month-expected credit losses of the related financial assets.

### **8.8.4**     *Impact of the first-time adoption of IFRS 9*

The Company assessed the impact of the first-time adoption of IFRS 9 on the Company's profit and loss statement and deemed it to be immaterial.

As part of the adoption of IFRS 9, the Company analysed its financial assets and found that they exclusively consist of non-current and current loans provided to subsidiaries, trade receivables as well as cash and cash equivalents. All of these financial assets meet the requirement that the Company holds them in order to collect contractual cash flows and plans to recover cash from them solely through payments of principal and interest. As a result these financial assets are valued at amortised cost in accordance with IFRS 9. Taking into consideration the fact that these assets were held at amortized costs previously as well, the first-time adoption of IFRS 9 does not have an impact on their valuation.

The Company also analysed its impairment model used for financial assets and found that impairment of these assets were previously estimated based the expected credit losses on them; as a consequence the introduction of IFRS 9 does not have a significant impact on the valuation of these assets, either.

### **8.8.5**     *Loans granted*

Loans granted – in line with their maturity – are presented either as other non-current financial assets or other current financial assets by the Company. At initial recognition loans granted are recognized at fair value less transaction costs then at subsequent measurements they are presented at amortized cost using the effective interest rate method. Amortized cost include transaction costs, concessions and back-end compensations, if any. Impairment charges, write-offs and foreign exchange differences of loans granted are recognized through profit and loss. Loans granted were also presented at amortized costs previously in line with IAS 39, as a consequence the adoption of IFRS 9 as at 1 January 2018 did not have a material impact on the net book value of loans granted.

Loans granted were tested in line with the business model applied as well as their contractual cash-flows by the Company and as a result were classified as financial assets measured at amortized costs.

### **8.8.6**     *Trade Receivable*

Trade receivable represents the Company's right to an amount of consideration in exchange of provision of services and sale of goods in accordance with IFRS 15 that is unconditional, that is only the passage of time is required before payment of the consideration is due. The Company's trade receivables do not contain a significant financing component. At initial recognition, trade receivables that do not contain a significant financing component are measured at their transaction price as defined in IFRS 15. At subsequent measurements trade receivables are valued at amortised cost calculated based on the effective interest rate method less impairment, if any.

Impairment on trade receivables is recognized in case – as a result of the valuation tests at reporting date - the Company assesses the related credit risk significantly increased because there is objective proof that the Company shall not be able to recover all contractual cash flows from trade receivables. Significant financial difficulties

of trade debtors, the probability of their bankruptcy or significant financial restructuring of their debts, late payments or failures to pay are indications that a trade receivable may be impaired. Depending on the nature of increase in credit risk the Company recognizes impairment equal to either lifetime expected credit losses or 12-month-expected credit losses of the related financial assets.

#### **8.8.7 Derivative financial instruments**

The Company does not have derivative financial instruments.

#### **8.8.8 Cash and cash equivalents**

Cash and cash equivalents comprise of 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.

### **8.9 Equity**

Share capital, share premium, retained earnings and treasury shares are presented at initial cost in the annual financial statements.

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

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

#### **8.10 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.

#### **8.11 Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or contractual 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 interests that are legally enforceable and are payable to 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.

#### **8.12 Pension contributions**

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

### **8.13 Operating profit or loss**

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

### **8.14 Leases**

Determining whether an arrangement is, or contains, a lease at the inception of the arrangement is 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 is 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 is 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.

#### **8.14.1 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.

#### **8.14.2 The Company as a lessor**

The Company also conducts leasing activities for its subsidiaries and external companies that are not classified as finance leases. Assets leased are included in the balance sheet as property, plant and equipment. Revenues from lease activities are recognized in the profit and loss statement as revenue. The Company did not apply the IFRS16 standard for the 2018 business year.

### **8.15 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.

### **8.16 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.

#### **8.17 Dividend income**

Since the Company's main activity is asset management, dividends income from investments in subsidiaries and associates is recognized in operating profit in the profit and loss statement at initial fair value in the period when they are approved by the shareholders.

#### **8.18 Interest income**

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.

#### **8.19 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 starts to be used. 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).

#### **8.20 Income taxes**

##### **8.20.1 Current income 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.

##### **8.20.2 Deferred income 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
- 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.

#### **8.21 Off-balance sheet items**

Contingent liabilities, unless acquired through a business combination, are not recognised in the statement of financial position or the profit and loss statement. 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 the profit and loss statement but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

#### **8.22 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 trade debtors**

Impairment on trade receivables is recognized in case – as a result of the valuation tests at reporting date - the Company assesses the related credit risk significantly increased because there is objective proof that the Company shall not be able to recover all contractual cash flows from trade receivables. Significant financial difficulties of trade debtors, the probability of their bankruptcy or significant financial restructuring of their debts, late payments or failures to pay are indications that a trade receivable may be impaired. Depending on the nature of increase in credit risk the Company recognizes impairment equal to either lifetime expected credit losses or 12-month-expected credit losses of the related financial assets. 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 for subsidiaries and associates**

Investments in subsidiaries are reported at initial recognition value less impairment in the stand-alone annual financial statements of the Company. Initial recognition value is equal to the amount paid in cash or cash equivalents, or the fair value of any other kind of compensation paid. In case of an acquisition in foreign currency, initial recognition value is translated into HUF using the official exchange rate published by the Hungarian National Bank on the day of the transaction. Investments in subsidiaries carried in foreign currencies are not subject to annual year-end revaluation.

Investments in subsidiaries are reviewed by the Company for impairment on an annual basis in accordance with IAS 36 based on the Company's share in their equity as well as their future plans. In case a subsidiary has been making losses for the past two consecutive years or it has lost more than 50% of its equity in the current year then these facts are considered to be indications of impairment. In such a case the Company assesses the potential impairment by estimating the net present value of expected future cash flows of the subsidiary.

In case the net present value is lower than the net carrying value then impairment is recognized to the extent that the new carrying value of the investment equals its estimated net present value.

**At subsequent measurement dates if impairment tests show that the impairment of an investment in a subsidiary is no longer valid then the carrying amount of the investment is increased up to the recoverable amount by reversing the previously recognized impairment, but only up to its original initial recognition value. Impairments and their reversals are recognized in operating profit other operating expense or income-**

### **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.



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**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.

**10. RECONCILIATION OF IFRS AND STATUTORY EQUITY FOR TAXATION PURPOSES**

**10.1 Reconciliation of IFRS and statutory equity as at 31 December 2018**

	Equity based on IFRS	Reclassification	Equity per Section 114/B of Hungarian Accounting Law
Share Capital	1 460 128		1 460 128
Treasury shares	(6 701)	6 701	
Share premium	2 318 249		2 318 249
Restricted Reserve		(6 701)	(6 701)
Retained Earnings	1 778 595		1 778 595
Profit/(Loss) for the year	(539 835)		(539 835)
<b>Total</b>	<b>5 010 436</b>	<b>0</b>	<b>5 010 436</b>

**10.2 Reconciliation of IFRS and statutory equity as at 31 December 2017**

	Equity based on IFRS	Transfer of retained earnings	Reclassification	Equity per Section 114/B of Hungarian Accounting Law
Share capital	1 374 296	0	0	1 374 296
Treasury shares	(6 833)	0	6 833	0
Share premium	2 999 670	(1 100 923)	(15 666)	1 883 081
Committed reserve	0	0	10 463	10 463
Retained earnings	0	1 100 923	65 971	1 166 894
Profit for the year	852 393	0	5 821	858 214
<b>Total</b>	<b>5 219 526</b>	<b>0</b>	<b>73 422</b>	<b>5 292 948</b>

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

2018	Intangible assets	Properties	Machinery, equipment	Assets in construction	Tangible Assets	Total
<b>Gross value, opening</b>	143 527	2 212 201	250 766	14 385	2 477 352	<b>2 620 879</b>
Increase	19 569	46 956	22 692	29 491	99 139	<b>118 708</b>
Decrease	(3 177)		(55 375)	(14 385)	(69 760)	<b>(72 937)</b>
<b>Gross value, closing</b>	<b>159 919</b>	<b>2 259 157</b>	<b>218 083</b>	<b>29 491</b>	<b>2 506 731</b>	<b>2 666 650</b>
Accumulated depreciation and impairment, opening	(129 380)	(554 838)	(173 540)	0	(728 378)	(857 758)
Increase	(4 355)	(60 924)	(21 537)	0	(82 461)	(86 816)
Decrease	3 177	0	40 737	0	40 737	43 914
Accumulated depreciation and impairment, closing	<b>(130 558)</b>	<b>(615 762)</b>	<b>(154 340)</b>	<b>0</b>	<b>(770 102)</b>	<b>(900 660)</b>
<b>Net book value, opening</b>	<b>14 147</b>	<b>1 657 363</b>	<b>77 226</b>	<b>14 385</b>	<b>1 748 974</b>	<b>1 763 121</b>
<b>Net book value, closing</b>	<b>29 361</b>	<b>1 643 395</b>	<b>63 743</b>	<b>29 491</b>	<b>1 736 629</b>	<b>1 765 990</b>

  

2017	Intangible assets	Properties	Machinery, equipment	Assets in construction	Tangible Assets	Total
<b>Gross value, opening</b>	143 275	2 217 326	226 563	24 688	2 468 577	<b>2 611 853</b>
Increase	350	12 183	31 373	897	44 453	<b>44 803</b>
Decrease	(98)	(17 308)	(7 170)	(11 200)	(35 678)	<b>(35 777)</b>
<b>Gross value, closing</b>	<b>143 527</b>	<b>2 212 201</b>	<b>250 766</b>	<b>14 385</b>	<b>2 477 352</b>	<b>2 620 879</b>
Accumulated depreciation and impairment, opening	(124 017)	(494 479)	(154 885)	0	(649 364)	(773 381)
Increase	(5 363)	(60 359)	(25 300)	0	(85 659)	(91 022)
Decrease	0	0	6 645	0	6 645	6 645
Accumulated depreciation and impairment, closing	<b>(129 380)</b>	<b>(554 838)</b>	<b>(173 540)</b>	<b>0</b>	<b>(728 378)</b>	<b>(857 758)</b>
<b>Net book value, opening</b>	<b>19 258</b>	<b>1 722 847</b>	<b>71 678</b>	<b>24 688</b>	<b>1 819 213</b>	<b>1 838 472</b>
<b>Net book value, closing</b>	<b>14 147</b>	<b>1 657 363</b>	<b>77 226</b>	<b>14 385</b>	<b>1 748 974</b>	<b>1 763 121</b>

Masterplast Nyrt. does not have intangible assets with an indefinite useful life. No finance cost was capitalised as part of the gross value during 2017 and 2018. Part of our bank loans are covered by the net book value of tangible assets of Masterplast Nyrt. in the value of:

2018	2017
1 731 745	1 728 875

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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:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Gross value	68 019	77 061
Accumulated depreciation	32 910	33 781
<b>Net value</b>	<b>35 109</b>	<b>43 279</b>

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

	<b>31 December 2018</b>	<b>31 December 2017</b>
Lease liabilities within 1 year	7 789	9 362
Due in 2-5 years	9 304	11 867
Due over 5 years	0	0
<b>Total lease obligations</b>	<b>17 093</b>	<b>21 229</b>

The present values of minimum lease payments were as follows:

<b>Period</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	Minimum lease payments	Minimum lease payments
Lease payments falling due within 1 year	7 789	9 362
Lease payments falling due within 2-5 years	9 304	11 867
Lease payments falling due over 5 years	0	0
<b>Minimum lease payments</b>	<b>17 093</b>	<b>21 229</b>
Financing expenses	0	0
<b>Present value of minimum lease payments</b>	<b>17 093</b>	<b>21 229</b>

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**13. INVESTMENTS IN SUBSIDIARIES**

The Company's shares in investments in subsidiaries and their book values were as follows

Company	31 December 2018		31 December 2017	
	Owner-ship (%)	Book Value	Owner-ship (%)	Book Value
Masterplast Kft.	100%	871 924	100%	871 924
MasterFoam Kft	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
Masterplast Sp zoo	80,04%	59 503	80,04%	59 503
Masterplast Österreich GmbH	100%	0	100%	0
Masterplast Romania S.R.L.	100%	0	100%	0
Masterplast YU D.o.o.	100%	1 049 134	100%	1 049 134
Masterplast d.o.o	100%	255 581	100%	255 581
Masterplast D.O.O	10%	8 385	10%	8 385
MasterPlast TOV	80%	322	80%	322
OOO Masterplast RUS	0%	0	100%	0
Green MP Invest	100%	198 178	100%	198 178
<b>Total</b>		<b>3 084 602</b>		<b>3 084 602</b>

Changes in investments in subsidiaries during 2018:

Company	Opening Net Book Value	Additional paid-in capital	Sale of share in subsidiary	Impairment reversal	Impairment charge	Closing Net Book Value
Masterplast Österreich GmbH	0	238 541			(238 541)	0
Masterplast Romania S.R.L.	0	247 563			(247 563)	0
OOO Masterplast RUS	0	349 434	(353 314)	3 880		0
<b>Total</b>	<b>0</b>	<b>835 538</b>	<b>(353 314)</b>	<b>3 880</b>	<b>(486 104)</b>	<b>0</b>

The Company paid additional capital in its Austrian subsidiary in December 2018, which was fully impaired at year-end.

The USD 770 thousand loan granted on 2 January 2018 was released on 31 December 2018, which is presented as an increase in the investment with 100% impairment at year-end.

The Company also paid additional capital in Masterplast RUS during 2018, which was sold in December 2018.

Changes in investments during 2017:

Company	Opening Net Book Value	Additional paid-in capital	Sale of subsidiary	Impairment Reversal	Impairment Charge	Closing Net Book Value
Masterplast YU D.o.o.	818 266	230 869	0	0	0	1 049 135
Masterplast Romania S.R.L.	91 474	0	0	0	(91 474)	0
Masterplast Bulgaria EOOD	0	0	(282 048)	282 048	0	0
<b>Total</b>	<b>909 740</b>	<b>230 869</b>	<b>(282 048)</b>	<b>282 048</b>	<b>(91 474)</b>	<b>1 049 135</b>

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In February 2017, the Company transferred additional capital to the Serbian subsidiary to finance the development of the production site as well as the production itself.

The Company fully impaired its investment in Masterplast Romania S.r.l., while the subsidiary itself continued to operate.

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

Impairment charges and reversals recorded for investments in subsidiaries were as follows in 2018:

Impairments of investments	Opening impairment	Translation difference	Impairment Charge	Impairment Reversal	Closing impairment
Masterplast Österreich GmbH	(63 563)	0	(238 541)	0	(302 104)
Masterplast Romania S.R.L.	(353 071)		(247 563)		(600 634)
OOO Masterplast RUS	(3 880)			3 880	0
<b>Total</b>	<b>(420 514)</b>	<b>0</b>	<b>(486 104)</b>	<b>3 880</b>	<b>(902 738)</b>

Impairment charges and reversals recorded for investments in subsidiaries were as follows in 2017:

Impairment on investments	Opening impairment	Translation difference	Impairment Charge	Impairment Reversal	Closing impairment
Masterplast Romania S.R.L.	(261 597)	0	(91 474)	0	(353 071)
<b>Total</b>	<b>(261 597)</b>	<b>0</b>	<b>(91 474)</b>	<b>0</b>	<b>(353 071)</b>

#### 14. INVESTMENTS IN ASSOCIATES

The Company's shares in investments in associates and their book values were as follows

Company	31 December 2018		31 December 2017	
	Ownership (%)	Book Value	Ownership (%)	Book Value
MasterProfil Kft.	20,00%	10 859	20,00%	10 598
<b>Total</b>		<b>10 859</b>		<b>10 598</b>

The initial investment of Masterplast Nyrt. in MasterProfil Kft. was HUF 600 thousand. As a result of first time adoption of IFRS for the Company's stand-alone annual financial statements, the Company recognized the value of its investment in associates in line with IAS 28 using the equity method that resulted in a net book value of HUF 10 598 thousand for the investment in MasterProfil Kft. in the opening IFRS balance sheet as at January 1 2017.

Changes in book value in 2018:

Opening Net Book Value	Profit or loss attributable to associates	Comprehensive income	Closing Net Book Value
10 598	261	0	10 859

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Changes in book value in 2017:

Opening Net Book Value	Profit or loss attributable to associates	Comprehensive income	Closing Net Book Value
10 817	(219)	0	10 598

The Company did not receive dividends from associates in 2018 and 2017.

**Key financial data of the Associated Company:**

The abbreviated balance sheet of the Associated Company:

	31 December 2018	31 December 2017
Non-current assets	131 376	126 325
Current assets	473 130	372 215
Long-term liabilities	150 467	161 273
Short-term liabilities	399 744	284 275
<b>Net asset value</b>	<b>54 295</b>	<b>52 992</b>
Ownership ratio in the Associated Company	20%	20%
Net asset value for the Associated Company	10 859	10 598

The abbreviated profit and loss statement of the Associated Company:

	2018	2017
Sales revenue	1 028 754	869 288
Operating profit	13 503	1 313
Earning attributable to owners	1 306	(1 096)
<b>Income to the Company on the basis of the ownership ratio</b>	<b>261</b>	<b>(219)</b>

The financial data underlying the Company's investment in MasterProfil Kft. were prepared in accordance with IFRS based the accounting policy applied by the Company for similar transactions.

**15. OTHER LONG-TERM FINANCIAL ASSETS**

	31 December 2018	31 December 2017
<b>Loans given</b>		
Masterplast YU D.o.o.	964 530	930 420
<b>Total</b>	<b>964 530</b>	<b>930 420</b>

The Company has granted loans to its subsidiaries in line with 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.

*The attached notes form part of the annual financial statements.*

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**16. TRADE RECEIVABLES**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade receivables	320 672	92 197
Impairment	(1 019)	(218)
<b>Trade Receivables net of impairment</b>	<b>319 653</b>	<b>91 979</b>

Trade receivables were paid in 43 days in average in 2018 (28 days in 2017).

Impairment charged and reversed on trade receivables in 2018:

<b>Impairment on trade receivables</b>	<b>Opening impairment</b>	<b>Translation difference</b>	<b>Impairment Charge</b>	<b>Impairment Reversal</b>	<b>Closing Impairment</b>
Impairment of trade receivables	(218)	0	(801)	0	(1 019)
<b>Total</b>	<b>(218)</b>	<b>0</b>	<b>(801)</b>	<b>0</b>	<b>(1 019)</b>

Impairment loss recognised and reversed on trade receivables in 2017:

<b>Impairment on trade receivables</b>	<b>Opening impairment</b>	<b>Translation difference</b>	<b>Impairment Charge</b>	<b>Impairment Reversal</b>	<b>Closing Impairment</b>
Impairment of trade receivables	(1 306)	0	0	1 088	(218)
<b>Total</b>	<b>(1 306)</b>	<b>0</b>	<b>0</b>	<b>1 088</b>	<b>(218)</b>

The maturity of trade receivables is as follows:

	<b>31 December 2018</b>			<b>31 December 2017</b>		
	<b>Gross book value</b>	<b>Impairment loss</b>	<b>Net book value</b>	<b>Gross value</b>	<b>Impairment loss</b>	<b>Net book value</b>
Not yet due	315 953	0	315 953	71 406	0	71 406
Due over 0-60 days	2 815	0	2 815	2 665	0	2 665
Due over 61-90 days	0	0	0	51	0	51
Due over 91-180 days	167	(42)	125	0	0	0
Due over 181-360 days	1 519	(759)	760	17 857	0	17 857
Due over 360 days	218	(218)	0	218	(218)	0
<b>Total Trade Receivable</b>	<b>320 672</b>	<b>(1 019)</b>	<b>319 653</b>	<b>92 197</b>	<b>(218)</b>	<b>91 979</b>

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**17. OTHER CURRENT ASSETS**

Other current assets	31 December 2018	31 December 2017
Advanced paid	9 521	19 473
Other receivables *	769 238	935 971
Impairment loss on other receivables	(2 946)	(2 946)
Accrued bonus	134 290	342 602
Accrued other costs	29 344	15 297
Receivables on MRP	0	61 861
Other receivables on affiliated company (allocated wages and salaries)	0	2 422
<b>Total</b>	<b>939 447</b>	<b>1 374 681</b>

\* The following items are included in other receivables

Description	31 December 2018	31 December 2017
Bonuses, commissions	119 655	149 048
Interest of loans granted to affiliates **	561 880	756 448
VAT receivables from VAT group members	61 681	8 936
Other receivables	26 022	21 539
<b>Total</b>	<b>769 238</b>	<b>935 971</b>

\*\*The Company granted loans to its subsidiaries in line with 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 USD LIBOR+1,5%	2017.12.31.

The Company did not recognised impairment for the loan granted to its Romanian subsidiary at the end of the year since the contract has been extended until 31 December 2019.

**18. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents	31 December 2017	31 December 2016
Cash	2 782	1 621
Bank deposits	55 100	105 003
<b>Total</b>	<b>57 882</b>	<b>106 624</b>

The Company did not have restricted cash or cash equivalents as at 31 December 2018 or 31 December 2017.



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**19. DEFERRED INCOME**

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

Subsidy ID	Description of support	Beneficiary	31 December 2018	31 December 2017
GVOP-1.1.2.-2004-11-0003/5.0	"Master" educator; MASTER3AS centre - Products, Services, Training at "Master" level	Masterplast Nyrt.	85 880	88 071
SZVP-2003-6-03-08-1	Networking at "Master" level	Masterplast Nyrt.	13 402	14 006
<b>Total:</b>			<b>99 282</b>	<b>102 077</b>
<b>Current part:</b>			<b>2 793</b>	<b>2 795</b>
<b>Non-current part:</b>			<b>96 489</b>	<b>99 282</b>

The Company does not have contingent liabilities or commitments in relation of deferred income.

**20. TRADE PAYABLES**

The maturity of trade payables is as follows:

Description	31 December 2018	31 December 2017
Not yet due	16 928	3 693
Due over 0-60 days	104	11 122
<b>Total</b>	<b>17 032</b>	<b>14 815</b>

**21. OTHER CURRENT LIABILITIES**

Description	31 December 2018	31 December 2017
Taxes payable	63 855	33 738
Other current liabilities	78 335	98 272
Current loans	164 647	435 275
Liabilities to shareholders	0	505 335
Cash pool liabilities	1 648 417	923 706
Related party liabilities	79 230	104 039
<b>Other current liabilities</b>	<b>2 034 484</b>	<b>2 100 365</b>

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**22. MATERIALS AND SERVICES USED**

<b>Description</b>	<b>2018</b>	<b>2017</b>
Material costs	(38 032)	(43 295)
Services used	(207 489)	(191 323)
<b>Total</b>	<b>(245 521)</b>	<b>(234 618)</b>

**23. PERSONNEL RELATED COSTS**

<b>Description</b>	<b>2018</b>	<b>2017</b>
Payroll costs	(335 302)	(312 951)
Other payments to personnel	(23 121)	(23 361)
Payroll taxes and social security contributions	(62 426)	(71 889)
<b>Total</b>	<b>(420 849)</b>	<b>(408 201)</b>

**24. OTHER INCOME AND EXPENSES**

<b>Description</b>	<b>2018</b>	<b>2017</b>
Received and paid concessions	(3 423)	(2 355)
Impairment Charges	(486 905)	(90 386)
Sale of investments in subsidiaries	(349 434)	0
Gains on fixed asset sales	(6 994)	3 558
Other	313	39 719
<b>Total</b>	<b>(846 443)</b>	<b>(49 464)</b>

**25. OTHER FINANCIAL PROFIT OR LOSS**

<b>Description</b>	<b>2018</b>	<b>2017</b>
Interest income	37 656	49 718
Interest expense	(16 523)	(27 368)
Other incomes and expenses of financial transactions	90 665	(73 942)
<b>Total</b>	<b>111 798</b>	<b>(51 592)</b>

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

	Book value	Book value	Fair value	Fair value
Valuation of financial instruments	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Trade receivables	319 653	91 979	319 653	91 979
Tax receivables	22 080	82 447	22 080	82 447
Other current financial assets	939 447	1 374 681	939 447	1 374 681
Cash and cash equivalents	57 882	106 624	57 882	106 624
<b>Total</b>	<b>1 339 062</b>	<b>1 655 731</b>	<b>1 339 062</b>	<b>1 655 731</b>
Non-current finance lease liabilities	9 304	11 867	9 304	11 867
Current finance lease liabilities	7 789	9 362	7 789	9 362
Trade payables	17 032	14 815	17 032	14 815
Other current liabilities	386 067	1 072 621	386 067	1 072 621
Related party cash pool liabilities	1 648 417	1 027 744	1 648 417	1 027 744
<b>Total</b>	<b>2 068 609</b>	<b>2 136 409</b>	<b>2 068 609</b>	<b>2 136 409</b>

Current assets and liabilities are instruments with maturity less than a year which are recoverable on a short term basis as a consequence their book value equals with their fair value.

The current loans of the Company are linked to reference interest rates. As a consequence beyond their being current payables their book value also reflects the impact of any expected interest rate changes, as a consequence their book value also equals with their fair value.

Related party cash pool has the same conditions as the current loans of the Company as a consequence their book value also equals with their fair value.

Undiscounted cash-flow 2018	Payment within 1 year	Payment within 2-5 year	Payment beyond 5 year
Total loans and credits	164 647	0	0
Cash pool	1 648 417	0	0
Interests of loans and credits	19 762	0	0
<b>Total</b>	<b>1 832 826</b>	<b>0</b>	<b>0</b>

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	0	0
Interests of loans and credits	8 589	0	0
<b>Total</b>	<b>1 367 570</b>	<b>0</b>	<b>0</b>

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**26. TAXES**

Tax receivables and tax payables were as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Taxes Receivable	22 080	82 447
Taxes Payable	(63 855)	(33 738)
<b>Net Tax Receivable/(Payable)</b>	<b>(41 775)</b>	<b>48 709</b>

Income tax for the years ended 31 December 2018 and 31 December 2017 includes the following components:

<b>Income tax expense</b>	<b>2018</b>	<b>2017</b>
Current Income Tax Expense	(10 231)	0
Deferred Income Tax Expense	(256)	(1 921)
<b>Total Income Tax Expense</b>	<b>(10 487)</b>	<b>(1 921)</b>

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

<b>Period</b>	<b>Actual tax rate</b>
2018	9%
2017	9%

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

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Year-end balance of deferred tax</b>		
Property, plant and equipment	9 223	11 929
Receivables	92	131
Carried forward tax losses	3 969	3 000
Liabilities to shareholders	0	(1 519)
<b>Closing deferred tax assets, net</b>	<b>13 284</b>	<b>13 540</b>
<b>Of which deferred tax assets</b>	<b>13 284</b>	<b>13 540</b>
<b>Of which deferred tax liability</b>	<b>0</b>	<b>0</b>

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

Carried forward tax losses not yet used is as follows:

<b>Year</b>	<b>Opening Carried forward tax losses</b>	<b>Used in 2018</b>	<b>Closing Carried forward tax losses</b>
2014	(130 000)	113 682	(16 318)
2015	(23 754)		(23 755)
2016	(4 689)		(4 688)
2017	0		0
2018	0		0
	<b>(158 443)</b>	<b>113 682</b>	<b>(44 761)</b>

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The Company's corporate income tax calculation as of 31 December 2018:

**Items increasing the corporate income tax base**

Description	2018
Current year depreciation and amortization plus the net book value of written off PP&E recognized in the records	101 457
Impairment Charge on receivables	801
Receivables forgiven	247 563
Impairment on registered investments in subsidiaries	587 943
Non-deductible costs	417
<b>Total:</b>	<b>938 181</b>

**Items decreasing the corporate income tax base**

Description	2018
Current year depreciation and amortization plus the net book value of written off PP&E recognized by the tax law	(136 818)
Impairment Reversal on receivables	(1 200)
<b>Total:</b>	<b>(138 018)</b>

**Corporate income tax calculation**

Description	2018
<i>Profit before tax</i>	(529 348)
<b>Adjusted pre-tax profit</b>	(529 348)
Tax-basis decreasing items	(138 018)
Tax-basis increasing items	938 181
<b>Tax base</b>	270 815
Use of carried forward tax losses from prior years	(113 682)
Adjusted pre-tax profit decreasing item Tax basis adjustment due to adoption of IFRS	(43 451)
<b>Adjusted tax basis</b>	<b>113 682</b>
Corporate income tax payable (9%)	10 231

Profit before tax	(529 348)
Actual tax rate	9,0%
<b>Tax payable calculated based on the actual tax rate</b>	<b>(47 641)</b>
Impairment charge on trade receivables	
Impairment charge on investments in subsidiaries	72
Loans/ Receivables forgiven	52 915
Other	22 281
Used carried forward tax losses from prior years	(2 998)
Differences total:	(14 142)
<b>Corporate income tax expense</b>	<b>58 128</b>
Effective corporate income tax rate	2,0%

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**27. REVENUES**

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

Sales revenue by main activity in 2018 and 2017 was as follows:

<b>Net sales</b>	<b>2018</b>	<b>2017</b>
Services (real estates rents, fee for bookkeeping, finance and HR services)	615 254	405 594
Bonuses, concessions	318 097	342 464
<b>Total</b>	<b>933 351</b>	<b>748 058</b>

In 2018 the Company reduced the sales revenues by the value of mediated services. Due to the retroactively application of IFRS 15, the sales revenue for 2017 had been adjusted.

	<b>2017</b>	<b>IFRS 15 reclassification</b>	<b>restated 2017</b>
Revenues	1 730 043	(981 985)	748 058
Materials and services used	(275 230)	40 612	(234 618)
Dividend income	0	941 373	941 373
<b>Total</b>	<b>1 454 813</b>	<b>0</b>	<b>1 454 813</b>

Dividend income was presented in revenues in line with the Company's key activity in 2017, however as a result of the adoption of IFRS 15 and the change it had on the interpretation on revenues, dividend income was reclassified from revenues to other income in 2018.

**28. RELATED PARTY TRANSACTIONS**

Related party transactions are conducted on an arm's length basis in a manner similar to transactions with third parties. Transfer prices applied between related parties meet the criteria of usual market prices as defined by the transfer pricing legislation. The pricing method and documentation applied for our transfer prices comply with the concept of an arm's length price as defined in the applicable OECD Guidelines that form the legal basis of transfer pricing.

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Revenue received from related parties for the years ending on 31 December 2018 and 2017 is as follows:

<b>Company name</b>	<b>2018</b>	<b>2017</b>
Masterplast Gyártó és Ker. Kft.	321 637	689 486
Master Plast S.r.o.	1 077	2 373
Masterplast d.o.o.	2 089	2 946
Masterplast YU D.o.o.	3 336	4 640
MasterFoam Kft.	510 917	495 286
Masterplast TOV	1 614	3 594
Masterplast Sp. z.o.o.	0	305
Masterplast Hungária Kft.	274 339	128 296
Mastermesh Production Kft.	32 877	25 282
Masterplast International Kft.	323 147	41
<b>Total:</b>	<b>1 473 618</b>	<b>1 357 872</b>

Interest received from related parties for the years ending on 31 December 2018 and 2017 is as follows:

<b>Company name</b>	<b>2018</b>	<b>2017</b>
Masterplast Romania S.R.L.	23 34	33 800
Masterplast YU D.o.o.	14 405	15 107
Masterplast Sp. z.o.o.	0	546
<b>Total:</b>	<b>37 439</b>	<b>49 453</b>

Cost of services provided by and cost of materials purchased from related parties in the years ending on 31 December 2018 and 2017 are as follows:

<b>Company name</b>	<b>2018</b>	<b>2017</b>
Master Plast S.r.o.	54	834
Masterplast International Kft.	50	0
MasterFoam Kft.	1 168	650
Masterplast Gyártó és Ker. Kft.	17 415	7 698
Masterplast Hungária Kft.	1 845	1 948
<b>Total:</b>	<b>20 532</b>	<b>11 130</b>

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Receivables from related parties as of 31 December 2018 and 31 December 2017 are as follows:

<b>Company name</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Masterplast Kft.	8 565	26 030
Masterfoam Kft.	11 670	7 646
Masterplast Hungária Kft	45 914	24 784
Mastermesh Production Kft.	6 765	4 444
Masterplast International Kft.	206 899	0
Master Plast S.r.o.	116	76
Masterplast Romania S.R.L.	2 151	3 795
Masterplast YU D.o.o.	1 229	2 753
Masterplast D.o.o.	16	364
<b>Total:</b>	<b>283 325</b>	<b>69 891</b>

Liabilities to related parties as of 31 December 2018 and 31 December 2017 are as follows:

<b>Company name</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Masterfoam Kft	369	165
Masterplast Kft.	2 312	0
Masterplast Hungária Kft.	461	108
Master Plast S.r.o.	53	0
<b>Total:</b>	<b>3 195</b>	<b>272</b>

Cash pool receivables from and payables to related parties as at 31 December 2018 and 31 December 2017 are presented in the table below. Masterplast Nyrt. is the main account holder of the cash pool. The cash pool balance of the Company reflects the liability for Raiffeisen Bank.

31 December 2018

<b>Company name</b>	<b>Receivable</b>	<b>Liability</b>
Masterplast Kft.	0	(729 448)
Masterplast Hungária Kft.	0	(1 389 074)
Mastermesh Production Kft.	55 061	0
Masterplast International Kft.	411 425	0
MasterFoam Kft.	3 619	0
<b>Total:</b>	<b>470 105</b>	<b>(2 118 522)</b>
<b>Net balance:</b>		<b>(1 648 417)</b>

31 December 2017

<b>Company name</b>	<b>Receivable</b>	<b>Liability</b>
Masterplast Kft.	0	(264 617)
Masterplast Hungária Kft.	0	(829 981)
Mastermesh Production Kft.	233 813	0
Masterplast International Kft.	299 836	0
MasterFoam Kft.	0	(362 757)
<b>Total:</b>	<b>533 649</b>	<b>(1 457 355)</b>
<b>Net balance:</b>		<b>(923 706)</b>

*The attached notes form part of the annual financial statements.*



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Loans granted to related parties as of 31 December 2018 and 31 December 2017 are as follows:

<b>Company name</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Masterplast Romania S.R.L.	561 880	756 448
Masterplast YU D.o.o.	964 530	930 420
<b>Total:</b>	<b>1 526 410</b>	<b>1 686 868</b>

The Company forgave USD 770.000 of loans provided to Masterplast Romania S.R.L with a net book value of HUF 247.563 thousand on 31 December 2018.

The Company does not have loans from related parties as of 31 December 2018 and 31 December 2017.

Key executives of the Company discharge their duties as employees. Short-term allowances paid to them in 2018 amounted to HUF 53.879 thousand. No loans were granted to senior officers in 2018 or 2017. Total fees paid to the members of the Board of Directors was HUF 8.228 thousands in 2018 (HUF 7 410 thousand in 2017).

## **29. 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 risk 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.

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

	<b>2018</b>	<b>2017</b>
<b>Appreciation of EUR / HUF rates by 3 %</b>		
Financial profit/(loss)	111 798	(51 592)
Effect of exchange rate increase	(7 528)	(3 098)
<b>Adjusted financial profit/(loss)</b>	<b>104 270</b>	<b>(54 690)</b>
Profit before tax	(529 348)	854 314
Effect of exchange rate increase	(7 528)	(3 098)
<b>Adjusted profit before tax</b>	<b>(536 876)</b>	<b>851 216</b>
<b>Depreciation of EUR / HUF rates by 3 %</b>		
Financial profit/(loss)	111 798	(51 592)
Effect at FX rate decrease	7 528	3 098
<b>Adjusted financial profit/(loss)</b>	<b>119 326</b>	<b>(48 494)</b>
Profit before tax	(529 348)	854 314
Effect of exchange rate decrease	7 528	3 098
<b>Adjusted profit before tax</b>	<b>(521 820)</b>	<b>857 412</b>

**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:

	<b>2018</b>	<b>2017</b>
<b>Appreciation of interest rates by 1 % point</b>		
Financial profit/(loss)	111 798	(51 592)
Effect of interest rate increase	(16 484)	(13 590)
<b>Adjusted financial profit/(loss)</b>	<b>95 314</b>	<b>(65 182)</b>
Profit before tax	(529 348)	854 314
Effect of interest rate increase	(16 484)	(13 590)
<b>Adjusted profit before tax</b>	<b>(545 832)</b>	<b>840 724</b>
<b>Depreciation of interest rates by 1 % point</b>		
Financial profit/(loss)	111 798	(51 592)
Effect of interest rate decrease	16 484	13 590
<b>Adjusted financial profit/(loss)</b>	<b>128 282</b>	<b>(38 002)</b>
Profit before tax	(529 348)	854 314
Effect of interest decrease	16 484	13 590
<b>Adjusted profit before tax</b>	<b>(512 864)</b>	<b>867 904</b>

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**Total credit risk**

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

**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 2017 and 2018 based on the non-discounted values of contractual payments.

<b>2018</b>	<b>Falling due within 1 year</b>	<b>Falling due within 1-5 years</b>	<b>Falling due beyond 5 years</b>	<b>Total</b>
Finance lease liabilities	7 789	9 304	0	17 093
Creditors and other liabilities	2 051 515	0	0	2 051 515
<b>Total</b>	<b>2 059 304</b>	<b>9 304</b>	<b>0</b>	<b>2 068 608</b>

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

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

<b>Name and calculation of Covenant</b>	<b>Required</b>		<b>Met</b>
	<b>2018</b>	<b>2018</b>	<b>2017</b>
Liquidity ratio (current assets / (current liabilities -liabilities to shareholders))	1,00	1,14	1,07
Leverage ratio (equity / (balance sheet total-accrued income))	40,00%	41,61%	39,58%
Operating profitability (Operating profit or loss / net sales revenues)	4,00%	4.56%	4.02%
net debt/EBITDA	3,80	3,35	3,47

The Group did not meet the equity leverage ratio covenant required by its lending banks on 31 December 2017. As a result of the additionally issued shares which increased the Company's equity by HUF 521.000.000 (EUR 1 684 721 calculated at the HUF/EUR exchange rate of 15 January 2018) the Group agreed with the lending banks which acknowledged the breach of this covenant at 31 December 2017 however waived it and considered it to be fulfilled by the additional paid-in capital on 15 January 2018.

#### **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 not aware of any significant tax risk.

#### **Equity risk**

##### *Capital structure*

Regarding its capital structure, 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*

On 15 January 2018 the Board of Directors decided to privately issue 858.319 pieces of new dematerialized ordinary shares where all rights attached to the new shares were identical to the previously issued ordinary shares (series 'A') with a nominal value of HUF 100 per shares, at an issue price of HUF 607 per shares and thus increasing the share capital to HUF 1.460.127.900. The Company's leverage ratio has significantly improved by the HUF 521 000 000 increase of capital, which the Company intends to maintain in order to mitigate its liquidity risk in the face of the unpredictability of financial markets.

##### *Continuous operations*

To ensure the efficiency of its financial operations, the Company 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.

### **30. CONTINGENT LIABILITIES AND COMMITMENTS**

#### Tender Commitments

The Company does not have any still ongoing, unclosed tenders as of 31 December 2018.

#### Litigations and extrajudicial cases launched by the Company

There is no litigation initiated against or initiated by the Company and there is not any ongoing legal process.

### **31. MASTERPLAST EMPLOYEE SHARED OWNERSHIP PROGRAM**

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

The Company ("Founder") has established the MRP organization in order to efficiently conduct incentive remunerations of the Company's management ("Participants") in exchange of meeting Masterplast's business goals.

The Participants of the MRP in 2018 were the employees of the Company and Masterplast Kft, Masterplast Hungária Kft as well as Masterfoam Kft. that are all 100% controlled subsidiaries of the Company and whom were covered the Company's Remuneration Policies.

The Founder assigned those leaders of the aforementioned companies to be Participants, who had the greatest impact on the achievement of the company's business goals set out in the Remuneration Policies.

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Participants have acquired a stake in the MRP organization in exchange of Masterplast shares and financial assets, which were contributed 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 in proportion of their stakes in the MRP and simultaneously withdrew their stakes. Payments to Participants made through the MRP Organization are recognized by the Company as personnel costs in accordance with IFRS.

The financials of the MRP were consolidated by the Company.

### **32. SUBSEQUENT EVENTS**

HUF 1 867 thousands of bonus have already been paid and the payment of further HUF 14 165 thousands is expected in May 2019. The payroll and related taxes and contributions of these bonuses are accrued in the annual financial statements.

The Company did not account for impairment on the loan granted to the Romanian subsidiary at the end of the year because the contract was extended to 31 December 2019

<b>Company</b>	<b>Start of loans</b>	<b>Value</b>	<b>Currency</b>	<b>Interest rate</b>	<b>Expiration date</b>
Masterplast Srl. (RO)	2017.01.02	2.000.000	USD	1 month USD LBOR+3%	2017.12.31.

### **33. STATEMENTS FOR THE FUTURE**

The stand-alone annual financial statements include 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.

### **34. 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.

### **35. APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

The annual financial statements of Masterplast Nyrt. for the year ended 31 December 2018 were approved by the Board of Directors in a resolution dated 25 April 2019 and allowed their publication. The annual financial statements may only be amended by the Annual Meeting of the Shareholders.

