ANNUAL REPORT 2019

MASTERPLAST

PUBLIC LIMITED COMPANY

ANNUAL REPORT 2019

CHAIRMAN'S GREETINGS

I would like to welcome our shareholders!

The publishing of the annual report is always a special and joyful moment for me. This is when we can comprehensively present the results of our work and I can also put a word in the company's investors. However, the current occasion is particularly special, as at the time of issuing this report, the humanity and economic participants, including Masterplast has to deal with the global crisis caused by the coronavirus.

In terms of business results, the last 3 years are among to the most successful periods in the history of Masterplast, but the year 2019 is also outstanding, with which we closed the most successful year of the decade. In the period behind us, Masterplast has grown up into the largest Hungarian-owned building material manufacturer and it is significant market participant regarding its flagship products in the Central and Eastern European region. We have started the year 2020 with a massive market embeddedness, adequate reserves and a stable-unified team. It can be stated that the Masterplast in very good condition has been faced with the current situation.

In terms of the industry, for now it is clearly outlined that in the first round the construction and building material industry has been less severely affected by the current situation. The operating environment has deteriorated observably, but nowhere was it impossible, and the effects may occur in the medium to long term unless targeted government programs do not neutralize this.

In the period so far of the crisis, we have worked with calm-balanced thinking and consciously to ensure that the company can operate effectively even with declining demand. Our goal is also to be able to start from the best possible positions in parallel with the restart of the economy.

We consider financial stability of key importance, which we solve by creating reserves, maintaining loans and managing receivables efficiently. We are adapting to the conditions caused by declining demand by streamlining operating processes, optimizing inventories and saving measures.

In the meantime, we have kept our business continuity stable by maintaining the standard of service. We manufacture, stock and with following customer requirements we even deliver to the construction site. We do our best to maintain the trust of our partners, even in this changed circumstance.

Meanwhile, with the future in mind, we are preparing the company to start again in a changed world. Digitization development projects that increase production and operational efficiencies have now become conspicuous, and we are also stepping up our services to support online brand building and the online presence of Masterplast resellers.

We are constantly researching alternative business opportunities for the sale of mask and protective clothing raw materials, but we also support the community in the defence. As part of our social responsibility campaign, we provided the quantity required for the production of 20 000 face masks from own-produced diffusion roofing foil raw materials free of charge.

The future is still uncertain today, but we are looking forward to continuing with a changing scenario. We hope that the targeted economic protection subsidies will also have a positive impact on the construction industry and can help to offset the declining demand. Already during the emergency, the rise of the building energy upgrades with renovation purposes can be expected to pick up, with bringing significant potential for Masterplast. We believe in our preparedness and our team of employees, thanks to which Masterplast will emerge as winner from the current situation. Thank you for your investor confidence, let's continue to create value in 2020 as well!

Tibor Dávid
Chairman of the Board

INTRODUCTION OF MASTERPLAST GROUP

Founded in 1997, the main areas of activity of Masterplast (later: "Group", "Masterplast") are production and sales of building industry insulation materials. With its headquarters in Hungary, the Central and Eastern European international company group has eight active subsidiary companies all over the world, where it operates two own-property production units. The Group has a presence with its main products, thermal insulation system, heat, sound and water insulation, roofing and dry construction on the market. Its international production bases (own and production under license) ensure that group products reaches the European markets and the markets outside Europe through its subsidiary companies and partners. Masterplast considers the aspects of sustainability, energy efficiency and environment protection of high importance in its internal processes as well as in production and innovation.

As of 31 December 2019, the Company had the following ownership at the subsidiaries.

Company	Place of registration	Ownership	Voting right
Master Plast S.r.o.	Slovakia	100%	100%
MasterFoam Kft.	Hungary	100%	100%
Masterplast d.o.o.	Croatia	100%	100%
Masterplast Kft.	Hungary	100%	100%
Masterplast Hungária Kft.	Hungary	100%	100%
Masterplast International Kft.	Hungary	100%	100%
Mastermesh Production Kft.	Hungary	100%	100%
Masterplast Romania S.R.L.	Romania	100%	100%
Masterplast Sp zoo	Poland	80,04%	80,04%
MasterPlast TOV	Ukraine	80%	80%
Masterplast YU D.o.o.	Serbia	100%	100%
MP Green Invest	Ukraine	100%	100%
Indirect relationship:			
Masterplast D.O.O.	North Macedonia	90%	90%
The Group's affiliated undertaking:			
Masterprofil Kft.	Hungary	20%	20%
T-CELL Plasztik Kft.	Hungary	24%	24%

Source: data from the Company's management information system

The Company on 3 June 2019 acquired 24% ownership in T-CELL Plasztik Company with Limited Liability. The main activity of T-CELL Plasztik Kft. is a polystyrene manufacture, in its two plants in Hungary – in Hajduszoboszlo and Zalaegerszeg.

Amidst slightly moderated but mostly positive market environment, the Group's sales revenue exceeded last year's base by 10% in 2019. Taking advantage of the positive industrial trend and market embed, in respect of value, the Hungarian turnover increased the most, while in respect of product range, the greatest turnover expansion occurred in the own produced products (fibreglass mesh) of the Group. In 2019, the Company's trading margin slightly increased as did the Group's production output. Also considering the volume change of own produced inventories, costs incurred in connection with materials and services used grew by 9% versus a 10% increase in its sales revenue. The personnel expenses increased in 2019, as did the depreciation costs, while other operating expenditures improved compared to the base period's loss. As a result of all of these, the Group's EBITDA was EUR 7 327 thousand versus EUR 6 035 thousand during the reference period. The Group's financial earnings also improved so the Group's net earnings for 2019 exceeded the reference period's profit by EUR 1 437 thousand (43%).

SUMMARY

- The Masterplast in 2019 has faced with slightly moderated but mostly favourable trends and industrial climate in its country portfolio. On the most significant Hungarian market according to the feedback of the market participants, the construction industry was strong, but moderately increasing. The number of ongoing construction projects remained significant, while on the market the new housing construction numbers were on a downward trend. Based on the feedback from market participants, the construction market showed a mixed picture in Romania in 2019. In the second half of the year the demand improved, the renovations and building insulation projects have started. The economic development in Serbia continued in 2019, where not only the large investments but also the number of dwellings has increased, demonstrated by the growing number of building permits issued. In Ukraine, the building industry performed well and the value of the construction works in all categories largened on annual basis. In Poland in H1 the economy continued to grow at an even lower rate, then in the second half of the year the construction industry slowed down, and the value of building and assembly work landed on a lower level. In Slovakia, compared to the first quarter growth the construction output dropped. The economic indicators have shown improvement in Croatia, while the number of building permits issued decreased compared to the previous year. The industrial production in North Macedonia increased, as did the value of construction work.
- The Group continued to follow a sales strategy in 2019 for its strategic products that took into account the position of the markets and the price fluctuations of products, focusing on maximising the margins that also include transportation costs.
- Most of this turnover growth can be attributed to the increase in sales revenue from one of the most important product groups, thermal insulation systems (15%), where the biggest expansion occurred in the Company's self-manufactured product (fibreglass mesh). There was a significant increase in the sales revenue from dry construction system (8%) and from industrial applications (25%) in 2019, but also there was increase in sales of roofing foils and accessories (1%) and also in the heat, sound and water insulation materials (3%) product group. At the building industry accessories (-8%) the Company's turnover from was smaller compared to 2018.
- Considering the markets, the sales revenue increased by 20% in the most important Hungarian market, whereas the increase was 13% in the Ukrainian market, 11% in the Export countries compared to the previous year. The Romanian market performed also well, with a growth of 5% and there was a turnover growth also in Slovakia (1%) and in Croatia (1%). In the rest of the Company's markets, there was decrease in turnover – Poland (-7%), North Macedonia (-6%) and Serbia (-1%).
- Thanks to the improving sectoral environment on some of its markets, the Group managed to slightly increase its trade margin with rising turnover in 2019 compared to the base period
- There was a growth in the production output of traditional fiberglass mesh and EPS, while the profile production in Serbia and the foam production in Kal dropped in 2019 compared to the base period.
- Due to the growing manufacturing output and growing sales revenue, the Group's manufacturing raw material and other material costs increased. The cost of materials and services – considering the change in the self-manufactured inventories as well – has increased by 9% versus the turnover expansion with 10%.

- As a result of the expanding headcount of the fiberglass mesh factory in Serbia and due to the payrises the personnel expenses of the Company have increased by 21% in 2019 compared to the base period.
- The Serbian and Kál manufacturing investment projects increased the Group's depreciation while other operating expenditures improved.
- The Group's EBITDA was EUR 7 327 thousand (6.8% EBITDA ratio) in 2019 compared with the EUR 6 035 thousand (6,2% EBITDA ratio) in the reference period. The net income of its business activities came to EUR 5 242 thousand in 2019 compared with EUR 4 120 thousand in the reference period.
- Also considering its financial results, the Group's profit after tax came to EUR 4 763 thousand in 2019 as opposed to the EUR 3 326 thousand profit in the reference period.
- The inventories of the Group amounted to EUR 21 257 thousand at the end of December 2019, which is EUR 1 803 thousand smaller than the closing inventory of the reference period.
- The Company issued a total of 6 billion HUF (18,1 million EUR) nominal value of bonds under Growth Bond Program announced by the National Bank of Hungary which restructured the financing of the Group. This provides a long-term low-interest (1,08% EUR basis) resource for further growth.
- The further development of the fiberglass mesh and EPS plant in Subotica which operates at full production capacity and the production capacity of the T-CELL Plasztik Kft., which was acquired in the 2019 business year, and the exploitation of the synergies created by the acquisition provide a stable background for the further expansion of the thermal insulation and dry construction systems.
- The Company counts on this favourable environment in the industry to continue over the next years as well, which, together with the Group's improving manufacturing and operational efficiency, can ensure that the targets defined in the strategic plans are reached.

PRESENTATION OF THE EXTERNAL ECONOMIC AND INDUSTRIAL ENVIRONMENT

The external economic and industrial environment has a significant effect on the production and sale of the insulation and other construction materials, which are the main activities of the Masterplast. While the sale of the constructional and accessories products is mainly in relation with the new buildings market, the insulation related materials (primarily the heat insulation) depend on both the new building and home renovation markets.

The Masterplast in 2019 has faced with slightly moderated but mostly favourable trends and industrial climate in its country portfolio.

On the most significant Hungarian market according to the feedback of the market participants, the construction industry was strong, but moderately increasing. The positive construction mood which had started in 2016 is still going, and the building market has been featured by slowing but still substantial growing for the past months. At the two major groups of construction, both the buildings and other structures resulted in an increase, additionally the number of ongoing construction projects remained significant. The new housing construction numbers were on a downward trend, and the labour shortage also had a major impact on the performance of the construction industry, which was not only a sectoral problem but a national one. Due to the lack of professionals, there were slippages in residential and office buildings, as evidenced by the fall in the building handover number. Construction expectations remain positive for the next year, although final withdrawal of the VAT discount has effect on the starting of new investments, while the expanded "CSOK" started in summer can bring many new opportunities in the renovation market.

Based on the feedback from market participants, the construction market showed a mixed picture in Romania in 2019. In the second half of the year the demand improved mainly due to the government subsidies. The government increased the number of planned investments, the renovations and building insulation projects have started.

The economic development in Serbia continued in 2019. The National Bank maintained its price stability policy, creating favourable conditions for the economy. The construction activity increased. Not only the large investments but also the number of dwellings has increased, demonstrated by the growing number of building permits issued. The employment has also risen, while the unemployment rate reached its lowest level in the last five years.

In Ukraine, the building industry performed well and the value of the construction works in all categories largened on annual basis. The number of construction of residential buildings increased by 3%, while the number of non-residential buildings increased by 27%.

In Poland in H1 the economy continued to grow at an even lower rate, then in the second half of the year the construction industry slowed down. In the sector the output growth was smaller than expected, and the value of building and assembly work landed on a lower level. Rising wages and higher building material prices as well as the continuous labour shortage featured the market. The number of construction projects started increased, but the value of completed and handed over works decreased.

In Slovakia, compared to the first quarter growth the construction output dropped. The demand declined and labor shortage was typical for the period. Real estate prices continued to be high and, according to market participants, a slight economic downturn is expected in the coming season.

The economic indicators have shown improvement in Croatia. The inflation and the unemployment decreased, while wages increased, and the expansion of the construction industry continued. The number of building permits issued decreased compared to the previous year.

The industrial production in North Macedonia increased, as did the value of construction work. The number of building permits issued also was higher compared to the last year, while property demand declined in H2 and there was labour shortage that associated with higher wages in the construction industry.

These developments are reflected by the EUROSTAT statistics on the number of home construction permits issued, which provides a percentage overview of the development in the number of construction permits per country compared to the previous year.

Percentage change in the number of construction permits 2016 - 2019:

Country	2016	2017	2018	2019
Croatia	33,1	34,9	-6,0	-3,1
Hungary	157,1	21,5	-3,2	-3,7
Poland	12,2	19,3	3,3	4,6
Romania	-1,2	7,7	2,6	-0,4
Slovakia	14,6	-8,6	11,4	-0,9
Serbia	26,0	34,0	9,4	29,1

Source: EUROSTAT: Building permits – percentage change

OVERVIEW OF SALES BY PRODUCT GROUP

Sales by main product groups (thousands of EUR)	2019	2018	Change %
	(A)	(B)	(A/B-1)
Thermal insulation system	52 475	45 589	15%
Roofing foils and accessories	14 320	14 163	1%
Dry construction system	11 563	10 670	8%
Heat, sound and water insulation materials	13 450	13 110	3%
Building industry accessories	5 566	6 031	-8%
Industrial applications	9 730	7 777	25%
Total sales revenue	**107 104**	**97 340**	**10%**

Contribution of product groups in percentage to the total sales revenue		
Thermal insulation system	49%	47%
Roofing foils and accessories	13%	15%
Dry construction system	11%	11%
Heat, sound and water insulation materials	13%	13%
Building industry accessories	5%	6%
Industrial applications	9%	8%
Total sales revenue	**100%**	**100%**

Source: audited data from the Company's management information system

On an annual level, the Group's sales revenue grew by 10% to EUR 107 104 thousand.

Within the Group's sales revenues, thermal insulation system primarily accounted for the largest share (49%) and saw an overall 15% increase in year-on-year terms. The majority of sales revenue growth was driven by rising sales of fibreglass mesh in the European Union markets of the Group (in Hungary, In Romania, in Slovakia and In the Export countries). The Group's EPS sales also increased significantly, mostly in Hungary, but in all countries except Serbia the revenue was higher compared to the base. Turnover of accessory products (glue, profiles) also increased in 2019.

The turnover in roofing foils and accessories, the strategic area for the Group, increased by 1% compared to the 2018 base year. In terms of markets, the sales were different, on the Hungarian, Romanian, Polish and Croatian markets there was a growth, while in Serbia, Slovakia, Ukraine, North Macedonia and on the Export areas there was a decrease.

The company's turnover in dry construction systems grew by 8% in 2019 compared to the 2018 base year. The increase was due to the outstanding sales of gypsum profiles and slabs in the Hungarian market. To a lesser extent, but revenue also increased in the Ukrainian and North Macedonian markets, while in other countries it decreased.

In the heat, sound and water insulation materials product group there was a 3% turnover expansion compared to the previous year's base. There were different sales results in each market, the Group's turnover in the

Hungarian, Serbian, Ukrainian and Croatian areas increased, while in the other countries the sales revenue decreased compared to the base.

Building industry accessories exhibited an 8% turnover drop compared 2019 to the base year. Although turnover increased in Ukraine, Poland, Slovakia, North Macedonia and on Export areas, but the loss of sales overall was larger in the other markets

The Group's industrial applications product group achieved a 25% turnover increase in 2019 compared to the base period. The sales of packaging related products showed a smaller scale decline while the non-strategic trade of raw materials was growing significantly compared to the base.

TURNOVER BY COUNTRY

The breakdown of the sales by countries shows the revenue realized in countries where Masterplast has its own subsidiary, regardless of which subsidiary has sold in its country. For countries where there is no subsidiary of the Group, sales are reported on the Exports line.

Sales by countries (thousands of EUR)	2019	2018	Change %
	(A)	(B)	(A/B-1)
Hungary	42 629	35 447	20%
Export	17 324	15 708	10%
Romania	12 044	11 485	5%
Serbia	9 236	9 329	-1%
Ukraine	8 912	7 893	13%
Poland	6 834	7 327	-7%
Slovakia	4 759	4 712	1%
Croatia	3 811	3 782	1%
North Macedonia	1 555	1 656	-6%
Total sales revenue	**107 104**	**97 340**	**10%**

Contribution of countries in percentage to the total sales revenue		
Hungary	40%	36%
Export	16%	16%
Romania	11%	12%
Serbia	9%	10%
Ukraine	8%	8%
Poland	6%	8%
Slovakia	4%	5%
Croatia	4%	4%
North Macedonia	1%	2%
Total sales revenue	**100%**	**100%**

Source: audited data from the Company's management information system

The group's turnover increased by 20% in 2019 on the Hungarian market, its largest market, compared to the base previous year. Except for the building industry accessories, the Group's turnover increased in all product groups. There was notable performance in thermal insulation system products and in the dry construction system products compared to the base period.

Sales turnover grew by an annual 10% on Export markets. The Group exhibited extraordinary performance particularly in its strategic product group of thermal insulation system, but there was a growth in the building industry accessories too. The distribution of roofing foils and accessories, dry construction systems and heat, sound and water insulation materials saw a slight decrease in 2019 compared to the previous year. The Group achieved exceptional growth in Austria, but there was a similar increase in sales in Italy, in Germany and in Greece.

The Group exhibited a 5% rise on its Romanian market, also one of its major markets. The turnover of fibreglass mesh products, belonging to the thermal insulation system product group, increased mainly compared to the base in 2019, but the sales of roofing foils and accessories also improved significantly. The turnover of the dry construction system slightly decreased, further the turnover of the other product groups also dropped compared to 2018.

The Group's sales in Serbia decreased by 1% in 2019 compared to the base year. Sales revenue in thermal insulation system product group increased, within the fibreglass mesh revenue was higher, while EPS sales was smaller. There was also a growth in the heat, sound and water insulation materials while the turnover of the dry construction materials and building industry accessories saw a decline.

In Ukraine, the Company's turnover closed the year with a 13% increase compared to the previous year. Sales turnover was higher across all product groups except for the roofing foils and accessories. Sales revenue increased significantly in the largest group, at the thermal insulation system products, where sales of fibreglass mesh (not manufactured by the Group) accounted for the greatest share. The Company's turnover also increased notably in the heat, sound and water insulation materials product group.

The Group's sales revenue decreased by 7% on the Polish market compared to the 2018 base year. The turnover of fibreglass in the thermal insulation system product group, which accounts for a large portion of sales in Poland was stagnated. Regarding the other product groups, at the roofing foils and accessories and at the building industry accessories the revenue was higher while there was a decrease in the other product groups present on the market.

The Company achieved a 1% increase in turnover in Slovakia in the year under review. Sales of thermal insulation system products expanded the most, but the building industry accessories also increased. In the other product groups, the turnover decreased slightly compared to the base.

The Group's turnover also increased by 1% in Croatia compared to 2018. Sales of thermal insulation system products, roofing foils and accessories and heat, sound and water insulation materials increased, while sales in the other product groups decreased. The greater decline was in the dry construction system product group.

In North Macedonia with the smallest share of turnover, the revenue decreased by 6% in 2019 compared to the previous year. Sales revenue from profiles, part of the dry construction systems product group and the sales of building industry accessories increased while there was a drop in the other product groups. Sales revenue from fibreglass, within the group of thermal insulation system products, decreased the most.

FINANCIAL ANALYSIS

The following table shows Masterplast's consolidated audited profit or loss statement according to the total cost type profit or loss statement in EUR thousand.

Profit or loss statement (thousands of EUR)	31 December 2019	31 December 2018	Change	Change %
	(A)	(B)	(A-B)	(A/B-1)
Sales revenues	107 104	97 340	9 764	10%
Materials and services used	-87 808	-79 203	-8 605	11%
Payments to personnel	-14 027	-11 548	-2 479	21%
Depreciation, amortisation and impairment	-2 085	-1 915	-170	9%
Movements in self-produced inventories	1 838	24	1 814	7468%
Other operating income (expense)	219	-579	798	-138%
OPERATING PROFIT	**5 242**	**4 120**	**1 122**	**27%**
Interest received	77	74	4	5%
Interest paid	-554	-555	1	0%
Other financial (expense) income	572	-14	586	-4104%
Financial loss	**96**	**-495**	**591**	**-119%**
PROFIT FOR THE YEAR	**4 763**	**3 326**	**1 437**	**43%**
EBITDA	7 327	6 035		
EBITDA ratio	6,8%	6,2%		
Earnings per share (EPS) (EUR)	0,32	0,23		
Diluted earnings per share (diluted EPS) (EUR)	0,32	0,23		

Source: consolidated audited report of the Company based on IFRS accounting rules

GROUP RESULTS

The consolidated annual turnover for the year 2019 amounted to EUR 107 104 thousand, which corresponds to an increase of 10% compared with the value of the reference period.

In line with the prevailing commodity and basic material prices and exchange rate trends, the Group continued to follow a sales strategy in 2019 for its strategic products that took into account the position of the markets and the price fluctuations of products, focusing on maximising the margins that also include transportation costs.

Thanks to the improving sectoral environment on some of its markets, the Group managed to slightly increase its trade margin with rising turnover in 2019 compared to the base period. The Group's trade margins increased on the Croatian, Polish and Export markets for the entire year, but the realized margin volume grew also in the Hungarian and Romanian markets.

There was a growth in the production output of traditional fiberglass mesh and EPS, while the profile production in Serbia and the foam production in Kal dropped in 2019 compared to the base period. Mainly driven by the expanding output from Subotica, the Group's manufacturing efficiency improved, and the production profit increased compared to the previous year.

Due to the growing manufacturing output and growing sales revenue, the Group's manufacturing raw material and other material costs increased, just as its fuel and energy costs. Meanwhile the foreign transport costs and maintenance and repair costs decreased in 2019 compared to the base period. The cost of materials and services – considering the change in the self-manufactured inventories as well – has increased by 9% versus the turnover expansion with 10%.

As a result of the expanding headcount of the fiberglass mesh factory in Serbia and due to the payrises the personnel expenses of the Company have increased by 21% in 2019 compared to the base period. The Group had 1 099 employees at the end of 2019 opposed to the staff level of 925 people of the base period. 486 people were employed at the production unit in Subotica at the end of 2019, compared to the level of 370 staff at end of December 2018.

The Serbian and Kál manufacturing investment projects increased the Group's depreciation.

Other operating expenditures improved in 2019 compared to the base period's loss, whenas the released accruals for fiberglass mesh production in Serbia improved the result for the period.

As a result of all of the above factors, the Group's EBITDA was EUR 7 327 thousand (6.8% EBITDA ratio) in 2019 compared with the EUR 6 035 thousand (6,2% EBITDA ratio) in the reference period. The net income of its business activities came to EUR 5 242 thousand in 2019 compared with EUR 4 120 thousand in the reference period.

The Group's interest revenues increased just as the interest expenditures also improved in 2019 compared to the base period.

The majority of other income/expenses of financial operations include currency exchange results. The Group procures most of its products in EUR and USD, which are then resold in the local currency, so the exchange rate fluctuations of local currencies significantly influence the Group's financial results. Since the currency of most countries is pegged to the Euro, even the movement of EUR/USD, in case of procurements in USD, has an impact on its currency exchange results. In 2019 the Company had hedging transactions in EUR/USD related to its procurements, so the other results of financial operations also included the closing and revaluation results of these hedging transactions. The Hungarian entity (Masterfoam Kft. és Masterplast International Kft.) has working capital loans denominated in EUR, while the Serbian subsidiary also has an investment loan denominated in EUR.

The Group recognized as other financial income a EUR 572 thousand gain in 2019 compared to the loss of EUR 14 thousand in the base period. The favourable exchange rate result was due to the weakening Hungarian forint against the euro and the strengthening Ukrainian hryvnia against the dollar.

Also considering the financial results, the Group's profit after tax came to EUR 4 763 thousand in 2019 as opposed to the EUR 3 326 thousand profit in the reference period.

THE COMPANY'S FINANCIAL POSITION

As of 31 December 2019, the Group's assets were worth EUR 80 880 thousand meaning an increase of EUR 4 406 thousand over the closing value of the reference period.

As of the end of December, the value of fixed assets was EUR 38 067 thousand which was EUR 2 068 thousand higher than the closing value of assets on the cut-off date of the reference period. The increase stemmed from the Subotica fibreglass facility investment. The Corporate Group spent a total of EUR 3 587 thousand for investments and for the replacement of other assets in the reporting year.

The inventories of the Group amounted to EUR 21 257 thousand at the end of December 2019, which is EUR 1 803 thousand smaller than the closing inventory of the reference period. As a result of the Company's successful inventory management, the inventory level was reduced by 8% with increasing sales and production output.

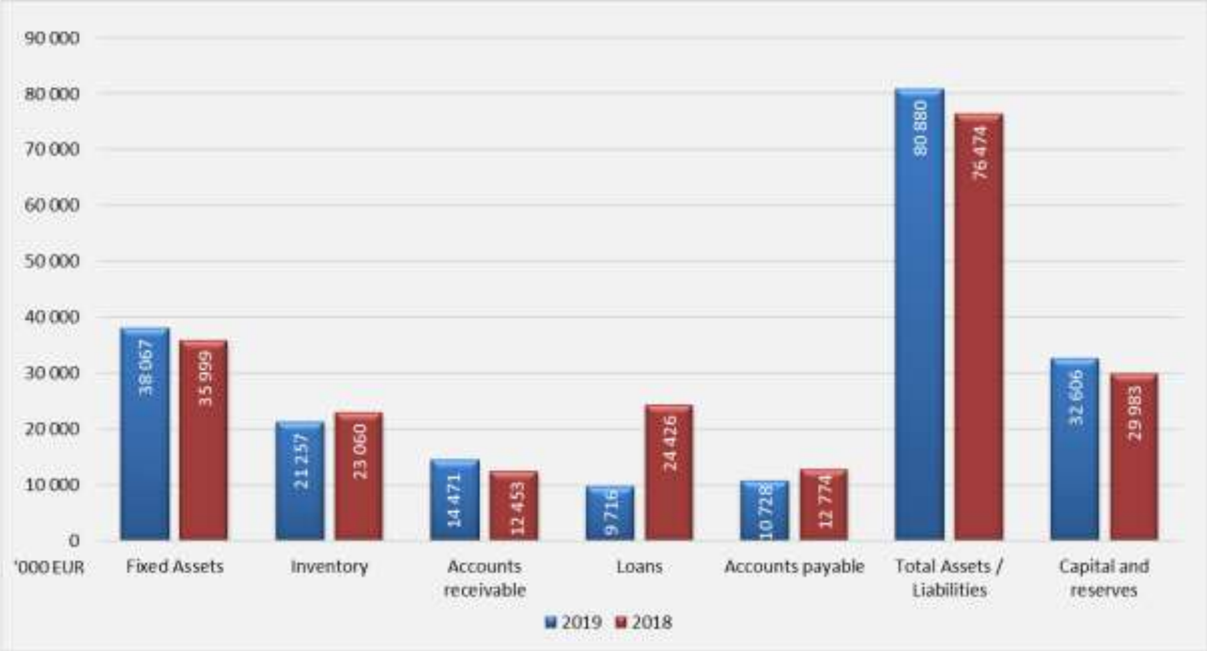
The Group's trade receivables grew by 16%, EUR 2 018 thousand compared with the 2018 reference period, which is due to the increased sales to T-CELL Plasztik Kft., as the Masterplast has become its primary raw material supplier following the acquisition.

The Group's stock of trade payables decreased and was EUR 2 046 thousand lower than in 2018.

The Company issued a total of 6 billion HUF (EUR 18 136 thousand) nominal value of bonds under Growth Bond Program announced by the National Bank of Hungary to refinance existing loans, which resulted in a decrease of 18 136 thousand EUR in short-term and long-term loans and in an increase in the liabilities related to bonds in the balance sheet by same amount.

The deferred income also dropped (-13%) in 2019 related to the government grants to investments compared to the base.

The Group's cash and equivalents amounted to EUR 4 530 thousand as of 31 December 2019, which was EUR 2 441 thousand higher than the closing stock in the same period of 2018.



Source: consolidated audited report of the Company based on IFRS accounting rules

The Group participated in the Growth Bond Program announced by the National Bank of Hungary, in the framework of which Masterplast Plc. issued bond with a nominal value of 6 billion HUF. The bonds were launched on the BSE Xbond market on 18 February 2020. Information about the bonds can be found at the following links:

Information document:
https://bet.hu/site/newkib/hu/2020.02./Informacios_dokumentum_kotvenyek_regisztraciojahoz_128355993

Bond Auction Result:
https://bet.hu/site/newkib/hu/2019.12./Bejelentes_kotveny_aukcio_eredmenyet_erintoen_128331410

Bond formation:
https://bet.hu/site/newkib/hu/2019.12./Bejelentes_kotveny_aukcio_eredmenyet_erintoen_128331410

Xbond registration:
https://bet.hu/site/newkib/hu/2020.02./Bejelentes_kotvenyek_regisztraciojat_illetoen_128355951

Members of the Board of Directors on 31 December 2019:

Dávid Tibor – Chairman
Balázs Ács – Deputy Chairman
András Kazár – Independent member
Dr. György Martin Hajdu – Independent member
Dirk Theuns – Independent member

Audit committee:

Dr. György Martin Hajdu
András Kazár
Dirk Theuns

STATEMENT

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

Sárszentmihály, 23 April 2020

Róbert Nádasi

CEO

MASTERPLAST NYRT.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019
in accordance with International Financial Reporting Standards (IFRS)
(as adopted by the EU)

Sárszentmihály, 23 April 2020

CEO

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Building a better
working world

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This is a translation of the Hungarian Report

Independent Auditor's Report

To the Shareholders of MASTERPLAST Nyilvánosan működő Részvénytársaság

Report on the audit of the consolidated annual financial statements

Opinion

We have audited the accompanying 2019 consolidated annual financial statements of MASTERPLAST Nyilvánosan működő Részvénytársaság ("the Company") and its subsidiaries (altogether "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019 - showing a balance sheet total of EUR 80,879,549 and a total comprehensive income for the year of EUR 4,552,220 -, the related consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated annual financial statements, including a summary of significant accounting policies.

In our opinion the consolidated annual financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated 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 consolidated 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 consolidated annual financial statements" section of our report.

We are independent of the Group 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 consolidated annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the 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 consolidated annual financial statements section" of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated annual financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated annual financial statements.

Revenue recognition of significant transactions

The Group's consolidated third party revenue amounted to EUR 107 million as of 31 December 2019. The Group focuses on revenue as a key performance measure which might create an incentive for revenue to be recognized before the risks and rewards have been transferred and an incentive to enter into non-standard agreements with conditions different from the usual conditions applied by the Group. Based on this we consider revenue recognition of non-standard transactions significant to our audit and a key audit matter.	Our audit procedures included, among others, analyzing the entire population of journal entries including correlations between revenue, accounts receivables, value added tax and cash inflows. We circularized outstanding debtor balances and tested subsequent cash inflows on a sample basis. We tested a sample of significant sales transactions closed around the balance sheet date as well as credit notes issued after the balance sheet date to assess whether revenue was recognized in the correct period. We performed analytical review procedures on revenue comparing actual data to our expectations developed based on our prior experience of the Group's business, including performing detailed review of non-core transactions. We also considered the adequacy of the Group's disclosures in respect of revenue in the consolidated annual financial statements, including disclosure requirements of IFRS 15 standard. The Group's disclosures about revenue are included in Note 8.21 Revenue recognition and Note 31 Revenues per country to the consolidated annual financial statements.

Other information

Other information consists of the 2019 consolidated business report of the Group and the information included in the consolidated annual report excluding the consolidated annual financial statements and independent auditor's report. Management is responsible for the other information, including preparation of the consolidated business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the consolidated annual financial statements does not cover the other information.

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

Our opinion on the consolidated 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 consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

In our opinion, the consolidated business report of the Group, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2019 is consistent, in all material respects, with the 2019 consolidated annual financial statements of the Group and the relevant requirements of the Hungarian Accounting Law.

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

We also confirm that the Group 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 consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Group and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the other information, 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 consolidated annual financial statements

Management is responsible for the preparation and fair presentation of the consolidated annual financial statements in accordance with EU IFRSs and the supplementary requirements of the Hungarian Accounting Law relevant for consolidated annual financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual financial statements, including the disclosures, and whether the consolidated annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 of MASTERPLAST Nyilvánosan működő Részvénytársaság by the General Assembly of Shareholders of the Company on 25 April 2019. 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 11 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the consolidated 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 Group in conducting the audit.

In addition to statutory audit services and services disclosed in the consolidated business report and in the consolidated 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 Bartha Zsuzsanna Éva.

Budapest, 23 April 2020

(The original Hungarian language version has been signed.)

Bartha Zsuzsanna Éva
engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No.: 001165

Bartha Zsuzsanna Éva
Registered auditor
Chamber membership No.: 005268

2. Consolidated Statement of Financial Position

Item	Note	31 December 2019	31 December 2018
NON-CURRENT ASSETS			
Property, plant and equipment	10	37 193 397	35 454 633
Intangible assets	10	190 676	207 028
Investments in associates	12	320 837	33 775
Deferred tax assets	28	362 248	303 568
Non-current assets		**38 067 158**	**35 999 004**
CURRENT ASSETS			
Inventories	13	21 256 794	23 059 923
Trade receivables	14	14 471 408	12 453 324
Taxes receivable	28	784 089	1 075 573
Other current financial assets	29	2 331	23 275
Other current assets	15	1 767 428	1 773 013
Cash and cash equivalents	16	4 530 341	2 089 823
Current assets		**42 812 391**	**40 474 931**
TOTAL ASSETS		**80 879 549**	**76 473 935**
EQUITY			
Share capital	-	5 503 939	5 503 939
Reserves	-	22 437 942	20 928 544
Redeemed treasury shares	-	-381 447	-20 843
Parent company's share of the profit or loss	-	4 572 942	3 283 382
Equity attributable to parent company's shareholders	-	32 133 376	29 695 022
Non-controlling interests		472 963	287 866
Equity	**5**	**32 606 339**	**29 982 888**
LONG-TERM LIABILITIES			
Long-term loans	17	3 863 601	6 050 695
Liabilities from issued bonds	18	18 136 170	0
Deferred tax assets	27	265 720	181 514
Deferred income	19	3 748 351	4 067 918
Other long-term liabilities	20	694 767	721 352
Long-term liabilities		**26 708 609**	**11 021 479**
CURRENT LIABILITIES			
Short-term loans	17	5 852 621	18 375 553
Trade payables	22	10 727 776	12 773 839
Short-term financial leasing liabilities	11	289 975	289 284
Other current financial liabilities	27	92 092	255
Taxes payable	28	1 047 445	641 013
Current part of deferred income	19	625 658	933 723
Provisions	21	218 824	186 944
Other current liabilities	17	2 710 210	2 268 957
Current liabilities		**21 564 601**	**35 469 568**
TOTAL LIABILITIES		**48 273 210**	**46 491 047**
EQUITY AND LIABILITIES		**80 879 549**	**76 473 935**

3. Consolidated Statement of Profit or Loss

Profit or loss category	Note	2019	2018
Sales revenues	31	107 104 241	97 339 845
Materials and services used	24	-87 807 539	-79 202 911
Payments to personnel	25	-14 026 924	-11 547 782
Depreciation, amortisation and impairment	10	-2 085 057	-1 914 860
Movements in self-produced inventories	-	1 837 965	24 287
Other operating income (expense)	26	219 432	-578 758
OPERATING PROFIT		**5 242 118**	**4 119 821**
Interest received	-	77 426	73 736
Interest paid	-	-553 566	-554 556
Other financial (expense) income	27	571 662	-14 278
Financial loss		**95 522**	**-495 098**
Profit or loss attributable to associates	12	-11 769	194
PROFIT BEFORE TAX		**5 325 871**	**3 624 917**
Income tax	28	-562 953	-299 054
PROFIT FOR THE YEAR		**4 762 918**	**3 325 863**
Profit attributable to parent company shareholders		4 572 942	3 283 382
Profit attributable to non-controlling interests		189 976	42 481
Earnings per share (EPS)	29	0,32	0,23
Diluted earnings per share (diluted EPS)	29	0,32	0,23

4. Consolidated Statement of Other Comprehensive Income

Other Comprehensive Income	2019	2018
Profit for the year	4 762 918	3 325 863
Foreign exchange loss on translation*	-207 460	-840 306
Parent company's share of the Other Comprehensive income of associates*	-3 238	-68
Other comprehensive income	**-210 698**	**-840 374**
Comprehensive income	**4 552 220**	**2 485 489**
Profit attributable to parent company shareholders	4 367 123	2 467 485
Profit attributable to non-controlling interests	185 097	18 004

***** Will not be recognised in profit or loss in future periods

5. Consolidated Statement of Changes in Equity

Equity items	Note	Share capital	Treasury shares	Share Premium	Retained earnings	FX translation reserve	Reserves, total	Parent company's share of the profit or loss	Equity attributable to parent company shareholders	Non-controlling interests	Equity, total
1 January 2018	**-**	**5 226 391**	**-22 031**	**6 655 559**	**19 301 619**	**-7 664 609**	**18 292 569**	**2 610 062**	**26 106 991**	**269 862**	**26 376 853**
Profit for the year	-	0	0	0	0	0	0	3 283 382	3 283 382	42 481	3 325 863
Other comprehensive income	-	0	0	0	0	-815 897	-815 897		-815 897	-24 477	-840 374
Prior year's profit or loss reclassified	-	0	0	0	2 610 062	0	2 610 062	-2 610 062	0	0	0
Redeemed treasury shares	-	0	1 188	0	0	0	0	0	1 188	0	1 188
Capital increase		277 548	0	0	0	0	0	0	277 548	0	277 548
Capital increase - agio		0	0	1 407 173	0	0	1 407 173	0	1 407 173	0	1 407 173
Dividends paid	-	0	0	0	-565 363	0	-565 363	0	-565 363	0	-565 363
Shareholders' contribution	33	0	0	0	0	0	0	0	0	0	0
31 December 2018	**-**	**5 503 939**	**-20 843**	**8 062 732**	**21 346 318**	**-8 480 506**	**20 928 544**	**3 283 382**	**29 695 022**	**287 866**	**29 982 888**
1 January 2019	**-**	**5 503 939**	**-20 843**	**8 062 732**	**21 346 318**	**-8 480 506**	**20 928 544**	**3 283 382**	**29 695 022**	**287 866**	**29 982 888**
Profit for the year	-	0	0	0	0	0	0	4 572 942	4 572 942	189 976	4 762 918
Other comprehensive income	-	0	0	0	0	-205 819	-205 819		-205 819	-4 879	-210 698
Prior year's profit or loss reclassified	-	0	0	0	3 283 382	0	3 283 382	-3 283 382	0	0	0
Redeemed treasury shares	-	0	-360 604	0	0	0	0	0	-360 604	0	-360 604
Capital increase		0	0	0	0	0	0	0	0	0	0
Capital increase - agio		0	0	0	0	0	0	0	0	0	0
Dividends paid	-	0	0	0	-1 568 165	0	-1 568 165	0	-1 568 165	0	-1 568 165
Shareholders' contribution	33	0	0	0	0	0	0	0	0	0	0
31 December 2019	**-**	**5 503 939**	**-381 447**	**8 062 732**	**23 061 535**	**-8 686 325**	**22 437 942**	**4 572 942**	**32 133 376**	**472 963**	**32 606 339**

6. Consolidated Statement of Cash Flows

Cash-flow items	31 December 2019	31 December 2018
OPERATING ACTIVITIES		
Profit before tax	5 325 871	3 624 917
Depreciation, amortisation and impairment of tangible assets	2 085 057	1 914 860
Impairment loss	127 082	202 621
Inventory shortage, scrapped inventories	159 806	342 245
Provisions (released) made	31 880	98 499
(Gains) on the disposal of tangible and intangible assets	-75 360	121 212
Interest paid	553 566	554 556
Interest received	-77 426	-73 736
(Profit) loss from associates	11 769	-194
Unrealised foreign exchange (gain) loss	9 318	873 744
Working capital changes:		
Movements in trade receivables	-2 179 766	-1 236 619
Movements in inventories	1 677 924	-2 339 493
Movements in other current assets	318 013	620 420
Movements in trade payables	-2 046 063	-89 773
Movements in other liabilities	-717 241	618 256
Income tax paid	-200 213	-198 060
Net cash flows from operations	**5 004 216**	**5 033 455**
INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	-3 586 900	-8 648 993
Proceeds from the disposal of tangible and intangible assets	213 605	439 030
Subsidiaries sold	100	100
Interest received	77 426	73 736
Net cash flows from investing activities	**-3 295 770**	**-8 136 127**
FINANCING ACTIVITIES		
Loans taken	1 305 750	15 167 540
Loans repaid	-16 015 776	-12 449 891
Issued bond	18 136 170	0
Subsidies received	0	934 547
Dividends paid	-1 568 165	-564 354
Interest paid	-553 566	-554 556
Net cash flows from financing activities	**1 304 413**	**2 533 286**
Increase (decrease) in cash and cash equivalents	3 012 859	-569 386
Cash and cash equivalents at the beginning of the year	2 089 823	3 013 001
Net foreign exchange translation gain or loss	-572 342	-353 793
Cash and cash equivalents at the end of the year	**4 530 341**	**2 089 823**

7. General information

The ultimate parent company of Masterplast Group that prepares consolidated annual financial statements is Masterplast Nyilvánosan Működő Részvénytársaság [public company limited by shares] (company registration No.: 07-10-001342, tax ID: 13805300-4-07).

The parent company's registered seat is at: Árpád u. 1/a., 8143 Sárszentmihály, Hungary. For further details refer to the parent company's website at www.masterplastgroup.com.

Core operations: Asset management (holding) activity which entails co-ordinating the construction material production and wholesale activities of the subsidiaries.

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

The Company's financial year is from 1 January to 31 December each year.
The Group's average number of staff was 1 099 in 2019 (2018: 919).
The cost of the Group's external audit for 2019: EUR 141 056 (2018: EUR 130 529).

Shares:

The parent company's share capital totals HUF 1 460 127 900 (2018: 1 460 127 900). The parent company's share capital is presented in the consolidated annual statements at initial cost in EUR totalling EUR 5 503 939 (2018: EUR 5 503 939).

The share capital comprises of:
14 601 279 registered ordinary shares of HUF 100 face value each (2018: 14 601 279 registered ordinary shares of HUF 100 face value each).

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

The shareholders are as follows:

Shareholders	2019	2018
Tibor Dávid	454 805 700 Ft	476 707 600 Ft
Ács Balázs	387 725 900 Ft	409 627 800 Ft
OTP Alapkezelő	93 518 400 Ft	97 872 700 Ft
LPH Kft., SOH Kft.	77 967 600 Ft	77 967 600 Ft
Nádasi Róbert	3 386 400 Ft	3 386 400 Ft
Additional minority owners	424 844 100 Ft	393 384 100 Ft
Repurchased shares	17 879 800 Ft	1 181 700 Ft
Total:	**1 460 127 900 Ft**	**1 460 127 900 Ft**
	(5 503 939 EUR)	(5 503 939 EUR)

The voting rights are as follows:

Shareholders	2019	2018	-
Tibor Dávid	4 548 057	4 767 076	votes
Ács Balázs	3 877 259	4 096 278	votes
OTP Alapkezelő	935 184	978 727	votes
LPH Kft., SOH Kft.	779 676	779 676	votes
Nádasi Róbert	33 864	33 864	votes
Additional minority owners	4 248 441	3 933 841	votes
Total	**14 422 481**	**14 589 462**	**votes**

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

Board of Directors:

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

Audit Committee:

Dr. MARTIN HAJDU György
KAZÁR András
Dirk THEUNS

The Group's operations:

Masterplast is a leading multinational Group in the insulation and construction materials producing and trading industry in Central Eastern Europe. The Group offers a complete range of services that are based on robust control over production and quick and accurate (even small volume) deliveries to thousands of business partners served by the Group's own logistics facilities.

The Group's products ranges from high quality, premium category products to budget quality, so called "hobby" category products. Our services are primarily aimed at small and middle-size building material vendors.

The Group's two key activities are:

- sale of insulation materials and other building materials, and
- production of insulation materials and other building materials.

Sale of insulation materials and other building materials:

The Group has been a building material trader since its foundation. The Group's subsidiaries, especially our production, supplier and trading entities, also trade with one another in accordance with the Group's applicable policies and intra-group settlement protocol.

Production of insulation materials and other building materials:

The majority of the traded are products are produced by contractors, while several of them are produced by the Group's own facilities.

The Group's retains production in its own facilities of products

- that are of strategic importance within our product mix, or
- for which continuous supply in the required quality or quantity is not ensured from other resources, or
- which can be produced by the Group's facilities at lower costs compared to their procurement prices from the market.

Product range:

The Group sells insulation materials and other construction materials across Central Eastern Europe, and offers energy saving and cost effective heat, sound and water insulation solutions as well as roof cladding and dry construction solutions.

Within the Group's product mix sold, the percentage of other brands (typically developed market branded products) continuously declines.

The Group offers products and solutions in the following six key categories:

- thermal insulation system
- roofing foils and accessories
- dry construction system
- heat, sound and water insulation materials
- building industry accessories
- Industrial applications

8. Accounting policies

8.1. Accounting convention

The consolidated annual financial statements of Masterplast Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). 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 consolidated annual financial statements and are relevant to Masterplast Group. As a result, the consolidated 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.

8.2. Changes in the accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2019:

- **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 recognition and measurement approach for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

The Group determined that the impact of the standard on profit and loss is immaterial. The Group has adopted IFRS 16 Leases retrospectively, but comparative information presented for 2018 reporting period has not been restated, as permitted under the specific transitional provisions in the standard.

- **IFRIC 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 Group determined that the impact of the standard on profit and loss is 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 Group determined that the impact of the standard on profit and loss is 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 Group determined that the impact of the standard on profit and loss is 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 Group determined that the impact of the standard on profit and loss is immaterial.

8.3. Standards issued but not yet effective and not early adopted

- IFRS 17 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2021, not yet endorsed by EU)
  The Group determined that the impact of the standard on profit and loss is immaterial.

- Amendment to IFRS 3 Business Combination (effective for annual periods beginning on or after 1 January 2020, not yet endorsed by EU)
  The Group determined that the impact of the standard on profit and loss is immaterial.

- Amendments to IAS 1 Presentation of Financial Statement and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material (effective for annual periods beginning on or after 1 January 2020)
  The Group determined that the impact of the standard on profit and loss is immaterial.

- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosure (effective for annual periods beginning on or after 1 January 2020)
  The Group determined that the impact of the standard on profit and loss is immaterial.

8.4. Consolidated financial statements

8.4.1 Consolidation of subsidiaries

The consolidated financial statements include Masterplast Nyrt. and its controlled subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has power over the investee, i.e. existing rights that give the investor ability to direct the key activities of the investee. Key activities are activities that ultimately affect the returns of an investee.

The member of Masterplast Group prepare their separate annual financial statements in accordance with applicable accounting legislation effective in their respective local jurisdictions. The requirements of such local accounting legislation may differ from those of International Financial Reporting Standards (IFRS) and are therefore subject to adjustments during the consolidation process.

The consolidated financial statements reflect the items presented in the annual financial statements of Masterplast Nyrt. and its subsidiaries after eliminating intra-Group balances (including any interim profit or loss).

All the Company's subsidiaries are included in the consolidation. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements have been prepared based on the measurement and reporting principles of IFRS as adopted by the European Union.

The consolidated financial statements have been prepared on the historic cost basis.

The following subsidiaries are included in the consolidation:

Company	Incorporated in	Core operations	Tax ID	Ownership (%)		Voting right (%)	
				2019	2018	2019	2018
Masterplast Hungária Kft.	Hungary	Wholesale of construction materials	25562675-2-07	100%	100%	100%	100%
Masterplast International Kft.	Hungary	Wholesale of construction materials	25563243-2-07	100%	100%	100%	100%
Masterplast Kft.	Hungary	Wholesale of construction materials	14025477-4-07	100%	100%	100%	100%
Mastermesh Production Kft.	Hungary	Wholesale of construction materials	25562709-2-07	100%	100%	100%	100%
MasterFoam Kft.	Hungary	Foam sheet production	13297590-4-07	100%	100%	100%	100%
Masterplast YU D.o.o.	Serbia	Wholesale of construction materials EPS and fiberglass production	100838195	100%	100%	100%	100%
Masterplast Sp zoo	Poland	Wholesale of construction materials	PL7772708671	80,04%	80,04%	80,04%	80,04%
Master Plast S.r.o.	Slovakia	Wholesale of construction materials	SK2020213030	100%	100%	100%	100%
Masterplast Romania S.R.L.	Romania	Wholesale of construction materials	R13718003	100%	100%	100%	100%
MasterPlast TOV	Ukraine	Wholesale of construction materials	33438138	80%	80%	80%	80%
Masterplast d.o.o.	Croatia	Wholesale of construction materials	4012002113867	100%	100%	100%	100%
Masterplast D.O.O. (1)	North Macedonia	Wholesale of construction materials	4012002113867	90%	90%	90%	90%
MP Green Invest	Ukraine	Asset management	38243479	100%	100%	100%	100%
Masterplast Österreich GmBH (2)	Austria	Wholesale of construction materials	ATU63262935	0%	100%	0%	100%
ICS Masterplast Construct S.R.L. (3)(4)	Moldova	Wholesale of construction materials	1008600021309	0%	100%	100%	100%

(1) 80% of the company held by Masterplast YU d.o.o., 10% is held by Masterplast Nyrt.
(2) The company was sold on 6 June 2019
(3) 100% of the company is held by Masterplast Romania S.R.L
(4) The company was closed on 29 April 2019

In the event of indirect ownership, the Group has considered the ownership percentages used for consolidation purposes as presented in the above table.

Equity and profit or loss attributable to non-controlling interests are presented separately in the statement of financial position and the statement of profit or loss. In the case of business combinations, non-controlling interests are recorded at fair value or at the share of non-controlling interests in the net assets of the acquiree. Following the acquisition, non-controlling interest equals the initial investment as adjusted for any increase or decrease in the acquiree's equity attributable to non-controlling interests. Comprehensive income for the period is attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. This involves adjusting the investment of both the Group and non-controlling interests so that it reflects any change in their respective investments in the subsidiaries. The difference between the adjustment of non-controlling interests and the consideration received or paid is recognised in equity as value attributable to the Company's owners.

8.4.2 Consolidation of associates

An associate is an entity in which the Group has significant influence, but does not control, the financial and operating policies and is neither a subsidiary nor a joint arrangement. Associates and joint arrangements are accounted for using the equity method. Under the equity method, investments in associates are initially recorded at cost and subsequently adjusted to reflect the Group's share of the net assets of the associate. Any goodwill identified on acquisition is part of the net investment in the associate and is not amortised. The consolidated statement of profit and loss includes the Group's share of the results of the associate's operations. Any change in the equity of the associate is also recognised by the Group, where applicable, on a pro rata basis as changes in the Group's equity. Any gain or loss on the transactions between the Group and the associate is set off as apportioned to the percentage of the Group's investment in the associate.

The Group's associate is:

Company	Incorporated in	Core operations	Tax ID	Ownership (%)		Voting rate (%)	
				2019	2018	2019	2018
Quotaholders: Császár Zsolt, Masterplast Nyrt							
MasterProfil Kft.	Hungary	Profiles production	13874656-4-07	20%	20%	20%	20%
Quotaholders: Sinkó Zsolt and Lakatos Marcell together (76%), Masterplast Nyrt							
T-CELL Plasztik Kft. (1)	Hungary	EPS production	24648378-2-09	24%	0%	24%	0%

(1) Masterplast Nyrt. acquired a 24% share in the company on 3 June 2019

8.5. Foreign currency transactions

In view of the substance and circumstances of the underlying economic events, the parent company's functional currency is the Hungarian forint (HUF) and the Group's reporting currency is the euro (EUR).

The decision to choose the euro as the reporting currency for consolidated reporting purposes was based on considerations such as the Group's extensive international business relations and the users of the financial statements for whom the use of the EUR as reporting currency facilitates the interpretation of the consolidated financial statements in an international environment.

The functional currencies used by the Group members for financial reporting purposes in their respective local jurisdictions are as follows:

Company	Country	2019	2018
Masterplast Nyrt	Hungary	HUF	HUF
Masterplast Hungária Kft.	Hungary	HUF	HUF
Masterplast International Kft.	Hungary	EUR	EUR
Masterplast Kft.	Hungary	HUF	HUF
Mastermesh Production Kft.	Hungary	HUF	HUF
MasterFoam Kft.	Hungary	HUF	HUF
Masterplast YU D.o.o.	Serbia	RSD	RSD
Masterplast Sp. z.o.o	Poland	PLN	PLN
Master Plast S.r.o.	Slovakia	EUR	EUR
Masterplast Romania S.R.L.	Romania	RON	RON
Masterplast TOV	Ukraine	UAH	UAH
Masterplast d.o.o.	Croatia	HRK	HRK
Masterplast D.O.O.	North Macedonia	MKD	MKD
OOO Masterplast RUS	Russia	RUB	RUB
Green MP Invest	Ukraine	UAH	UAH
Masterplast Österreich GmbH	Austria	EUR	EUR
ICS Masterplast Construct SRL	Moldova	MDL	MDL

Transactions in foreign currencies are translated to the Group's 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.

The balance sheet and profit and loss accounts of Group members whose functional currency is other than the reporting currency are translated into the reporting currency based as follows:

- assets and liabilities are translated at the closing foreign exchange rate at the balance sheet date;
- profit and loss items are translated at monthly average foreign exchange rate;
- any gain or loss on foreign exchange fluctuations is recognised in the statement of other comprehensive income (accumulated currency translation gain or loss).

None of the Group members operates in a hyperinflatory economy.

8.6. Intangible assets

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

8.7. Property, plant and equipment

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

Land is not depreciated.

Depreciation is charged on a component and straight line basis over the useful life of the asset. The depreciation rates used are as follows:

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

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

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

8.8. Impairment of assets

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

8.9. Inventories

Inventories are carried at initial cost less any impairment loss recognised and plus any reversed impairment loss.

The initial cost of purchased inventories (materials, goods) equals their average acquisition cost determined on a periodic (quarterly) basis.

The production cost of self-produced inventories equals the average production cost determined on a periodic (quarterly) basis. Production cost includes materials, direct labour and general overhead as apportioned to the asset.

Inventories are presented at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion (for self-produced inventories) and selling expenses.

8.10. Investments and Financial assets

8.10.1 Classifiaction of financial asstes

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

- financial assets measured at amortised cost,
- financial assets measured at fair value through other comprehensive income
- financial assets 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 Group's business model for managing them. The business model for managing financial assets relates to the method how the Group plans to recover cash from that particular financial assets. Namely, whether the Group plans to recover cash solely through payments of principal and interest or though 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:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- 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:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- 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. However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income

8.10.2 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 case of a financial asset is not valued at fair value through profit or loss - transaction costs that are directly attributable to the acquisition or issuance 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.

8.10.3 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 Group 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 Group 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.

8.10.4 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 Group. 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 ont he 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 Group and as a result were classified as financial assets measured at amortized costs

8.10.5 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.

8.10.6 Cash and cash equivalents

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

8.10.7 Investments

Results from the valuation of investments are recognized through profit and loss statement and not through other comprehensive income.

8.10.8 Derivative financial instruments

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

8.11. Treasury shares

Treasury shares are recognised as a reduction in equity.

8.12. Issued capital and reserves

Issued capital and retained earnings are presented at initial cost in the financial statements. Any related foreign exchange gain or loss is recognised in the foreign currency translation reserve within equity.

The values of reserves presented in the consolidated financial statements do not equal the reserves available for distribution to the shareholders. The amount of dividends should be determined based on Masterplast Nyrt's stand-alone annual financial statements.

8.13. Foreign currency translation reserve

The foreign currency translation reserve reflects foreign exchange gains and losses arising on the consolidation of Group entities whose functional currency is other than the Group's reporting currency (EUR). Foreign exchange gains and losses arising from a monetary asset which, in substance, is considered to form part of the Group's investment in a foreign operation and are recognised directly in equity until the investment is derecognised.

Upon derecognition of an underlying asset, any accumulated foreign exchange translation reserve is recognised as income or expense in the same period when the gain or loss on the disposal of the asset is recognised.

8.14. Trade payables and other liabilities

Trade payables and other liabilities (including prepayments and accrued expenses) are recognised by the Group 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.

8.15. Provisions

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

The Group makes provisions for:

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

8.16. Pension contributions

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

8.17. Operating profit or loss

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

8.18. Leases

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

- there is a change in the contractual terms, unless the change only renews or extends the arrangement;
- 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;
- there is a change in the determination of whether fulfilment is dependent on a specified asset; or
- there is a substantial change to the asset.

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

The Group as a lessee:

The Group started to apply IFRS 16 Leases standard on 1 January 2019 and forward.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included – dependent on their maturities - in short or long-term Interest-bearing loans and borrowings

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of lowvalue assets are recognised as expense on a straight-line basis over the lease term.

8.19. Dividends

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

8.20. Government grants and assistance

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

Government assistance 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.

8.21. Revenues

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

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

Interest income is recognised as the interest accrues in order to reflect the actual yield 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.

8.22. Research and development

Research and development cost are expensed by the Group as and when they incur. For details, refer to Note 36.

8.23. 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 Group in profit or loss. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

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

8.24. Income taxes

Current year taxes:

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

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

Deferred taxes:

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for consolidated 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 Group's best estimate as to how the current income tax receivables and income tax payables 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.

8.25. Earnings per share

Earnings per share is calculated by the Company by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined in view of the weighted average number of ordinary shares with a potential dilutive effect, if any.

8.26. Contingencies

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

8.27. Segment reporting

The Group's operations can be split into two segments: Selling and Production. These serves as basis for the segment information reported by the Group to management. Management is responsible for the allocation of economic resources to the segments and for holding the segments accountable for their performance.

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 Group. 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 Group'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 Group's tax planning strategy as to the timing and amounts of any future taxable profits.

9.2. Impairment of debtors

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

9.3. Cash-generating units

The Group has determined that its smallest cash generating units are its subsidiaries with independent operations. This assessment is explained by the fact that most of the subsidiaries are wholesalers and operate in various countries. Therefore, a comparison of their overall performance gives a better understanding of their state of affairs and any shifts in market sensitivity or demand is more readily identifiable. This structure serves as basis for the Group's analyses and strategic decisions. As the determination of the cash generating units inherently involves a significant estimates, the actual amounts of impairment loss may significantly differ from these estimates.

9.4. Provisions

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

9.5. Impairment of property, plant and equipment

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

Owing to the current political situation in the Ukraine, the fair value of the Group's investment in the Ukraine less costs to sell involves significant estimates in terms of the potential selling prices.

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. Intangible assets, property, plant and equipment and assets in the course of construction

2019	Intangible assets	Properties	Machinery, equipment	Assets in construction	Tangible assets	Total
Cost, opening	**852 944**	**22 269 285**	**22 685 145**	**3 267 134**	**48 221 564**	**49 074 508**
Increase	35 000	748 628	4 562 561	0	5 311 189	**5 346 189**
Decrease	-84 711		-805 155	-1 330 924	-2 136 079	**-2 220 790**
Reclassification				0	0	**0**
Translation gain or loss	-19 870	-259 199	-36 734	112 622	-183 311	**-203 181**
Cost, closing	**783 363**	**22 758 714**	**26 405 817**	**2 048 832**	**51 213 363**	**51 996 726**
Accumulated depreciation and impairment, opening	**645 916**	**4 479 770**	**8 185 540**	**101 621**	**12 766 931**	**13 412 847**
Increase	39 129	555 808	1 490 120	0	2 045 928	**2 085 057**
Decrease	-76 309	0	-676 392	0	-676 392	**-752 701**
Reclassification				0	0	**0**
Translation gain or loss	-16 049	-78 361	-58 494	20 354	-116 501	**-132 550**
Closing accumulated depreciation and impairment	**592 687**	**4 957 217**	**8 940 774**	**121 975**	**14 019 966**	**14 612 653**
Opening net book value	**207 028**	**17 789 515**	**14 499 605**	**3 165 513**	**35 454 633**	**35 661 661**
Closing net book value	**190 676**	**17 801 497**	**17 465 043**	**1 926 857**	**37 193 397**	**37 384 073**

2018	Intangible assets	Properties	Machinery, equipment	Assets in construction	Tangible assets	Total
Cost, opening	**678 259**	**21 904 273**	**18 650 209**	**1 246 376**	**41 800 858**	**42 479 117**
Increase	271 095	615 592	5 771 128	1 991 178	8 377 898	**8 648 993**
Decrease	-78 410	0	-1 522 725	6 776	-1 515 949	**-1 594 359**
Reclassification	0	0	0	0	0	**0**
Translation gain or loss	-18 000	-250 580	-213 467	22 804	-441 243	-459 243
Cost, closing	**852 944**	**22 269 285**	**22 685 145**	**3 267 134**	**48 221 564**	**49 074 508**
Accumulated depreciation and impairment, opening	**660 792**	**3 977 539**	**8 378 605**	**96 218**	**12 452 362**	**13 113 154**
Increase	31 252	437 120	1 435 682	0	1 872 802	1 904 054
Decrease	-64 285	0	-1 749 143	10 807	-1 738 336	-1 802 621
Reclassification	0	0	0	0	0	0
Translation gain or loss	18 157	65 111	120 396	-5 404	180 103	198 260
Closing accumulated depreciation and impairment	**645 916**	**4 479 770**	**8 185 540**	**101 621**	**12 766 931**	**13 412 847**
Opening net book value	**17 467**	**17 926 734**	**10 271 604**	**1 150 158**	**29 348 496**	**29 365 963**
Closing net book value	**207 028**	**17 789 515**	**14 499 605**	**3 165 513**	**35 454 633**	**35 661 661**

Masterplast Group does not have intangible assets with an indefinite useful life. No finance expense was capitalised as part of an increase in costs in 2019 and 2018. Part of our bank loans are covered by the closing balance of the tangible assets of Masterplast Nyrt., Masterplast Kft., Masterplast Hungária Kft. and Masterplast International Kft. in the value of:

Closing balance of the tangible assets	2019	2018
Closing balance of the tangible assets	8 701 609	7 872 857

There was no major economic change in the Ukraine in 2019. The Company decided to abandon its capital project in the Ukraine in Q1 2016 and to sell the assets and machines purchased earlier. The Company reviewed the fair values of the assets in order to determine the market prices.

Based on the calculations, no further impairment loss was recorded in the 2019. In the business year 2018, as a result of the improvement in the domestic and real estate market situation and the further strengthening of the hryvnia, the impairment loss previously recorded on the property was reduced by the Company's value of UAH 1.200.000 (EUR 38 thousand) on the basis of valuation by an independent expert. The Company is currently seeking ways to utilise the property purchased for the project.

The value of the Group's investment in the Ukraine was UAH 19.9 million (EUR 762 thousand) at 31 December 2019 in the following categories:

Asset category	Investment value UAH	Investment value EUR
Properties	12 326 964	471 034
Machinery, equipment	3 493 786	133 503
Other	4 127 439	157 716
Total	**19 948 189**	**762 254**

The value of the Group's investment in the Ukraine was UAH 21.1 million (EUR 665 thousand) at 31 December 2018 in the following categories:

Asset category	Investment value UAH	Investment value EUR
Properties	12 300 000	388 741
Machinery, equipment	3 493 786	110 179
Other	5 281 988	166 572
Total	**21 102 738**	**665 492**

Value in use: Cash flow-based return calculation – FCFF model:
Due to abandoning the project, a cash flow based recovery calculation is not considered reasonable.

Fair value less cost to sell:
Based on the fair value hierarchy, measurement is classified as Level 2.
The Company involved external specialists in the measurement of the above asset portfolio and used benchmarks to determine the fair value less cost to sell and any resulting impairment loss. These figures are as follows:

Asset category	Asset value	Estimated market value	Impairment	Average impairment%
Properties	12 326 964	12 300 000	26 964	0.2%
Machinery, equipment	3 493 786	1 468 488	2 025 298	58.0%
Other	4 127 439	1 066 572	3 060 867	74.2%
Total	**19 948 189**	**14 835 060**	**5 113 128**	**25.6%**

The Company recognised an impairment loss of UAH 5 113 128 (EUR 195 381) in its balance sheet on its investment in the Ukraine at the end of the 2019 financial year as follows:

Asset category	Asset value	Estimated market value	Impairment	Average impairment%
Properties	471 034	470 004	1 030	0.2%
Machinery, equipment	133 503	56 113	77 390	58.0%
Other	157 716	40 756	116 961	74.2%
Total	**762 254**	**566 873**	**195 381**	**25.6%**

The total amount of impairment loss in the balance sheet reduces "*Tangible assets*" (EUR 161 thousand at the closing rate of 2018).

The impairment loss on the investment in the Ukraine from the Consolidated Annual Finance statement of 2018:

Asset category	Asset value	Estimated market value	Impairment	Average impairment%
Properties	12 326 964	12 300 000	26 964	0.2%
Machinery, equipment	3 493 786	1 457 773	2 036 013	58.3%
Other	5 281 988	1 248 221	4 033 767	76.4%
Total	**21 102 738**	**15 005 994**	**6 096 744**	**28.9%**

The Company recognised an impairment loss of UAH 6 096 744 (EUR 192 266) in its balance sheet on its investment in the Ukraine at the end of the 2018 financial year as follows:

Asset category	Asset value	Estimated market value	Impairment	Average impairment%
Properties	388 741	387 890	850	0.2%
Machinery, equipment	110 179	45 972	64 207	58.3%
Other	166 572	39 364	127 208	76.4%
Total	**665 492**	**473 226**	**192 266**	**28.9%**

The total amount of impairment loss in the balance sheet reduces "*Tangible assets*" (EUR 182 thousand at the closing rate of 2017).

11. Assets purchased under financial lease

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

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

Finance leased assets	2019	2018
Gross value	2 262 183	2 012 225
Accumulated depreciation	665 230	552 583
Net value	**1 596 953**	**1 459 642**

The value and movements of lease liabilies for the end of 2019 were as follows:

Leasing movement table	2019
January 1, 2019 (first application)	863 921
Growth	415 446
Interest	-24 387
Payments	-392 507
Revaluation of lease liability	-20 894
December 31, 2019	841 579
Short-term lease liabilities	**289 975**
Long-term lease liabilities	**551 604**

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

Lease liabilities	2019	2018
Lease liabilities within 1 year	289 975	289 284
Due in 2-5 years	551 604	574 638
Total lease obligations	**841 579**	**863 922**

The present values of minimum lease payments were as follows:

Minimum lease payments	2019	2018
Lease payments falling due within 1 year	301 710	301 347
Lease payments falling due within 2-5 years	563 570	587 783
Minimum lease payments	**865 279**	**889 131**
Financial expenses	-23 700	-25 208
Present value of minimum lease payments	**841 579**	**863 922**

The Group cannot renew its lease agreements, and the leased assets become property of the lessee at the end of the lease term. The related commitments include bills of exchange, deposits and blank promissory notes.

12. Investments in associates

Masterprofil Kft.

On 30 November 2013, Masterplast Nyrt. reduced its share in Masterprofil Kft. from 95% to 20%, thereby this previously fully consolidated subsidiary became an associate.

T-Cell Plasztik Kft.

Masterplast Nyrt. purchased 24% shares in T-Cell Kft. on 3 June 2019. The purchase price of the acquired share was HUF 99 840 thousands (EUR 302 069) which was paid in full. T-Cell Kfr.'s key activity is to produce polystyrene in its two factories (Hajdúszoboszló and Zalaegerszeg) in Hungary. This entity is consolidated using the equity method through profit and loss accounts.

Share of the profits of associates	2019
Opening	33 775
Share of the profits of associates	-11 769
Growth	302 069
Comprehensive income	-3 238
Closing*	**320 837**

*Includes no profit or loss from discontinued operations.

Share of the profits of associates	2018
Opening	33 649
Share of the profits of associates	194
Comprehensive income	-68
Closing*	**33 775**

*Includes no profit or loss from discontinued operations.

13. Inventories

Type of inventory	2019			2018		
	Gross book value	Impairment charge	Net book value	Gross book value	Impairment charge	Net book value
Finished products	2 640 856	0	2 640 856	1 894 176	0	1 894 176
Semi-finished products, WIP	1 740 936	0	1 740 936	858 805	0	858 805
Raw materials, additives and fuels	2 104 919	0	2 104 919	2 933 651	0	2 933 651
Goods	14 815 061	-44 977	14 770 083	17 496 686	-123 395	17 373 291
Total	**21 301 772**	**-44 977**	**21 256 794**	**23 183 318**	**-123 395**	**23 059 923**

Impairment charge recognised and reversed on inventories in 2019:

Impairment of inventories 2019	EUR
Opening impairment	123 395
Translation difference	136
Charges	-3 892
Reversals	-74 662
Closing	**44 977**

Impairment charge recognised and reversed on inventories in 2018:

Impairment of inventories 2018	EUR
Opening impairment	53 189
Translation difference	-834
Charges	120 328
Reversals	-49 320
Closing	**123 395**

Impairment charged in previous years decreased as a result of the sale of impaired goods. Impairment charges on sold goods were not reversed, the Group chose to adjust the direct cost of sold goods with them at the time of the sale.

The cost of sold inventories (purchased goods and self-produced inventories):

Cost of goods sold	2019	2018
Cost of goods sold	86 201 877	77 444 944

The bank loans are partly covered by the closing balances of the inventories of Masterplast Nyrt., Masterplast Kft., Masterplast Hungária Kft, Masterplast International Kft. and Masterfoam Kft in the following value:

Closing balances of the inventories	2019	2018
Closing balances of the inventories	8 083 321	7 556 651

14. Trade receivables

Debtors	2019	2018
Debtors	15 401 943	13 447 036
Impairment of doubtful receivables	-930 535	-993 712
Total	**14 471 408**	**12 453 324**

Average payment term of trade receivables was 49 days in 2019 (47 days in 2018). There is no significant concentration in our trade receivables.

Impairment charged recognised and reversed on trade receivables in 2019:

Impairment of trade receivables	Opening impairment	Translation difference	Charges	Reversals	Closing
Impairment of trade receivables	993 712	18 063	204 389	-285 629	930 535
Total	**993 712**	**18 063**	**204 389**	**-285 629**	**930 535**

Impairment charged recognised and reversed on trade receivables in 2018:

Impairment of trade receivables	Opening impairment	Translation difference	Charges	Reversals	Closing
Impairment of trade receivables	1 171 214	-253	147 479	-324 728	993 712
Total	**1 171 214**	**-253**	**147 479**	**-324 728**	**993 712**

Ageing of trade receivables is as follows:

Aged analysis	2019			2018		
	Gross book value	Impairment charge	Net book value	Gross book value	Impairment charge	Net book value
Not yet due	8 752 250	0	8 752 250	7 994 511	0	7 994 511
Due over 0-60 days	5 099 712	0	5 099 712	3 702 364	0	3 702 364
Due over 61-90 days	288 183	0	288 183	347 668	0	347 668
Due over 91-180 days	380 557	94 533	286 024	415 531	100 044	315 487
Due over 181-360 days	89 200	43 961	45 239	98 341	46 522	51 819
Due over 360 days	792 041	792 041	0	888 621	847 146	41 475
Total	**15 401 943**	**930 535**	**14 471 408**	**13 447 036**	**993 712**	**12 453 324**

15. Other current assets

Other current assets	2019	2018
Advances paid	169 401	78 527
Bills of exchange and cheques receivable	303 559	284 638
Other receivables	989 387	1 104 554
Bonus from suppliers	487 068	446 633
Impairment on other receivables	-378 254	-362 790
Accrued income	4 759	20 739
Prepaid expense	191 509	200 712
Total	**1 767 428**	**1 773 013**

16. Cash and cash equivalents

Cash and cash equivalents	2019	2018
Cash	34 155	39 830
Bank deposits	4 496 186	2 049 993
Total	**4 530 341**	**2 089 823**

The Group does not have restricted cash or cash-equivalents as at 31 December 2019 or 31 December 2018.

17. Short-term and long-term loans

Short-term and long-term bank loans taken - 2019

Company name	Loan ID	Loan type	Currency of disbursement	Interest (%)	Period of interest settlement	Amount of outstanding loan debt EUR	Repayment Amount of repayment falling due within 1 year	Amount of repayment falling due within 2-5 years	Amount of repayment falling due beyond 5 years	Collaterals	Criteria of enforcement of mortgage
Masterplast YU d.o.o.	00-421-1700025.1	investment loan	RSD	2W REPO + 3,33%	monthly	2 826 020	235 502	2 367 271	223 247	promissory note + mortgage + MP NYRT guarantor	-
Masterfoam Kft.	TCF-DK-77/2017	FX loan	EUR	EUR CIRR + 0.1.75 % p.a	every 6 months	875 076	250 076	625 000	0	Net sales pledged to Bank, first demand absolute direct surety	Set off right + sales revenues + MP Kft. as guarantor
Masterplast International Kft.	TCF-DK-76/2017	FX loan	EUR	EUR CIRR + 0.1.75 % p.a.	every 6 months	840 000	240 000	600 000	0	collateral of bank credit line	Implementing rights of a third party are registered on mortgage property as collateral for credit line, or a third party enforces mortgage rights on the property.
Masterplast Romania	35/2016	investment loan	RON	ROBOR 1 M +1.75%	monthly	71 744	39 131	32 613	0	mortgage + bank guarantee	If a loan repayment plan is violated unjustified, the Bank has the right to enforce the guarantees following calculation of penalty interest. Repayment and interest payment due date on 15th of every month, deviation is possible with permission from the Bank only.
Masterplast YU D.o.o.*	00-422-0001389.6	bridging loan	RSD	3-month EURIBOR + 2.5%	monthly	700 000	700 000	0		promissory note + mortgage + MP NYRT guarantor	
Masterplast s.r.o.	-	financing	EUR	3.26% p.a.	monthly	20 300	4 830	15 470	0	mortgage	
Total investment and working capital loans						**5 333 140**	**1 469 539**	**3 640 354**	**223 247**		
Masterplast Romania	56 (OVD)	overdraft facility	RON	ROBOR 1M+1%	monthly	2 410 733	2 410 733	0	0	mortgage	-
Masterplast s.r.o.	-	overdraft facility	EUR	6-month EURIBOR +1.6%	monthly	449 336	449 336	0	0	mortgage	-
Masterplast Nyrt.	F-50/2017	overdraft facility	HUF	1-month BUBOR +1%	monthly	1 523 013	1 523 013	0	0	-	-
Total overdraft facilities						**4 383 082**	**4 383 082**	**0**	**0**		
Total loans and credits						**9 716 222**	**5 852 621**	**3 640 354**	**223 247**		

On December 31, 2019 the required loan covenants were fulfilled in all cases.

* Bridging loan linked to development subsidies and will be repaid as a bullet payment upon receipt of the subsidy

The secured loans were drawn for specific development projects and are secured by the financed assets.

The Group's credit exposure is linked to two banks.

Short-term and long-term bank loans taken – 2018

Company name	Loan ID	Loan type	Currency of disbursement	Interest (%)	Period of interest settlement	Amount of outstanding loan debt EUR	Repayment Amount of repayment falling due within 1 year	Amount of repayment falling due within 2-5 years	Amount of repayment falling due beyond 5 years	Collaterals	Criteria of enforcement of mortgage
Masterplast YU d.o.o.	00-421-0604708.6	investment loan	RSD	3-month EURIBOR + 3.8%	monthly	1 434 997	273 333	1 093 333	68 331	promissory note + mortgage + MP NYRT guarantor	-
Masterplast YU d.o.o.	00-421-0603552.5	investment loan	RSD	3-month EURIBOR + 3.8%	monthly	1 646 448	459 474	1 186 974	0	promissory note + mortgage + MP NYRT guarantor	-
Masterplast YU d.o.o.	00-421-1700025.1	investment loan	RSD	2W REPO + 3,33%	monthly	1 913 542	0	1 690 295	223 247	promissory note + mortgage + MP NYRT guarantor	-
Masterfoam Kft.*	TCF-DK-77/2017	FX loan	EUR	2,04% until 03-04-2018, then EUR CIRR + 1.75 % p.a.	every 6 months	1 125 000	250 000	875 000	0	Net sales pledged to Bank, first demand absolute direct surety	Set off right + sales revenues + MP Kft. as guarantor
Masterplast International Kft.	SST-17-14844-250	FX loan	EUR	1-month BUBOR +1%	monthly	8 500 000	8 500 000	0	0	collateral of bank credit line	Implementing rights of a third party are registered on mortgage property as collateral for credit line, or a third party enforces mortgage rights on the property.
Masterplast International Kft.*	TCF-DK-76/2017	FX loan	EUR	EUR CIRR + 0.1.75 % p.a.	every 6 months	1 080 000	240 000	840 000	0		
Masterplast Romania	35/2016	investment loan	RON	ROBOR 1 M +1.75%	monthly	113 614	40 099	73 515	0	mortgage + bank guarantee	If a loan repayment plan is violated unjustified, the Bank has the right to enforce the guarantees following calculation of penalty interest. Repayment and interest payment due date on 15th of every month, deviation is possible with permission from the Bank only.
Masterplast International Kft.	R-27/2017	current asset financing	EUR	1-month EURIBOR + 1.40%	monthly	2 500 000	2 500 000	0	0	collateral of bank credit line	
Masterplast YU D.o.o.**	00-475-0300006.3	bridging loan	RSD	3-month EURIBOR + 2.5%	monthly	1 950 000	1 950 000	0	0	promissory note + mortgage + MP NYRT guarantor	
Masterplast s.r.o.	-	financing	EUR	4.7% p.a.	monthly	3 508	3 508	0	0	mortgage	
Total investment and working capital loans						**20 267 109**	**14 216 414**	**5 759 117**	**291 578**		
Masterplast Romania	56 (OVD)	overdraft facility	RON	ROBOR 1M+1%	monthly	2 152 564	2 152 564	0	0	mortgage	-
Masterplast s.r.o.	-	overdraft facility	EUR	6-month EURIBOR +1.6%	monthly	387 499	387 499	0	0	mortgage	-
Masterplast International Kft.	MCOD-17-14844-150	overdraft facility	HUF	1-month BUBOR +1.25%	monthly	1 106 967	1 106 967	0	0	-	-
Masterplast Nyrt.	F-50/2017	overdraft facility	HUF	1-month BUBOR +1%	monthly	512 109	512 109	0	0	-	-
Total overdraft facilities						**4 159 139**	**4 159 139**	**0**	**0**		
Total loans and credits						**24 426 248**	**18 375 553**	**5 759 117**	**291 578**		

On December 31, 2018 the required loan covenants were fulfilled in all cases.
* Revolving loan, amounts repaid may be used again immediately
** Bridging loan linked to development subsidies and will be repaid as a bullet payment upon receipt of the subsidy
The secured loans were drawn for specific development projects and are secured by the financed assets.
The Group's credit exposure is linked to three banks.

18. Liabilities from issued bonds

The Group issued HUF 6 billion (EUR 18.1 million) bonds as part of the Development Bond Program of the Hungarian Central Bank (MNB) using it to re-structure the financing of its Group by providing a long-term, low-interest rate (1.08% interest on EUR-basis) fund to back future development. The Company from the funds received through the issuance of these bonds denominated in HUF provides shareholder loans to its subsidiaries denominated in EUR. In order to optimize the impact of potential foreign exchange gains/losses as well as interest expense from these transactions the Company entered into a CCIRS hedge in December 2019. The impact of this instrument on the profit and loss of the Company in the last quarter of 2019 is not significant, however it is expected that as a result of these transactions the overall interest expense of the Company would increase in the upcoming years. The bonds were launched on the BSE Xbond market on 18 February 2020.

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	2019	2018
SZVP-2003-6-03-08-1	Networking at "Master" level	Masterplast Nyrt. Masterplast Kft.	41 268	43 566
GVOP-1.1.2-2004-11-0003/5.0	Central and Eastern European regional company headquarter: "Master" educator; MASTER3AS centre - Products, Services, Training at "Master" level	Masterplast Nyrt. Masterplast Kft.	250 655	265 231
GVOP-1.1.1-05/1.-2005-11-0010/5.0	"Development of the PE foam producing plant of MasterFoam Kft. at Kál in Heves county"	Masterfoam Kft.	14 460	14 866
GOP-1.3.3.09-2010-0013	"Development of new type building industry and packaging industry units with MASTERFOAM Kft to strengthen supplier status"	Masterfoam Kft.	12 033	13 136
NGM/34052-6/2017	Corporate Investment support	Masterfoam Kft.	680 996	761 580
Government Grant	Fiberglass-mesh plant	Masterplast YU D.o.o.	3 213 713	3 728 512
GOP-1.3.1-10/A-2010-0143	"Launch of premix production know how with MASTERPLAST Kft'	Masterplast Kft	2 884	2 964
GINOP-2.1.1-15-2016-00767	Development of the new wind and air-tight diffusion roof foil with favourable properties at Masterplast Kft.	Masterplast Kft	124 957	136 551
GOP-1.3.1-11/A-2011-0084	"Energy modernisation of high buildings and the development of the related compliance with fire protection provisions with MASTERPLAST Kft"	Masterplast Kft	33 043	35 235
Total			**4 374 009**	**5 001 641**
Short-term part			**625 658**	**933 723**
Long-term part			**3 748 351**	**4 067 918**

Contingent liabilities and commitments related to deferred income are described in Note 37.

20. Other long-term liabilities

Other long-term liabilities	2019	2018
Long-term part of lease liabilities (Note 11)	551 604	574 637
Other long-term liabilities	143 163	146 715
Total	**694 767**	**721 352**

21. Provisions

2019	Opening balance	Translation difference	Increase	Current year use	Reversed	Closing
For unused holidays	69 967	2 776	92 247	69 967	0	95 023
For bonuses	0	0	0	0	0	0
For commissions	13 526	-369	25 876	13 526	0	25 507
Other	103 451	-1 172	6 879	7 929	2 935	98 294
Total	**186 944**	**1 235**	**125 002**	**91 422**	**2 935**	**218 824**
2018	**Opening balance**	**Translation difference**	**Increase**	**Current year use**	**Reversed**	**Closing**
For unused holidays	43 139	-250	52 395	22 911	2 407	69 967
For bonuses	102	0	0	102	0	0
For commissions	10 336	0	13 525	7 707	2 628	13 526
Other	34 868	72	75 445	6 934	0	103 451
Total	**88 445**	**-178**	**141 365**	**37 654**	**5 035**	**186 944**

22. Trade payables

Ageing of trade payables is as follows:

Creditors	2019	2018
Not yet due	9 259 865	10 069 532
Due over 0-60 days	1 300 912	1 169 143
Due over 61-90 days	34 559	644 635
Due over 91-180 days	70 379	582 709
Due over 180 days	62 061	307 820
Total	**10 727 776**	**12 773 839**

23. Other current liabilities

Other current liabilities	2019	2018
Advances received	57 686	49 154
Liabilities to employees	1 015 823	841 465
Other current liabilities	292 745	208 179
Bonus to customers	1 122 589	886 115
Deferred income	4 085	13 196
Accrued expenses	217 282	270 848
Total	**2 710 210**	**2 268 957**

24. Cost of materials and services used

Material type expenses	2019	2018
Cost of materials	31 395 482	29 101 027
Cost of services used	5 236 946	5 569 786
Cost of goods sold	51 229 270	44 541 222
Obtained sconto	-52 175	-7 062
Received bonus	-1 983	-2 061
Total	**87 807 539**	**79 202 911**

25. Personnel related costs

Payments to personnel	2019	2018
Payroll costs	10 816 467	8 918 488
Other payments to personnel	1 135 681	956 354
Payroll taxes and social security contribution	2 074 776	1 672 940
Total	**14 026 924**	**11 547 782**

26. Other income and expense

Other income and expenses	2019	2018
Result of fixed asset sales	75 360	-121 212
Inventory shortage, scrapped	-159 806	-342 245
Impairment reversed/(charged) on inventories, debtors and other receivables	66 531	-129 816
Taxes, duties	-223 457	-248 648
Credit loss	-193 612	-126 202
Income from tenders (release of deferred income)	624 711	448 292
Provisions reversed/(charged)	-30 645	-98 676
Other	60 350	39 749
Total	**219 432**	**-578 758**

27. Other financial profit or loss and fair value adjustments

Other financial profit or loss	2019	2018
Foreign exchange gain/(loss)	751 621	-213 714
Recognised gain/(loss) on derivatives and fair value adjustments	-198 729	199 436
Other	18 770	0
Total	**571 662**	**-14 278**

The Group had the following open derivative transactions (at trading rate) at the end of years 2018 and 2019:

Description	Maturity/closing date	Currency	Value	Fair value 2019	Fair value 2018
Forward sale of Euro for USD at rate 1.1824 USD/EUR (at trading rate: 1.1693 USD/EUR)	15.05.2019	USD	500 000	0	5 607
Forward sale of Euro for USD at rate 1.18 USD/EUR (at trading rate: 1.1667 USD/EUR)	17.04.2019	USD	500 000	0	5 703
Forward sale of Euro for USD at rate 1.1766 USD/EUR (at trading rate: 1.1632 USD/EUR)	13.03.2019	USD	500 000	0	5 751
Forward sale of Euro for USD at rate 1.1745 USD/EUR (at trading rate: 1.1608 HUF/EUR)	13.02.2019	USD	500 000	0	5 920
Forward buy of Euro for Polish zloty at rate 4.2995 (at trading rate: 4.3114EUR/PLN)	09.01.2019	PLN	133 654	0	86
Forward buy of Euro for Polish zloty at rate 4.2995 (at trading rate: 4.3082EUR/PLN)	16.01.2019	PLN	133 554	0	63
Forward buy of Euro for Polish zloty at rate 4.2995 (at trading rate: 4.3183EUR/PLN)	23.01.2019	PLN	86 366	0	87
Forward buy of Euro for Polish zloty at rate 4.2995 (at trading rate: 4.2933USD/PLN)	14.02.2019	PLN	167 905	0	-57
Forward buy of Euro for Polish zloty at rate 4.2995 (at trading rate: 4.2923USD/PLN)	21.02.2019	PLN	141 645	0	-55
Forward buy of Euro for Polish zloty at rate 4.2995 (at trading rate: 4.2964USD/PLN)	26.02.2019	PLN	150 373	0	-26
Forward buy of Euro for Polish zloty at rate 4.2995 (at trading rate: 4.2883USD/PLN)	06.03.2019	PLN	192 974	0	-117
Forward buy of Euro for Polish zloty at rate 4.2615 (at trading rate: 4.3735 EUR/PLN)	15.01.2020	PLN	139 952	-842	0
Forward buy of Euro for Polish zloty at rate 4.2615 (at trading rate: 4.3729 EUR/PLN)	15.01.2020	PLN	135 560	-811	0
Forward buy of Euro for Polish zloty at rate 4.2615 (at trading rate: 4.3689 EUR/PLN)	15.01.2020	PLN	117 960	-681	0
Forward buy of Euro for Polish zloty at rate 4.265 (at trading rate: 4.4166 EUR/PLN)	28.01.2020	PLN	220 830	-1 780	0
Forward buy of Euro for Polish zloty at rate 4.265 (at trading rate: 4.3792 EUR/PLN)	28.01.2020	PLN	218 960	-1 341	0
Forward buy of Euro for Polish zloty at rate 4.2671 (at trading rate: 4.3588 EUR/PLN)	05.02.2020	PLN	174 352	-861	0
Forward buy of Euro for Polish zloty at rate 4.2671 (at trading rate: 4.3571 EUR/PLN)	05.02.2020	PLN	161 213	-782	0
Forward buy of Euro for Polish zloty at rate 4.2708 (at trading rate: 4.3358 EUR/PLN)	19.02.2020	PLN	86 716	-305	0
Forward buy of Euro for Polish zloty at rate 4.2707 (at trading rate: 4.3231 EUR/PLN)	19.02.2020	PLN	86 462	-246	0
Forward buy of Euro for Polish zloty at rate 4.2707 (at trading rate: 4.3219 EUR/PLN)	19.02.2020	PLN	64 829	-180	0
Forward buy of Euro for Polish zloty at rate 4.2773 (at trading rate: 4.2932 EUR/PLN)	16.03.2020	PLN	85 864	-74	0
Forward buy of Euro for Polish zloty at rate 4.3818 (at trading rate: 4.3168 EUR/PLN)	19.02.2020	PLN	86 336	305	0
Forward buy of Euro for Polish zloty at rate 4.5596 (at trading rate: 4.408 EUR/PLN)	28.01.2020	PLN	220 400	1 780	0
Forward buy of Euro for Polish zloty at rate 4.362 (at trading rate: 4.3096 EUR/PLN)	19.02.2020	PLN	86 192	246	0
EUR/HUF foreign exchange swap at rate 330,52 (at trading rate: 329 HUF/EUR)	16.12.2026	HUF	6 022 801 800	-84 189	0
Total				**-89 761**	**23 021**
Of which other financial receivables				**2 331**	**23 275**
Of which other financial (liabilities)				**-92 092**	**-255**

In 2019 and 2018 derivative transactions were evaluated by a contractual partner of the Group based on the actual market conditions that prevailed at the balance sheet date.

Fair value hierarchy	2019		2018	
	Level 2*	Fair value total	Level 2*	Fair value total
Financial assets				
FX derivative transactions	2 331	2 331	23 275	23 275
Financial assets total	**2 331**	**2 331**	**23 275**	**23 275**
Financial liabilities				
FX derivative transactions	92 092	92 092	255	255
Financial liabilities total	**92 092**	**92 092**	**255**	**255**

The Group's financial instruments at book value and fair value were as follows at the end of 2019 and 2018:

Valuation of financial instruments	Book value		Fair value	
	31-12-2019	31-12-2018	31-12-2019	31-12-2018
Trade receivalbe	14 471 408	12 453 324	14 471 408	12 453 324
Taxes receivables	784 089	1 075 573	784 089	1 075 573
Other financial assets	2 331	23 275	2 331	23 275
Cash and cash equivalents	4 530 341	2 089 823	4 530 341	2 089 823
Total	**19 788 169**	**15 641 995**	**19 788 169**	**15 641 995**
Long-term loans	3 863 601	6 050 695	3 863 601	6 050 695
Other long-term liabilities	18 136 170	0	18 136 170	0
Taxes payable	694 767	721 352	694 767	721 352
Short-term loans	1 047 445	641 013	1 047 445	641 013
Trade payables	5 852 621	18 375 553	5 852 621	18 375 553
Liabilities to shareholders	10 727 776	12 773 839	10 727 776	12 773 839
Short-term finance lease liabilities	289 975	289 284	289 975	289 284
Other financial liabilities	92 092	255	92 092	255
Total	**40 704 447**	**38 851 991**	**40 704 447**	**38 851 991**

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

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

The majority of the long term loans of the Group are also on floating interest rate and as such the market changes are continuously followed by the interest rate changes of the loans. Considering the Group's industry and risk position management believes that there is no change of risk rating during the term of these loans. Based on this the Group determined that net book value of the long term loans agrees to their fair value.

The long term lease liabilities have the same conditions as long term loans (floating reference rate). As such their net book value agrees to their fair value.

Undiscounted cash-flow 2019	Payment within 1 year	Payment within 2-5 year	Payment beyond 5 year
Total loans and credits	5 825 621	3 640 354	223 247
Interests of loans and credits	285 920	744 883	7 637
Total	**6 111 541**	**4 385 237**	**230 884**

Undiscounted cash-flow 2018	Payment within 1 year	Payment within 2-5 year	Payment beyond 5 year
Total loans and credits	18 375 553	5 759 117	291 578
Interests of loans and credits	480 569	875 360	10 176
Total	**18 856 122**	**6 634 477**	**301 754**

28. Taxes

Taxes receivable and taxes payable were as follows:

Taxes receivable and taxes payable	2019	2018
Taxes receivable	784 089	1 075 573
Taxes payable	-1 047 445	-641 013
Net tax receivable	**-263 356**	**434 560**

Income tax expense for the years ended 31 December 2019 and 31 December 2018 includes the following components:

Income tax expense	2019	2018
Income tax expense for the current year	596 753	405 753
Deferred income tax expense	-33 800	-106 699
Income tax expense	**562 953**	**299 054**

The Group is regularly audited by the tax authority. As the application of the tax laws and requirements that refer to the individual transactions are subject to varying interpretation, the amounts recognized in the financial statements may change later in view of the ultimate decision of the tax authority.

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

Average tax rate	2019	2018
Average tax rate	12,2%	11,2%

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

Year-end balance of deferred tax	2019	2018
Tangible fixed assets	-163 805	-205 848
Inventories	56 635	86 895
Provisions	1 782	14 239
Receivables	168 301	182 391
Development reserves	0	-13 996
Losses carried forward	32 556	36 677
Deferred tax adjustments due to consolidation	0	0
Other	1 059	21 696
Closing deferred tax assets, net	**96 528**	**122 054**
Of which deferred tax assets	**362 248**	**303 568**
Of which deferred tax (liability)	**-265 720**	**-181 514**

Difference between the Group's income tax payable calculated at the actual average and effective income tax rate:

Difference between average and calculated tax rate	2019	2018
Profit before tax as per consolidated statement of profit or loss	5 325 871	3 624 917
Actual average tax rate	12.2%	11,2%
Income tax payable calculated at actual average tax rate	**649 756**	**405 991**
Permanent differences	-10 402	3 025
Impact of the different tax rates	-40 788	-1 613
Unrealised loss of subsidiaries	0	0
Deferred tax assets and liabilities recognised in previous year, written off	0	0
Revaluation of deferred tax assets and liabilities	-3 085	-108 349
Other	-32 528	0
Total differences	**-86 803**	**-106 937**
Total income tax expenses	**562 953**	**299 054**
Effective income tax rate	**10.6%**	**8,2%**

Carried forward tax losses not yet used and the maturity of their usability:

Losses carried forward not considered in the deferred-tax	2019	2018	Usability
ICS Masterplast Construct SRL	0	33 419	No fixed date
Masterplast Österreich	0	886 496	Deferred loss can be carried forward unlimited, but can only be used up to 75% of potential positive tax base for the given year
Masterplast Romania	585 868	469 435	Can be used up to 7 years from generation
Masterplast SK	34 795	34 795	Can be used up to 5 years from generation
Masterplast Nyrt.	0	0	Can be used up to 5 years from generation
Masterplast International Kft.	0	0	Can be used up to 5 years from generation
Mastermesh Kft.	0	0	Can be used up to 5 years from generation
Total	**620 663**	**1 424 145**	

29. Earnings per share

Earnings per share	2019	2018
Profit distributable to shareholders	4 572 942	3 283 382
Weighted average number of shares traded during the year	14 488 851	14 554 127
Earnings per share	**0,32**	**0,23**

Diluted earnings per share	2019	2018
Profit distributable to shareholders	4 572 942	3 283 382
Weighted average number of shares traded during the year	14 488 851	14 554 127
Diluted earnings per share	**0,32**	**0,23**

The Company had no uncalled share options with a diluting impact in 2019 and 2018, so the earnings per share equal the diluted earnings per share.

30. Segments

In view of the Group's operations, our production and selling activities are presented as business segments. Accordingly, the Group divides its activities into two segments: Production and Selling. The Production segment supplies fibreglass-mesh, plasterboard profiles, plaster profiles, isofoam and EPS to the Selling segment. The inter-segment transfer prices are based on the actual (purchase) market prices. The results of these operations also include those of the fully consolidated subsidiaries that belong to each segment.

2019	Sales	Production	Unallocated expenses	Inter-segment eliminations	Consolidated
Sales revenues from third parties	106 859 252	0	244 989	0	**107 104 241**
Inter-segment sales revenues	0	32 912 489	2 685 449	-35 597 938	**0**
Materials and services used	-94 013 398	-26 906 016	-2 486 063	35 597 938	**-87 807 539**
Payments to personnel	-6 861 156	-5 780 220	-1 385 548	0	**-14 026 924**
Depreciation and amortisation	-1 051 031	-762 761	-271 265	0	**-2 085 057**
Changes in self- produced inventories	251 108	1 586 857	0	0	**1 837 965**
Other operating income (expenses)	-15 810	458 418	-223 176	0	**219 432**
EBITDA	**6 219 996**	**2 271 528**	**-1 164 349**	**0**	**7 327 175**
EBITDA %	5.8%	6.9%	-39.7%	0	**6.8%**
OPERATING PROFIT/LOSS	**5 168 965**	**1 508 767**	**-1 435 614**	**0**	**5 242 118**
EBIT %	4.8%	4.6%	-49.0%	0	**4,9%**
Interest income	75 322	2 011	93	0	**77 426**
Interest expenses	-325 632	-156 251	-71 683	0	**-553 566**
Other income (expenses) of financial transactions	350 332	60 047	161 283	0	**571 662**
Financial profit/loss	**100 022**	**-94 193**	**89 693**	**0**	**95 522**
Share of the profit of associates	0	0	-11 769	0	**-11 769**
PROFIT/LOSS BEFORE TAX	**5 269 131**	**1 414 574**	**-1 357 834**	**0**	**5 325 871**
Income tax	-454 711	-20 160	-88 082		**-562 953**
PROFIT/LOSS FOR THE YEAR	**4 814 420**	**1 394 414**	**-1 445 916**	**0**	**4 762 918**
ASSETS					
Tangible fixed assets	10 968 873	19 676 638	6 547 886	0	**37 193 397**
Inventories	14 999 145	6 257 649	0	0	**21 256 794**
Debtors	13 778 716	577 018	115 673	0	**14 471 408**
LIABILITIES					
Long-term loans	648 079	3 215 522	0	0	**3 863 601**
Deferred income	452 805	3 921 204	0	0	**4 374 009**
Short-term loans/OVD	-2 473 299	8 325 920	0	0	**5 852 621**
Creditors	10 547 040	256 174	-75 439	0	**10 727 776**

2018	Sales	Production	Unallocated expenses	Inter-segment eliminations	Consolidated
Sales revenues from third parties	97 104 467	0	235 378	0	**97 339 845**
Inter-segment sales revenues	0	31 158 183	2 806 302	-33 964 485	**0**
Materials and services used	-85 912 917	-24 597 759	-2 656 720	33 964 485	**-79 202 911**
Payments to personnel	-5 841 343	-4 360 371	-1 346 068	0	**-11 547 782**
Depreciation and amortisation	-848 432	-831 422	-235 006	0	**-1 914 860**
Changes in self- produced inventories	297 321	-273 034	0	0	**24 287**
Other operating income (expenses)	-490 325	344 183	-432 616	0	**-578 758**
EBITDA	**5 157 203**	**2 271 202**	**-1 393 724**	**0**	**6 034 681**
EBITDA %	5,3%	7,3%	-45,8%	0,0%	**6,2%**
OPERATING PROFIT/LOSS	**4 308 771**	**1 439 780**	**-1 628 730**	**0**	**4 119 821**
EBIT %	4,4%	4,6%	-53,5%	0,0%	**4,2%**
Interest income	67 203	5 930	603	0	**73 736**
Interest expenses	-265 570	-234 288	-54 698	0	**-554 556**
Other income (expenses) of financial transactions	-131 264	-157 524	274 510	0	**-14 278**
Financial profit/loss	**-329 631**	**-385 882**	**220 415**	**0**	**-495 098**
Share of the profit of associates	0	0	194	0	**194**
PROFIT/LOSS BEFORE TAX	**3 977 486**	**1 053 898**	**-1 406 466**	**0**	**3 624 917**
Income tax	-211 256	-70 845	-16 953	0	**-299 054**
PROFIT/LOSS FOR THE YEAR	**3 766 230**	**983 053**	**-1 423 419**	**0**	**3 325 863**
ASSETS					
Tangible fixed assets	12 422 695	17 165 677	5 866 261	0	**35 454 633**
Inventories	17 628 510	5 431 412	0	0	**23 059 923**
Debtors	11 646 596	693 732	112 996	0	**12 453 324**
LIABILITIES					
Long-term loans	913 515	5 137 180	0	0	**6 050 695**
Deferred income	483 549	4 518 092	0	0	**5 001 641**
Short-term loans/OVD	9 621 023	8 754 530	0	0	**18 375 553**
Creditors	12 201 385	529 418	43 036	0	**12 773 839**

31. Sales revenues broken down by country (EUR thousand):

Sales revenues by countries	2019	2018
Hungary	42 629	35 447
Export	17 324	15 708
Romania	12 044	11 485
Serbia	9 236	9 329
Ukraine	8 912	7 893
Poland	6 834	7 327
Slovakia	4 759	4 712
Croatia	3 811	3 782
North Macedonia	1 555	1 656
Total	**107 104**	**97 340**

The breakdown of net sales by country shows the revenue realized in countries where Masterplast has subsidiaries regardless of which subsidiary had sales in which country. Net sales in countries where the Group does not have a subsidiary are reported as “Export”.

32. Non-current assets broken down by country (EUR thousand):

2019	Total	Properties, machinery and equipment	Intangible assets	Participation in associates	Long-term financial assets
Hungary	**11 099**	10 618	160	321	0
Romania	**3 616**	3 611	5	0	0
Serbia	**20 224**	20 203	21	0	0
Croatia	**402**	402	0	0	0
Ukraine	**1 259**	1 254	5	0	0
Slovakia	**399**	399	0	0	0
Poland	**393**	393	0	0	0
North Macedonia	**313**	313	0	0	0
Total	**37 705**	**37 193**	**191**	**321**	**0**

2018	Total	Properties, machinery and equipment	Intangible assets	Participation in associates	Long-term financial assets
Hungary	**10 054**	9 838	182	34	0
Romania	**3 838**	3 832	6	0	0
Serbia	**19 297**	19 284	13	0	0
Croatia	**392**	392	0	0	0
Ukraine	**967**	961	6	0	0
Slovakia	**405**	405	0	0	0
Poland	**399**	399	0	0	0
North Macedonia	**344**	344	0	0	0
Total	**35 696**	**35 455**	**207**	**34**	**0**

33. Related party transactions

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

Services used from related parties

Tibor Dávid, the majority owner of the Group holds 100% of the quotas of Arany Kócsag Kft. (formerly Kheiron Kft.) and Tibor Di Transilvania Srl, as well as Primoinvest Kft. (formerly Fóliatex Kft.). The Group's creditor turnover with the above related parties was EUR 866 in 2019 and EUR 4 842 in 2018, debtors' turnover was EUR 0 in 2019 and EUR 46 110 in 2018. Services were used on an ad hoc basis as per contracts based on arm's length prices.

The Group's creditor turnover with these entities was as follows:

Creditor balances	2019	2018
Masterplast Nyrt.	866	4 842
Total	**866**	**4 842**

The Group's debtor turnover with these entities was as follows:

Debtor balances	2019	2018
Masterplast Kft.	0	46 110
Total	**0**	**46 110**

Key executives of the Group discharge their duties as employees. Short-term allowances paid to them in 2018 amounted to EUR 1 107 755 and EUR 971 572 in 2018. No loans were granted to senior officers in 2018 or 2019. The sum total of fees paid to members of the Board of Directors was EUR 26 141 in 2019 and EUR 25 592 in 2018.

34. Issuance of shares

On 15 January 2018 the Board of Directors decided to privately issue 858 318 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 contributed-in-kind the acknowledge 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 acknowledge 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 claim (Ft)	Number of shares (pc)	Nominal value of total shares (Ft)	Issue price per share (/pc)	Total value of issued shares (Ft)
Ács Balázs	217 772 727	358 768	35 876 800	607 Ft	217 772 176
Tibor Dávid	303 227 273	499 550	49 955 000	607 Ft	303 226 850
Total	**521 000 000**	**858 318**	**85 831 800**	**-**	**520 999 026**

35. Change of investments in subsidiaries

35.1. Decrease of investments in subsidiaries in 2019:

ICS Masterplast Construct S.r.l

ICS Masterplast Construct S.R.L., a Moldavian entity fully owned by Masterplast Romania S.R.L. was closed down on 29 April 2019. The entity had been dormant for years and the Group decided that its continued maintenance was no longer feasible. The closing balance of ICS Masterplast Construct S.r.l was as follows:

Balance sheet item	29 April 2019
TOTAL ASSETS	**0**
EQUITY	
Share capital	428
Reserves	-428
Equity	**0**
EQUITY AND LIABILITIES	**0**

Masterplast Österreich GmBH

Masterplast Nyrt. sold its 100% share in Masterplast Österreich on 6 June 2019. The entity had been dormant for years and the Group decided that its continued maintenance was no longer feasible.

Investment	Buyer	Percentage of investment sold (%)	Selling price
Masterplast Österreich GmBH	Private individual	100%	35 000

The closing balance of Masterplast Österreich GmBH was as follows:

Balance sheet item	6 June 2019
CURRENT ASSETS	
Cash and cash equivalents	29 765
Current assets	**29 765**
TOTAL ASSETS	**29 765**
EQUITY	
Share capital	798 262
Reserves	-768 497
Equity	**29 765**
EQUITY AND LIABILITIES	**29 765**

35.2. Decrease in investments in subsidiaries in 2018:

In December 2018, Masterplast Nyrt. sold its quota in OOO Masterplast RUS., so this previously consolidated subsidiary was hived off the Group.

Investment	Buyer	Percentage of investment sold (%)	Selling price
OOO Masterplast RUS	CEO of entity	100%	100

The closing balance of OOO Masterplast RUS. was as follows:

Balance sheet item	30 November 2018
CURRENT ASSETS	
Inventories	72 093
Trade receivables	54 814
Other current assets	5 885
Cash and cash equivalents	36 214
Current assets	**169 007**
TOTAL ASSETS	169 007
EQUITY	
Share capital	1 122 022
Reserves	-1 124 208
Equity	**-2 186**
CURRENT LIABILITIES	
Trade payables	155 511
Other current liabilities	15 682
Current liabilities	171 193
TOTAL LIABILITIES	**171 193**
EQUITY AND LIABILITIES	169 007

EUR 219 309 of gain was recognized in profit and loss in the consolidated annual financial statements that has previously recognized through other comprehensive income (the translation difference on the equity of OOO Masterplast RUS) as an item for the translation reserve.

35.3. Increase of investments in subsidiaries in 2019:

None

35.4. Increase of investments in subsidiaries in 2018:

None

36. Risk management

36.1. Financial risks

Total credit risk

The Group delivers products and provides services to a number of clients. Taking into account contract volumes and customer creditworthiness, there was no major credit risk. In compliance with the Group's international receivables management policy, the controls that exist at the subsidiaries guarantee that sales are made only to customers with a proper financial background thereby reducing any potential credit risk.

The potentially highest amount affected by credit risk is the balance sheet value of financial assets including transactions presented in the balance sheet with impairment loss.

Interest rate risk

Group 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:

Interest risk	2019	2018
+ 1% increase in interest rates		
Financial profit/(loss)	95 522	-495 098
Effect of interest rate increase	-97 162	-244 262
Adjusted financial loss	**-1 640**	**-739 360**
Profit before tax	5 325 871	3 624 917
Effect of interest rate increase	-97 162	-244 262
Adjusted profit before tax	**5 228 709**	**3 380 655**
+ 1% decrease in interest rates		
Financial profit/(loss)	95 522	-495 098
Effect of interest rate decrease	97 162	244 262
Adjusted financial loss	**192 684**	**-250 836**
Profit before tax	5 325 871	3 624 917
Effect of interest rate decrease	97 162	244 262
Adjusted profit before tax	**5 423 033**	**3 869 179**

Sensitivity test of foreign exchange exposure EUR/HUF and EUR/RSD related to loans and its impact on the profit before tax (the foreign exchange risk calculated was made based on the EUR loan portfolio):

Exchange risk	2019	2018
Appreciation of EUR / HUF, EUR/RSD rates by 3 %		
Financial profit/(loss)	95 522	-495 098
Effect of exchange rate appreciation	277 398	687 848
Adjusted financial loss	**372 920**	**192 750**
Profit before tax	5 325 871	3 624 917
Effect of exchange rate appreciation increase	277 398	687 848
Adjusted profit before tax	**5 603 269**	**4 312 765**
Deprecation of EUR / HUF, EUR/RSD rates by 3 %		
Financial profit/(loss)	95 522	-495 098
Effect of exchange rate depreciation	-277 398	-687 848
Adjusted financial loss	**-181 876**	**-1 182 946**
Profit before tax	5 325 871	3 624 917
Effect of exchange rate depreciation decrease	-277 398	-687 848
Adjusted profit before tax	**5 048 473**	**2 937 069**

36.2. Liquidity risk

The Group's liquidity policy requires the availability of liquid assets and credit lines as necessary for the implementation of the Financial Strategy.

As at 31 December 2019, the Group had credit lines totalling nearly EUR 37 million, including short-term and long-term lines as well as letters of credit and guarantee limits. In addition to the credit lines, the EUR 18.1 million nominal value bond issued under the Development Bond Program provides bigger flexibility for the Group's operations, as the short-term and investment loans with high financing costs were triggered by long-term, favorable interest financing.

The credit options available to the Group provide sufficient solvency and financial flexibility for the implementation of the Group's strategic objectives.

The table below includes the financial liabilities of the Group broken down by maturity as at 31 December 2019 and 2018 based on the non-discounted values of contractual payments.

The loans granted by Raiffeisen Bank are assessed at Group level including the rating risk linked to the performance of the subsidiaries. The subsidiaries also rely on their local banks to fund investment and working capital needs.

2019	Falling due within 1 year	Falling due within 1-5 years	Falling due beyond 5 years	Total
Finance lease liabilities	301 710	563 570	0	865 280
Liabilities to shareholders	0	0	0	0
Bank loans	5 852 621	3 640 354	223 247	9 716 222
Liabilities from issued bonds	0	9 068 085	9 068 085	18 136 170
Trade payables and other liabilities	10 727 776	143 163	0	10 870 939
Total	**16 882 107**	**13 415 172**	**9 291 332**	**39 588 611**

2018	Falling due within 1 year	Falling due within 1-5 years	Falling due beyond 5 years	Total
Finance lease liabilities	301 347	587 783	0	889 130
Liabilities to shareholders	0	0	0	0
Bank loans	18 375 553	5 759 117	291 578	24 426 248
Trade payables and other liabilities	12 773 839	146 715	0	12 920 554
Total	**31 450 739**	**6 493 615**	**291 578**	**38 235 932**

Non-compliance with the indicators identified by the Group's account keeping bank represents certain risks regarding the Group's loans or the prolongation of its credit facilities. The following table presents the required loan covenants and their fulfilments as at 31 December 2019.

Name and calculation of indicator	Required	Met	Required	Met
	2019		2018	
Liquidity ratio (current assets / (current liabilities -liabilities to shareholders))	≥1,00	1,99	≥1,00	1,14
Leverage ratio (equity / (balance sheet total-accrued income + net total loans of T-Cell))	≥30%	42,12%	≥40%	41,95%
Operating profitability (Operating profit or loss / net sales revenues)	≥4,00%	4,89%	≥4,00%	4,60%
net debt (including net total loans of T-Cell too) /EBITDA	≤3,9	3,43	≤3,8	3,54

As at 31 December 2019 the Group complied with all requirements of covenants.

36.3. Geographical risk

Most of the Group's subsidiaries are located in Central Europe, but there is subsidiary in Ukraine as well. Yet, this relative dispersion does not represent high risk, because the Group has created regions in order to ensure and increase its control over the operations of the subsidiaries that are controlled and supervised by dedicated regional managements.

36.4. Country risk

The operations and profitability of the Group are exposed to changes in the political, macro-economic and budgetary environments of the Central-Eastern, South-Eastern and Eastern-European countries. Potential changes in the political and macro-economic environments may have an adverse effect on Group operations and profitability. The impairment of assets related to the political uncertainties in the Ukraine is described in Note 10.

36.5. Foreign currency risk

Masterplast purchases its products for USD and EUR and sells them in the local currencies of its subsidiaries. This practice results in FX exposure for the Group. As most of the Group companies trade in EUR (except for the Ukraine and Russia), the fluctuation of local currencies against the EUR and changes in EUR/USD rates, with respect to products purchased for USD, influence the impact of foreign exchange rates on trading.

Masterplast manages foreign currency risk centrally at Group level as well as at the level of its subsidiaries coordinated by the finance director of the parent company. The optimum hedging strategies are identified as part of the annual financial planning process and are implemented by the Group after approval. The open positions of hedging transactions at the end of the year, their fair values and the fair value of other financial instruments are presented in Note 26.

The Hungarian entities have working capital loans disbursed in EUR and the Serbian subsidiary has a EUR based investment loan.

36.6. Tax risk

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

36.7. Equity risk

- Dividend payment policy: In the event the Group 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. The dividend rate is the maximum of 50% of the profit for the year.
- Capital increase: Masterplast increased its capital in 2018, andmay decide to do so in the future as well in order to meet its future strategic objectives. With a few exceptions, the Group is not planning to increase the capital of its subsidiaries from shareholder contributions; any increase in equity will be funded from the profits of previous years.
- Optimum capital structure: following the capital increase implemented in 2012, the Group's debt/equity ratio improved significantly and this rate is intended to be maintained in the future in order 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 Group makes continuous efforts to prolong the payment terms of transactions and contracts with its suppliers in order to compensate for payment delays by its debtors.

37. Research and development

Changes in R&D costs:

R&D cost	2019	2018
R&D cost	0	286 986

38. Contingent liabilities and future commitments

Unclosed tenders and related commitments – 2019

Tender ID	Tender title	Subsidised company	Amount	Method of settlement	Source of funds	Amount to be repaid	Implemented project	Commitments	Fund available until
GOP-1.3.1-11/A-2011-0084	"Energy modernisation of high buildings and the development of the related compliance with fire protection provisions with Masterplast Kft"	Masterplast Kft.	128 408	09-12-2011 15-08-2012 30-07-2014	85% from the European Regional Development Fund of the European Union, 15% from the government budget of the Republic of Hungary.	128 408	Yes	Headcount of 2010 to be retained in 2 consecutive business years following the end of the project. Increase of 2010 sales revenues by at least 30% of the funds to be achieved by the applicant at any time during the 5 years of the retention period.	31-12-2019
GINOP-2.1.1-15-2016-00767	A new advantageous wind and airtight diffusion roofing foil product development at Masterplast Kft	Masterplast Kft.	166 247	18-04-2017 18-04-2018 21-08-2019	European Regional Development Fund of the European Union and the government budget of the Republic of Hungary.	166 247	Yes	The income of the product / process developed in the project must be reach 30.8% of the total sales for 2 consecutive business years after the completion of the development no later than 31.12.2020.	31-12-2024
NGM/34052-6/2017	Significant company improvement at Masterfoam Kft.	Masterfoam Kft.	759 421	30-04-2018 31-10-2018	100% local funds	759 421	Yes	Creating 21 new positions in the business years 2019 and 2020, ensuring an increase in wages compared to the base period (2016)	31-10-2023
05 No. 401-5329/2015-1	Production development	Masterplast YU D.o.o.	2 000 000	2015 2016 2017	Serbian State	2 000 000	Yes	Retention of headcount (205 people) for the years 2018-2022	31.12.2022
KK-H-02/2017-I-7-0005*	Production development	Masterplast YU D.o.o.	2 472 770	2018	Serbian State	2 472 770	Yes	Maintaining an economic activity for 7 years, 105 new employees with an undefined-term contract with 75% of average salary for the average salary of the regional industrial sector. There are 10 new suppliers to contract.	31.12.2024

GVOP funds are repayable at double the central bank's base rate if the contractual covenants are not met. All contractual covenants were met in the reporting year and will be met in the future too according to management.

Unclosed tenders and related commitments – 2018

Tender ID	Tender title	Subsidised company	Amount	Method of settlement	Source of funds	Amount to be repaid	Implemented project	Commitments	Fund available until
GOP-1.3.3-09-2010-0013	"Development of new type building industry and packaging industry units with Masterfoam Kft to strengthen supplier status"	Masterfoam Kft.	116 152	14.07.2010 13.05.2011 16.11.2012	70% EC funds 30%local funds	116 152	None	HUF 20m from the developed product during 2 full business years following the end of the project. Retaining the assets to be purchased for 5 years following the end of the project. Compliance with the criteria of equality of chances and sustainability.	28.02.2017
GOP-1.3.1-11/A-2011-0084	"Energy modernisation of high buildings and the development of the related compliance with fire protection provisions with Masterplast Kft"	Masterplast Kft.	132 006	09.12.2011 15.08.2012 30.07.2014	85% from the European Regional Development Fund of the European Union, 15% from the government budget of the Republic of Hungary.	132 006	Yes	Headcount of 2010 to be retained in 2 consecutive business years following the end of the project. Increase of 2010 sales revenues by at least 30% of the funds to be achieved by the applicant at any time during the 5 years of the retention period.	31.12.2018
GINOP-2.1.1-15-2016-00767	A new advantageous wind and airtight diffusion roofing foil product development at Masterplast Kft	Masterplast Kft.	170 906	30.09.2018	European Regional Development Fund of the European Union and the government budget of the Republic of Hungary.	170 906	Yes	The income of the product / process developed in the project must be reach 30.8% of the total sales for 2 consecutive business years after the completion of the development no later than 31.12.2020.	31.12.2023
NGM/34052-6/2017	Significant company improvement at Masterfoam Kft.	Masterfoam Kft.	780 703	30-04-2018 31-10-2018	100% local funds	780 703	Yes	Creating 21 new positions in the business years 2019 and 2020, ensuring an increase in wages compared to the base period (2016)	30-04-2024
05 No. 401-5329/2015-1	Production development	Masterplast YU D.o.o.	2 000 000	2015 2016 2017	Serbian State	2 000 000	Yes	Retention of headcount (205 people) for the years 2018-2022	31.12.2022
KK-H-02/2017-I-7-0005*	Production development	Masterplast YU D.o.o.	2 460 180	2018	Hungarian State (Prosperitati Found – Serbia)	2 460 180	Yes	Maintaining an economic activity for 7 years, 105 new employees with an undefined-term contract with 75% of average salary for the average salary of the regional industrial sector. There are 10 new suppliers to contract.	31.12.2024

GVOP funds are repayable at double the central bank's base rate if the contractual covenants are not met. All contractual covenants were met in the reporting year and will be met in the future too according to management.

Bank guarantees

The members of the Group have bank guarantee framework agreements. The bank guarantees relate to various tenders and counter guarantees granted to subsidiaries. Details of the existing bank guarantees are as follows:

Company	Type of guarantee	2019	2018
Masterplast Kft.	Customs	30 255	31 103
Masterfoam Kft.	Tender guarantee	786 639	780 727
Masterplast Romania	Bank guarantee	260 719	267 170
Masterplast Romania	Bank guarantee	82 991	85 044
Masterplast YU D.o.o.	Bank guarantee	2 000 000	2 000 000
Total		**3 160 604**	**3 164 044**

39. Litigations and extrajudicial legal cases involving the Group

An investigation has been extended to the MASTERPLAST Romania Srl. which was launched by the Romanian tax authority to an assumed tax claim in relation with anti-dumping laws on imported products concerning the operations of some of the suppliers of the Romanian subsidiary of the Company, and the investigative authority suspected MASTERPLAST Romania S.R.L. and two executive officials of it. For the upcoming periods of the procedure, as a security for possible future enforcement up to the amount of EUR 2 081 871 (9 951 341 RON), ordered the seizure and banned the alienation of Romanian properties owned by MASTERPLAST Romania S.R.L. This procedure has no influence on the operation and business activities of the MASTERPLAST Romania Srl.

The Company has initiated a legal redress against the decision. The legal redress is under procedure. As the result of the completed tax investigation, the Romanian tax authority determined a VAT liability in the amount of 260 719 EUR (1 246 053 RON) and additionally 82 991 EUR (396 638 RON) as default interest for the inspected period from 01-01-2014 to 31-08-2016. The Company represented a bank guarantee for the tax liabilities.

There were three litigation and extrajudicial casein in progress in 2019 against the Company and its subsidiaries with a total approximate value of EUR 513thousand.

The Group expects that the above proceedings will not have a major impact on the Group’s financial position and profits.

Litigations and extrajudicial cases launched by the Group:

The Company and its subsidiaries have approximately 102 legal proceedings in progress launched by the Group with a total approximate value of EUR 687 thousand.

The Group has made sufficient provisions for the above proceedings and does not expected these to have a major adverse impact on the financial position or profits of the Group. The potentially successful closing of the proceedings may have a positive impact on the Group’s profits.

40. MASTERPLAST Employee Shared Ownership Program

Masterplast Nyrt. established the MASTERPLAST Employee Shared Ownership Program on 14 December 2016. The MRP organization is based in: 1062 Budapest, Andrássy út 100.
Masterplast Nyrt. (Founder) has established the MRP organization to efficiently conduct incentive remunerations related to Masterplast's business goals (Participants).

The Participants of the MRP in 2019 were the employees of Masterplast Nyrt. and of by 100% controlled Masterplast Kft.., Masterplast Hungária Kft. and Masterfoam Kft, where the Company's Remuneration Policies are applied and covered.

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

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

41. Subsequent events

In January 2019, bonuses were paid to the senior and middle management of the parent company and to the executives of the subsidiaries based on their individual performance in the previous financial year. The related payroll costs and social security (EUR 29 482) are presented in the financial statements.

The Masterplast has been faced with the current situation called forth by the spread of COVID-19 virus in massive market embeddedness and with stable liquidity position. In terms of the industry it is noew clearly outlined that the construction and building material industry has been less severely affected by the current situation in the first round. The operating environment has deteriorated observably, but it nowhere became impossible to operate. However, there may be middle and long term effects unless targeted government programs do not neutralize this. The Group has been working with calm-balanced thinking and consciously since the beginning of the crisis, to ensure that the Group can operate effectively even with declining demand. The goal of Masterplast is also to be able to start from the best possible positions in parallel with the restart of the economy. By rationalisation of the operating processes, optimizing inventories, saving measures and managing receivables efficiently Masterplast is adapting to the conditions caused by declining demand with keeping the business continuity stable and maintaining the high standard of service.

The Group constantly researching alternative business opportunities for the sale of mask and protective clothing raw materials, but we also support the community in the defence. As part of our social responsibility campaign, we provided the quantity required for the production of 20 000 face masks from own-produced diffusion roofing foil raw materials free of charge to various organisations and to individuals.

The Group hopes that the targeted economic protection subsidies will also have a positive impact on the construction industry and can help to offset the declining demand. Already during the emergency, the rise of the building energy upgrades with renovation purposes can are expected to pick up, with bringing significant potential for Masterplast.

Considering the fact that COVID-19 virus appeared in Hungary and Europe in 2020, the epidemic as well as the measures to mitigate the effect of expected recession were taken after the end of the reporting period, the Group considers it as a non-adjusting subsequent event in the 2019 financial statements. Based on currently available assumptions the Group came to the conclusion that its going concern assumption is not endangered for the 12 months following balance sheet date.

42. Statements for the future

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

43. Assumption of responsibility

In compliance with the applied accounting framework, the consolidated 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. and the entities included in the consolidation. The business report gives a fair view of the positions, development and performance of Masterplast Nyrt. and the entities included in the consolidation and describes all the major risks uncertainties involved.

44. Approval of the consolidated annual financial statements

The consolidated annual financial statements of Masterplast Nyrt. for the year ended 31 December 2019 were approved by the Board of Directors in a resolution dated 23 April 2020 and allowed their publication The consolidated annual financial statements may only be amended by the Annual Meeting of the Shareholders.

MASTERPLAST GROUP INTERNATIONAL

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