MASTERPLAST PLC.

ANNUAL REPORT 2019

MASTERPLAST Nyrt.
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

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CEO

CONTENT

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 annual financial statements

Opinion

We have audited the accompanying 2019 annual financial statements of MASTERPLAST Nyilvánosan működő Részvénytársaság ("the Company"), which comprise the statement of financial position as at 31 December 2019 - showing a balance sheet total of HUF 14,140,517 thousand and a total comprehensive loss for the year of HUF 1,369 thousand -, the related statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion the annual financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and has been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for annual financial statements prepared in accordance with EU IFRSs.

Basis for opinion

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

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

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

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Key audit matters

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

Valuation of long term participations in affiliated companies

The Company's participations in affiliated companies represent HUF 3.2 billion as of 31 December 2019, which is approximately 26% of total assets. Valuation of investments in subsidiaries is a significant judgmental area. Management annually assesses if these investments are impaired in accordance with the EU IFRSs. This is a key audit matter as significant judgement is involved in determination if the investments are impaired.	Our audit procedures included, among others, evaluating assumptions and methodologies used by the Company to assess whether the participations in affiliated companies are impaired. We assessed the expected future cash flows and whether these future cash flows were based on a strategic plan as prepared by management. We assessed the adequacy of the Company's disclosures about participations in affiliated companies in accordance with EU IFRSs including the information how the impairment is evaluated by the Company. The Company's accounting policy and disclosures about its participations in affiliated companies and related impairment are included in Note 8.6.3 Impairment of investments and Note 12 Investments in subsidiaries.

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Other information

Other information consists of the 2019 business report of the Company. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the annual financial statements does not cover the business report.

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

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

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

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

We also confirm that the Company have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

Appointment and Approval of Auditor

We were appointed as statutory auditor by the General Assembly of Shareholders of the Company on 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 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.

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Non-audit Services

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

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

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

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(all figures in thousand HUF unless indicated otherwise)

2. STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	Notes	31 December 2019	31 December 2018
NON-CURRENT ASSETS			
Property, plant and equipment	10	1 981 990	1 736 629
Intangible assets	10	37 388	29 361
Investments in subsidiaries	12	3 084 602	3 084 602
Investments in associates	13	106 147	10 859
Deferred tax assets	25	9 335	13 284
Other non-current financial assets	14	7 042 188	964 530
Non-current assets		**12 261 650**	**5 839 265**
CURRENT ASSETS			
Trade receivables	15	128 377	319 653
Tax receivables	25	12 898	22 080
Other current financial assets	16	1 122 690	939 447
Cash and cash equivalents	17	614 902	57 882
Current Assets		**1 878 867**	**1 339 062**
TOTAL ASSETS		**14 140 517**	**7 178 327**
EQUITY	5		
Share capital		1 460 128	1 460 128
Reserves		3 068 076	4 096 844
Treasury shares		(126 076)	(6 701)
Profit/(loss) for the year		(1 369)	(539 835)
Equity		**4 400 759**	**5 010 436**
PROVISIONS			
Provisions		3 051	2 580
Provisions		**3 051**	**2 580**
NON-CURRENT LIABILITIES			
Non-current finance lease liabilities	11	12 485	9 304
Deferred income	18	93 693	96 489
Liabilities from issud bonds	8	5 999 454	0
Long-term liabilities		**6 105 632**	**105 793**
CURRENT LIABILITIES			
Trade payables	19	23 712	17 032
Current finance lease liabilities	11	7 772	7 789
Current deferred income	18	2 793	2 793
Other finance liabilities		27 826	0
Other current liabilities	20	3 568 972	2 031 904
Current liabilities		**3 631 075**	**2 059 518**
TOTAL LIABILITIES		**9 736 707**	**2 165 311**
TOTAL EQUITY AND LIABILITIES		**14 140 517**	**7 178 327**

The attached notes form part of the annual financial statements.

(all figures in thousand HUF unless indicated otherwise)

3. PROFIT AND LOSS STATEMENT

	Notes	2019	2018
Revenues	26	952 648	933 351
Materials and services used	21	(293 451)	(245 521)
Payments to personnel	22	(432 460)	(420 849)
Depreciation, amortisation and impairment	10	(88 166)	(86 825)
Dividend income	26	22 928	24 880
Other operating (expense)/income	23	(204 102)	(846 443)
OPERATING PROFIT		**(42 603)**	**(641 407)**
Interest income	24	26 680	37 656
Interest expense	24	(24 686)	(16 523)
Other financial (expense)/income	24	59 989	90 665
FINANCIAL PROFIT/(LOSS)		**61 983**	**111 798**
Profit/ (loss) attributable to associates	13	(4 552)	261
PROFIT/(LOSS) BEFORE TAX		**14 828**	**(529 348)**
Income tax	25	(16 197)	(10 487)
PROFIT/(LOSS) FOR THE YEAR		**(1 369)**	**(539 835)**

(all figures in thousand HUF unless indicated otherwise)

4. COMPREHENSIVE PROFIT AND LOSS STATEMENT

	31 December 2019	31 December 2018
Profit/(loss) for the year	**(1 369)**	**(539 835)**
Other comprehensive income	**0**	**0**
Comprehensive income/(loss)	**(1 369)**	**(539 835)**

(all figures in thousand HUF unless indicated otherwise)

5. STATEMENT OF CHANGES IN EQUITY

	Share capital	Treasury Shares	Share Premium	Retained earnings	Reserves, total	Profit/ (loss) for the year	Equity, total
1 January 2019	**1 460 128**	**(6 701)**	**2 318 249**	**1 778 595**	**4 096 844**	**(539 835)**	**5 010 436**
Profit for the year					0	(1 369)	(1 369)
Other comprehen-sive income					0		0
Prior year's profit or loss reclassified				(539 835)	(539 835)	539 835	0
Redeemed treasury shares		(119 375)			0		(119 375)
Dividends paid				(490 364)	(490 364)		(490 364)
MRP				1 431	1 431		1 431
31 December 2019	**1 460 128**	**(126 076)**	**2 318 249**	**749 827**	**3 068 076**	**(1 369)**	**4 400 759**

(all figures in thousand HUF unless indicated otherwise)

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

(all figures in thousand HUF unless indicated otherwise)

6. CASH FLOW STATEMENT

	2019	**2018**
OPERATING ACTIVITIES		
Profit/(loss) before tax	14 828	(529 348)
Depreciation, amortisation and impairment of tangible assets	88 166	86 825
Impairment loss/(gain)	849	486 906
Provisions (released)/made	471	2 580
(Gains)/losses on disposal of tangible and intangible assets	760	6 995
Loss of subsidiaries sold	0	349 402
Interest paid	24 686	16 523
Interest received	(26 680)	(37 656)
(Profit)/loss from associates	4 552	(261)
Unrealised foreign exchange (gain)/ loss	(54 856)	(34 110)
Working capital changes:		
Increase/(decrease) in trade receivables	190 427	(228 476)
Increase/(decrease) in other current assets	(1 021 227)	(476 285)
(Increase)/decrease in trade payables	6 680	2 217
(Increase)/decrease in other liabilities	1 565 262	(91 057)
MRP result	1 431	0
Income tax paid	(16 197)	(10 487)
Net cash flows from operations	**779 152**	**(1 043 372)**
INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	(345 503)	(104 327)
Subsidiaries purchased/ increased in capital	(99 840)	(587 975)
Subsidiaries sold	0	32
Issuance of shares	0	520 999
Proceeds from the disposal of tangible and intangible assets	3 189	7 638
Interest received	26 680	37 656
Net cash flows from investing activities	**(415 474)**	**(125 977)**
FINANCING ACTIVITIES		
Loans taken	897 000	724 711
Loans repaid	0	0
Issued bonds	5 999 454	0
Dividends paid	(490 364)	(174 721)
Increase in non-current loans provided to subsidiaries	(6 188 061)	0
Interest paid	(24 686)	(16 523)
Net cash flows from financing activities	**193 342**	**533 467**
Increase/(decrease) in cash and cash equivalents	557 020	(48 742)
Cash and cash equivalents at the beginning of the year	57 882	106 624
Net foreign exchange translation gain or loss	0	0
Cash and cash equivalents at the end of the year	**614 902**	**57 882**

7. COMPANY INFORMATION

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

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

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

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

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

The Company's average number of staff was 44 in 2019 (41 in 2018).

The cost of the Company's external audit for 2019 is 64 080 EUR (EUR 61 028 in 2018) including the audit of the consolidated financial statements as well.

These are the IFRS stand-alone annual financial statements of the Company. The Company also prepares IFRS consolidated annual financial statements that are available at www.masterplastgroup.com.

Masterplast Business Report

The core activity of Masterplast Nyrt. is asset management, however it is also involved in real estate management. As an asset manager the Company hold investments in subsidiaries of the Masterplast Group thus changes in the construction industry have a significant impact on the Company's profitability through the profitability and capital structure of its subsidiaries.

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

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

The 2019 profitability of Masterplast Nyrt. is attributed to the following factors:

- The intercompany loan provided to the Romanian subsidiary was partially forsaken by HUF 165,260 thousand, which directly decreased the Company's operation profit this year.

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

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

(all figures in thousand HUF unless indicated otherwise)

Information on shares:

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

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

The shareholders are as follows:

	Shareholders	2019	2018
1	Tibár Dávid	454 805 700 Ft	476 707 600 Ft
2	Ács Balázs	387 725 900 Ft	409 627 800 Ft
3	OTP Alapkezelő	93 518 400 Ft	97 872 700 Ft
4	LPH Kft,, SOH Kft.	77 967 600 Ft	77 967 600 Ft
5	Nádasi Róbert	3 386 400 Ft	3 386 400 Ft
6	Several minority shareholders	424 844 100 Ft	393 384 100 Ft
7	Treasury Shares	17 879 800 Ft	1 181 700 Ft
Total:		**1 460 127 900 Ft**	**1 460 127 900 Ft**

The voting rights are as follows:

		2019	2019	2018	2018	
1	Tibor Dávid	4 548 057	32%	4 767 076	33%	votes
2	Ács Balázs	3 877 259	27%	4 096 278	28%	votes
3	OTP Alapkezelő	935 184	6%	978 727	7%	votes
4	LPH Kft., SOH Kft.	779 676	5%	779 676	5%	votes
5	Nádasi Róbert	33 864	0%	33 864	0%	votes
6	Several minority shareholders	4 248 441	29%	3 933 841	27%	votes
	Total:	**14 422 481**	**100%**	**14 589 462**	**100%**	**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 - fulfil the statutory roles of the Directors and the Supervisory Board as an integrated corporate governance body. The Board of Directors is responsible for decision making in all issues that are not the exclusive authority of the Shareholders' Meeting and for those that are declared to be the responsibility of the Board of Directors by legislation or by the Articles of Association.

Members of the Board of Directors:

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

Members of the Audit Committee:

Dr. MARTIN HAJDU György
KAZÁR András
Dirk THEUNS

The Company's activity:

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

Issuance of shares

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

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

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

8. ACCOUNTING POLICY

8.1 Basis of reporting

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

8.2 Changes in the accounting policies

8.2.1 New standards, interpretations and amendments adopted by the Company

The Company adopted and first-time applied the IFRS 16 Leases standard as of 1 January 2019. The implications and accounting consequences of first-time adoption of this standard are presented below. Several other IFRS srandards and interpretations became applicable during 2019, but none of them had a significant impact on the stand-alone annual financial statements of the Company. The Company has not early adopted any of the new IFRS standards or interpretations if they are not yet effective in 2019. With the exception of the modified IFRS 16 standard detailed below,he accounting policies adopted are consistent with those of the previous financial year.

IFRS 16: Leases
The standard has become effective for annual periods beginning on or after 1 January 2019 and replaced the following standards and interprerations:

- IAS 17: Leases
- IFRIC 4: Determining Whether an Arrangement Contains a Lease
- SIC 15: Operating Leases
- SIC 27: Evaluating the Substance of Transactions in the Legal Form of a Lease

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 are required to applya single recognition and measurement approach for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

Accounting principles for lessors have not significantly changed compared to IAS 17. Lessors continue to categorize their lease contracts as operating and finance ones similar to principles applied in IAS 17. As a consequence the new standard does not represent a significant change for lessors.

The Company adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

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

IFRIC 23: Uncertainty over Income Tax Treatments
The Interpretation became effective for annual periods beginning on or after 1 January 2019. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances.

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

IFRS 9: Prepayment features with negative compensation (Amendment)
The Amendment became effective for annual reporting periods beginning on or after 1 January 2019.. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income.

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

IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)
The Amendments became effective for annual periods beginning on or after 1 January 2019. 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.

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

IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)
The Amendments became effective for annual reporting periods beginning on or after 1 January 2019.. 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.

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

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

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

IAS 12 Income Taxes
The Company applies the amendments for annual reporting periods beginning on or after 1 January 2019. The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events. When the Company first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

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

IAS 23 Borrowing Costs
The Company applies these amendments for annual reporting periods beginning on or after 1 January 2019. The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The Company applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

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

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

Conceptual Framework in IFRS standards
The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

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

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU.

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

8.3 Foreign exchange operations

Functional and reporting currency
The Company's stand-alone annual financial statements are prepared using the currency of its primary operating environment (functional currency). Considering the contents and circumstances of the underlying economic events, the Company's functional currency is forint (HUF).

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

8.4 Intangible assets

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

8.5 Property, plant and equipment

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

Land is not depreciated.

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

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

Any capitalised improvement on rented equipment is depreciated over the shorter of the useful life or the rent period. The useful lives and the depreciation methods are reviewed at least annually in order to reflect the actual inflows of economic benefits from the assets.

(all figures in thousand HUF unless indicated otherwise)

8.6 Investments in subsidiaries & associates

8.6.1 Investments in subsidiaries

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

Company	Incorporated in	Core operations	Foundation date	Ownership (%)		Voting right (%)	
				2019	2018	2019	2018
Master Plast S.r.o.	Slovakia	Wholesale of construction materials	1999.11.04	100%	100%	100%	100%
MasterFoam Kft.	Hungary	Foam sheet production	2004.06.29	100%	100%	100%	100%
Masterplast d.o.o.	Croatia	Wholesale of construction materials	2002.02.25	100%	100%	100%	100%
Masterplast Kft.	Hungary	Wholesale of construction materials	2007.09.30	100%	100%	100%	100%
Masterplast Hungária Kft.	Hungary	Wholesale of construction materials	2016.05.17	100%	100%	100%	100%
Masterplast International Kft.	Hungary	Wholesale of construction materials	2016.05.17	100%	100%	100%	100%
Mastermesh Production Kft.	Hungary	Wholesale of construction materials	2016.05.17	100%	100%	100%	100%
Masterplast Österreich GmbH	Austria	Wholesale of construction materials	2007.03.20	0%	100%	0%	100%
Masterplast Romania S.R.L.	Romania	Wholesale of construction materials	2001.01.19	100%	100%	100%	100%
Masterplast Sp zoo	Poland	Wholesale of construction materials	2005.06.06	80,04%	80,04%	80,04%	80,04%
MasterPlast TOV	Ukraine	Wholesale of construction materials	2005.03.17	80%	80%	80%	80%
Masterplast YU D.o.o.	Serbia	Wholesale of construction materials EPS and fiberglass produc-tion	2002.03.19	100%	100%	100%	100%
MP Green Invest	Ukraine	Asset management	2012.06.08	100%	100%	100%	100%
Masterplast D.O.O.	Macedonia*	Wholesale of construction materials	2002.02.17	10%	10%	10%	10%

* An additional 80% of the company is held through the Serbian subsidiary.

Investments in subsidiaries were evaluated during the first time adoption of the IFRS using their deemed historical cost based on IFRS 1.D15. As deemed historical cost, the Company selected the book value as per the accounting standards used in the past.

(all figures in thousand HUF unless indicated otherwise)

8.6.2 Investments in associates

The Company has the following investment in an associate company:

Company	Incorporated in	Core operations	Foundation date	Ownership (%)		Voting rate (%)	
				2019	2018	2019	2018
MasterProfil Kft.	Hungary	Profil production	26.04. 2007	20%	20%	20%	20%
T-Cell Plasztik Kft. (1)	Hungary	Polistyrene production	03.06.2019	24%	0%	24%	0%

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

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

8.6.3 Impairment on investments in subsidiaries

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

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

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

8.7 Impairment of assets

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

8.8 Financial assets

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

8.8.1 Classification of financial assets

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

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

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

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

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

8.8.2 Measurement of financial assets

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

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

8.8.3 Impairment on financial assets

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

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

8.8.4 Impact of the first-time adoption of IFRS 9

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

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

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

8.8.5 Loans granted

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

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

8.8.6 Trade Receivable

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

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

8.8.7 Derivative financial instruments

The Company does not have derivative financial instruments.

8.8.8 Cash and cash equivalents

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

8.9 Equity

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

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

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

8.10 Financial liabilities

In accordance with requirements of IFRS 9 the Company shall classify all financial liabilities as subsequently measured at amortised cost, except for:

(a) *financial liabilities at fair value through profit or loss*. Such liabilities, including *derivatives* that are liabilities, shall be subsequently measured at fair value.
(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
(c) *financial guarantee contracts*. After initial recognition, an issuer of such a contract shall subsequently measure it at the higher of:

- the amount of the *loss allowance*
- the amount initially recognised less, when appropriate, the cumulative amount of income

(d) commitments to provide a loan at a below-market interest rate. An issuer of such a commitment shall (unless paragraph 4.2.1(a) applies) subsequently measure it at the higher of:

- (i) the amount of the loss allowance determined in accordance with Section 5.5 and
- (ii) the amount initially recognised (see paragraph 5.1.1) less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

(e) contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognised in profit or loss.

The Company may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

(b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

8.11 Trade payables and other liabilities

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

8.12 Provisions

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

(a) fines and penalty interests that are legally enforceable and are payable to an authority.
(b) 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.
(c) litigations and other legal cases where third party claims are already at court and the Company has sufficient information to make a reliable estimate of any resulting payment liability.

8.13 Pension contributions

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

8.14 Operating profit or loss

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

8.15 Leases

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

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

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

8.15.1 The Company as a lessee

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

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

8.15.2 The Company as a lessor

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

8.16 Government grants

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

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

8.17 Revenues

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

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

8.18 Dividend income

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

8.19 Interest income

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

8.20 Borrowing costs

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

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

8.21 The Development Bond Program

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.

8.22 Income taxes

8.22.1 Current income taxes

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

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

8.22.2 Deferred income taxes

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

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

8.23 Off-balance sheet items

Contingent liabilities, unless acquired through a business combination, are not recognised in the statement of financial position or the profit and loss statement. These are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the statement of financial position or the profit and loss statement but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

8.24 Segment reporting

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

9. SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

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

9.1 Sufficient taxable profits for the recognition of deferred tax assets

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

9.2 Impairment of trade debtors

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

9.3 Impairment of investments for subsidiaries and associates

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

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

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

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

(all figures in thousand HUF unless indicated otherwise)

9.4 Provisions

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

9.5 Impairment of property, plant and equipment

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

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

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
Gross value, opening	159 919	2 259 157	218 083	29 491	2 506 731	**2 666 650**
Increase	20 480	65 121	24 505	271 980	361 606	**382 086**
Decrease	(7 092)		(16 011)	(29 491)	(45 502)	**(52 594)**
Gross value, closing	**173 307**	**2 324 278**	**226 577**	**271 980**	**2 822 835**	**2 996 142**
Accumulated depreciation and impairment, opening	(130 558)	(615 762)	(154 340)	0	(770 102)	(900 660)
Increase	(5 361)	(60 649)	(22 156)		(82 805)	(88 166)
Decrease			12 062		12 062	12 062
Accumulated depreciation and impairment, closing	**(135 919)**	**(676 411)**	**(164 434)**	**0**	**(840 845)**	**(976 764)**
Net book value, opening	**29 361**	**1 643 395**	**63 743**	**29 491**	**1 736 629**	**1 765 990**
Net book value, closing	**37 388**	**1 647 867**	**62 143**	**271 980**	**1 981 990**	**2 019 378**

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

(all figures in thousand HUF unless indicated otherwise)

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

2019	2018
1 777 250	1 731 745

11. ASSETS PURCHASED UNDER FINANCIAL LEASE

Tangible assets include the assets the Company purchased under finance lease. The Company took over various tangible assets under finance leases in the following values:

	31 December 2019	31 December 2018
Gross value	66 076	68 019
Accumulated depreciation	(30 475)	(32 910)
Net value	**35 601**	**35 109**

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

	31 December 2019	31 December 2018
Lease liabilities within 1 year	7 772	7 789
Due in 2-5 years	12 485	9 304
Due over 5 years	0	0
Total lease obligations	**20 257**	**17 093**

The present values of minimum lease payments were as follows:

Period	**31 December 2019** Minimum lease payments	**31 December 2018** Minimum lease payments
Lease payments falling due within 1 year	7 772	7 789
Lease payments falling due within 2-5 years	12 485	9 304
Lease payments falling due over 5 years		0
Minimum lease payments	**20 257**	**17 093**
Financing expenses	0	0
Present value of minimum lease payments	**20 257**	**17 093**

(all figures in thousand HUF unless indicated otherwise)

12. INVESTMENTS IN SUBSIDIARIES

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

Company	31 December 2019		31 December 2018	
	Owner-ship (%)	Book Value	Owner-ship (%)	Book Value
Masterplast Kft.	100,00%	871 924	100,00%	871 924
MasterFoam Kft	100,00%	108 575	100,00%	108 575
Masterplast Hungária Kft.	100,00%	230 000	100,00%	230 000
Mastermesh Production Kft.	100,00%	300 000	100,00%	300 000
Masterplast International Kft.	100,00%	3 000	100,00%	3 000
Master Plast S.r.o.	100,00%	0	100,00%	0
Masterplast Sp zoo	80,04%	59 503	80,04%	59 503
Masterplast Österreich GmbH	0,00%	0	100,00%	0
Masterplast Romania S.R.L.	100,00%	0	100,00%	0
Masterplast YU D.o.o.	100,00%	1 049 134	100,00%	1 049 134
Masterplast d.o.o	100,00%	255 581	100,00%	255 581
Masterplast D.O.O	10,00%	8 385	10,00%	8 385
MasterPlast TOV	80,00%	322	80,00%	322
Green MP Invest	100,00%	198 178	100,00%	198 178
Investments in subsidiaries		***3 084 602***		***3 084 602***
T-Cell Plasztik	24,00%	99 840	0,00%	0
Masterprofil	*20,00%*	*6 307*	*20,00%*	*10 859*
Investments in associates		***106 147***		***10 859***
Total		**3 190 749**		**3 095 461**

Changes in investments in subsidiaries during 2019:

Company	Opening Net Book Value	Additional paid-in capital	Sale of share in subsidiary	Impairment reversal	Impairment charge	Closing Net Book Value
Masterplast Österreich GmbH	0		(302 104)	302 104		0
T-Cell Plasztik	0	99 840	0	0	0	99 840
Total	**0**	**99 840**	**0**	**0**	**0**	**99 840**

The Company sold its Austrian subsidiary on 6 June, 2019.

Changes in investments during 2018:

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

- The Company injected capital into its Austrian subsidiary in December 2018, which was then fully impaired at the end of the year.
- USD 770.000 shareholder loan to the Romanian entity was transformed into equity on 2 January 2018, which then was fully impaired at the end of the year.

Additional capital was required to Masterplast RUS as well, however this subsidiary was sold in December 2018.

No impairment charges needed to be recognized during 2019 only formal impairment charges on the Austrian subsidiary were reversed as a consequence of its sale:

(all figures in thousand HUF unless indicated otherwise)

Impairments of investments	Opening impairment	Translation difference	Impairment Charge	Impairment Reversal	Closing impairment
Masterplast Österreich GmBH	(302 104)			302 104	0
Masterplast Romania S.R.L.	(600 634)				(600 634)
Total	**(902 738)**	**0**	**0**	**302 104**	**(600 634)**

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

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

13. INVESTMENTS IN ASSOCIATES

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

Company	31 December 2019		31 December 2018	
	Ownership (%)	Book Value	Ownership (%)	Book Value
MasterProfil Kft.	20,00%	6 307	20,00%	10 859
Total		**6 307**		**10 859**

The initial investment of Masterplast Nyrt. in MasterProfil Kft.was HUF 600 thousand. As a result of first time adoption of IFRS for the Company's stand-alone annual financial statements, the Company recognized the value of its investment in associates in line with IAS 28 using the equity method that resulted in a net book value of HUF 10 859 thousand for the investment in MasterProfil Kft. in the opening IFRS balance sheet as at January 1 2019.

Changes in book value in 2019:

Opening Net Book Value	Profit or loss attributable to associates	Comprehensive income	Closing Net Book Value
10 859	**(4 552)**	**0**	**6 307**

Changes in book value in 2018:

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

The Company did not receive dividends from associates in 2019 or 2018.

(all figures in thousand HUF unless indicated otherwise)

Key financial data of the Associated Company:

1. **MasterProfil Kft.**

The abbreviated balance sheet of the Associated Company:

	31 December 2019	**31 December 2018**
Non-current assets	123 820	131 376
Current assets	298 472	473 130
Long-term liabilities	85 935	117 030
Short-term liabilities	304 824	433 181
Net asset value	**31 533**	**54 295**
Ownership ratio in the Associated Company	20%	20%
Net asset value for the Associated Company	6 307	10 859

The abbreviated profit and loss statement of the Associated Company:

	2019	**2018**
Sales revenue	978 165	1 028 754
Operating profit	(11 827)	13 503
Earning attributable to owners	(22 762)	1 306
Income to the Company on the basis of the ownership ratio	**(4 552)**	**261**

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

14. OTHER LONG-TERM FINANCIAL ASSETS

	31 December 2019	**31 December 2018**
Loans given		
Masterplast YU D.o.o.	2 445 848	964 530
Masterplast International Kft.	4 596 340	0
Total	**7 042 188**	**964 530**

The Company has granted loans to its subsidiaries in line with the following conditions:

Company	**Start of loans**	**Value**	**Currency**	**Interest rate**	**Expiration date**
Masterplast d.o.o (YU)	2016.02.02.	1.000.000	EUR	1 havi EURIBOR+1,5%	2024.06.30
Masterplast d.o.o (YU)	2016.05.20.	2.000.000	EUR	1 havi EURIBOR+1,5%	2024.06.30.
Masterplast d.o.o (YU)	2019.12.18.	4.400.000	EUR	1 havi EURIBOR+1,5%	2026.12.31.
MP International Kft.	2019.12.20	13.906.388	EUR	1 havi EURIBOR+1,5%	2026.12.31

(all figures in thousand HUF unless indicated otherwise)

15. TRADE RECEIVABLES

	31 December 2019	31 December 2018
Trade receivables	130 245	320 672
Impairment	(1 868)	(1 019)
Trade Receivables net of impairment	**128 377**	**319 653**

Trade receivables were paid in 42 days in average in 2019 (43 days in 2018).

Impairment charged and reversed on trade receivables in 2019:

Impairment on trade receivables	Opening impairment	Translation difference	Impairment Charge	Impairment Reversal	Impair-ment write-back	Closing Impair-ment
Impairment of trade receivables	(1 019)	0	(865)	0	16	(1 868)
Total	**(1 019)**	**0**	**(865)**	**0**	**16**	**(1 868)**

Impairment loss recognised and reversed on trade receivables in 2018:

Impairment on trade receivables	Opening impair-ment	Translation difference	Impairment Charge	Impairment Reversal	Impair-ment write-back	Closing Impair-ment
Impairment of trade receivables	(218)	0	(801)	0	0	(1 019)
Total	**(218)**	**0**	**(801)**	**0**	**0**	**(1 019)**

The maturity of trade receivables is as follows:

	31 December 2019			31 December 2018		
	Gross book value	Impairment loss	Net book value	Gross value	Impairment loss	Net book value
Not yet due	121 081	0	121 081	315 953	0	315 953
Due over 0-60 days	6 491	0	6 491	2 815	0	2 815
Due over 61-90 days	717	0	717	0	0	0
Due over 91-180 days	0	0	0	167	(42)	125
Due over 181-360 days	177	(89)	88	1 519	(759)	760
Due over 360 days	1 779	(1 779)	0	218	(218)	0
Total Trade Receivable	**130 245**	**(1 868)**	**128 377**	**320 672**	**(1 019)**	**319 653**

(all figures in thousand HUF unless indicated otherwise)

16. OTHER CURRENT ASSETS

Other current assets	31 December 2019	31 December 2018
Advanced paid	0	9 521
Other receivables *	739 740	769 238
Impairment loss on other receivables	(2 946)	(2 946)
Accrued bonus	360 789	134 290
Accrued other costs	25 107	29 344
Total	**1 122 690**	**939 447**

* The following items are included in other receivables

Description	31 December 2019	31 December 2018
Bonuses, commissions	114 001	119 655
Interest of loans granted to affiliates **	413 150	561 880
VAT receivables from VAT group members	165 031	61 681
Other receivables	47 558	26 022
Total	**739 740**	**769 238**

**The Company granted loans to its subsidiaries in line with the following conditions:

Company	Start of loans	Value	Currency	Interest rate	Expiration date
Masterplast Srl. (RO)	2019.01.02	1.250.000	USD	1 havi USD LIBOR+1,5%	2019.12.31.

The Company did not recognise impairment for the loan granted to its Romanian subsidiary at the end of the year since the contract had been extended until 31 December 2020.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	31 December 2019	31 December 2018
Cash	1 466	2 782
Bank deposits	613 436	55 100
Total	**614 902**	**57 882**

The Company did not have restricted cash or cash equivalents as at 31 December 2019 or 31 December 2018.

(all figures in thousand HUF unless indicated otherwise)

18. DEFERRED INCOME

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

Subsidy ID	Description of support	Beneficiary	31 December 2019	31 December 2018
GVOP-1.1.2.-2004-11-0003/5.0	"“Master” educator; MASTER3AS centre - Products, Services, Training at “Master” level	Masterplast Nyrt.	83 689	85 880
SZVP-2003-6-03-08-1	Networking at "Master” level	Masterplast Nyrt.	12 797	13 402
Total:			**96 486**	**99 282**
Current part:			**2 793**	**2 793**
Non-current part:			**93 693**	**96 489**

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

19. TRADE PAYABLES

The maturity of trade payables is as follows:

Description	31 December 2019	31 December 2018
Not yet due	19 852	16 928
Due over 0-60 days	3 860	104
Total	**23 712**	**17 032**

20. OTHER CURRENT LIABILITIES

Description	31 December 2019	31 December 2018
Taxes payable	188 063	63 855
Other current liabilities	62 200	75 755
Current loans	503 058	164 647
Liabilities to shareholders	1 716 260	0
Cash pool liabilities	897 000	1 648 417
Related party liabilities	202 391	79 230
Other current liabilities	**3 568 972**	**2 031 904**

(all figures in thousand HUF unless indicated otherwise)

21. MATERIALS AND SERVICES USED

Description	2019	2018
Material costs	(47 342)	(38 032)
Services used	(246 109)	(207 489)
Total	**(293 451)**	**(245 521)**

22. PERSONNEL RELATED COSTS

Description	2019	2018
Payroll costs	(327 085)	(335 302)
Other payments to personnel	(38 097)	(23 121)
Payroll taxes and social security contributions	(67 278)	(62 426)
Total	**(432 460)**	**(420 849)**

23. OTHER INCOME AND EXPENSES

Description	2019	2018
Received and paid concessions	(26 215)	(3 423)
Impairment Charges	(849)	(486 905)
Sale of investments in subsidiaries	32	(349 434)
Forgiven loan to subsidiary	(165 260)	0
Gains on fixed asset sales	(760)	(6 994)
Other	(11 052)	313
Total	**(204 102)**	**(846 443)**

24. OTHER FINANCIAL PROFIT OR LOSS

Description	2019	2018
Interest income	26 680	37 656
Interest expense	(24 686)	(16 523)
Other incomes and expenses of financial transactions	59 989	90 665
Total	**61 983**	**111 798**

(all figures in thousand HUF unless indicated otherwise)

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

Valuation of financial instruments	**Book value 31 December 2019**	**Book value 31 December 2018**	**Fair value 31 December 2019**	**Fair value 31 December 2018**
Trade receivables	128 377	319 653	128 377	319 653
Tax receivables	12 898	22 080	12 898	22 080
Other current financial assets	1 122 690	939 447	1 122 690	939 447
Cash and cash equivalents	614 902	57 882	614 902	57 882
Total	**1 878 867**	**1 339 062**	**1 878 867**	**1 339 062**
Non-current finance lease liabilities	12 485	9 304	12 485	9 304
Liabilities from issued bonds	5 999 454	0	5 999 454	0
Current finance lease liabilities	7 772	7 789	7 772	7 789
Trade payables	23 712	17 032	23 712	17 032
Other current liabilities	1 880 538	383 487	1 880 538	383 487
Related party cash pool liabilities	1 716 260	1 648 417	1 716 260	1 648 417
Total	**9 640 221**	**2 066 029**	**9 640 221**	**2 066 029**

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

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

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

Undiscounted cash-flow 2019	**Payment within 1 year**	**Payment within 2-5 year**	**Payment beyond 5 year**
Total loans and credits	503 057	0	0
Cash pool	1 716 260	0	0
Interests of loans and credits	24 191	0	0
Total	**2 243 508**	**0**	**0**

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

(all figures in thousand HUF unless indicated otherwise)

25. TAXES

Tax receivables and tax payables were as follows:

	31 December 2019	31 December 2018
Taxes Receivable	12 898	22 080
Taxes Payable	(188 063)	(63 855)
Net Tax Receivable/(Payable)	**(175 165)**	**(41 775)**

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

Income tax expense	2019	2018
Current Income Tax Expense	(12 248)	(10 231)
Deferred Income Tax Expense	(3 949)	(256)
Total Income Tax Expense	**(16 197)**	**(10 487)**

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

Period	Actual tax rate
2019	9%
2018	9%

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

Year-end balance of deferred tax	31 December 2019	31 December 2018
Property, plant and equipment	9 442	9 223
Receivables	168	92
Carried forward tax losses	0	3 969
Provisions	(275)	0
Closing deferred tax assets, net	**9 335**	**13 284**
Of which deferred tax assets	**9 335**	**13 284**
Of which deferred tax liability	**0**	**0**

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

Carried forward tax losses not yet used is as follows:

Year	Opening Carried forward tax losses	*Used losses*	Closing Carried forward tax losses
2014	(130 000)	0	0
2015	(23 755)	0	0
2016	(4 688)	0	0
2017	0	0	0
2018	0	113 682	0
2019	0	44 761	0
	(158 443)	**158 443**	**0**

(all figures in thousand HUF unless indicated otherwise)

The Masterplast Nyrt's corporate income tax calculation as of 31 December 2019:

Items increasing the corporate income tax base

Description	**2019**
Current year depreciation and amortization plus the net book value of written off PP&E recognized in the records	92 115
Impairment Charge on receivables	865
Receivables forgiven (intercompany RO loan)	165 260
Paid penalties	6
Non-deductible costs	5 685
Total:	**263 931**

Items decreasing the corporate income tax base

Description	**2019**
Current year depreciation and amortization plus the net book value of written off PP&E recognized by the tax law	(96 786)
Donations	(1 200)
Impairment write-back on receivables	(16)
Total:	**(98 002)**

Corporate income tax calculation	**2019**
Profit before tax	*(1 927)*
Adjusted pre-tax profit	(1 927)
Tax-basis decreasing items	(98 002)
Tax-basis increasing items	263 931
Tax base	164 002
Use of carried forward tax losses from prior years	(44 761)
Adjusted pre-tax profit decreasing item Tax basis adjustment due to adoption of IFRS	(43 451)
Adjusted tax basis	***75 790***
Corporate income tax payable (9%)	6 821

Profit before tax	(1 927)
Actual tax rate	9,0%
Tax payable calculated based on the actual tax rate	***(173)***
Impairment on trade receivable	76
Forsaken receivable (loan)	14 873
Other	3 933
Carried forward tax losses from prior years	(7 939)
MRP corporate income tax	2 657
Research and innovation contribution	2 770
Differences total:	***16 370***
Corporate income tax expense	**16 197**
Effective corporate income tax rate	841%

(all figures in thousand HUF unless indicated otherwise)

26. REVENUES

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

Sales revenue by main activity in 2019 and 2018 was as follows:

Net sales	2019	2018
Services (real estates rents, fee for bookkeeping, finance and HR services)	593 902	615 254
Bonuses, concessions	358 746	318 097
Total	**952 648**	**933 351**

27. RELATED PARTY TRANSACTIONS

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

Revenue received from related parties for the years ending on 31 December 2019 and 2018 is as follows:

Company name	2019	2018
Masterplast Gyártó és Ker. Kft.	47 869	321 637
Master Plast S.r.o.	1 789	1 077
Masterplast d.o.o.	2 162	2 089
Masterplast Romania S.R.L.	10 392	2 584
Masterplast YU D.o.o.	3 756	3 336
MasterFoam Kft.	67 464	510 917
Masterplast TOV	0	1 614
Masterplast Sp. z.o.o.	2 624	0
Masterplast Hungária Kft.	274 682	274 339
Mastermesh Production Kft.	0	32 877
Masterplast International Kft.	278 459	323 147
Total:	**689 197**	**1 473 617**

Interest received from related parties for the years ending on 31 December 2019 and 2018 is as follows:

Company name	2019	2018
Masterplast Romania S.R.L.	8 564	23 034
Masterplast YU D.o.o.	15 518	14 405
Masterplast Sp. z.o.o.	2 566	0
Total:	**26 648**	**37 439**

(all figures in thousand HUF unless indicated otherwise)

Cost of services provided by and cost of materials purchased from related parties in the years ending on 31 December 2019 and 2018 are as follows:

Company name	2019	2018
Master Plast S.r.o.	0	54
Masterplast d.o.o	2 784	0
Masterplast International Kft.	171	50
MasterFoam Kft.	583	1 168
Masterplast Gyártó és Ker. Kft.	17 539	17 415
Masterplast Hungária Kft.	1 949	1 845
Total:	**23 026**	**20 532**

Receivables from related parties as of 31 December 2019 and 31 December 2018 are as follows:

Company name	31 December 2019	31 December 2018
Masterplast Kft.	8 210	8 565
Masterfoam Kft.	17 892	11 670
Masterplast Hungária Kft	46 100	45 914
Mastermesh Production Kft.	0	6 765
Masterplast International Kft.	26 044	206 899
Master Plast S.r.o.	71	116
Masterplast Romania S.R.L.	2 569	2 151
Masterplast YU D.o.o.	5 051	1 229
Masterplast D.o.o.	2 100	16
Total:	**108 037**	**283 325**

Liabilities to related parties as of 31 December 2019 and 31 December 2018 are as follows:

Company name	31 December 2019	31 December 2018
Masterfoam Kft	0	369
Masterplast Kft.	3 152	2 312
Masterplast Hungária Kft.	181	461
Mastermesh Production Kft.	395	0
Masterplast D.o.o.	2 769	0
Master Plast S.r.o.	0	53
Total:	**6 497**	**3 195**

(all figures in thousand HUF unless indicated otherwise)

Cash pool receivables from and payables to related parties as at 31 December 2019 and 31 December 2018 are presented in the table below. Masterplast Nyrt. is the main account holder of the cash pool. The cash pool balance of the Company reflects the liability for Raiffeisen Bank.

31 December 2019

Company name	Receivable	Liability
Masterplast Kft.	0	(716 310)
Masterplast Hungária Kft.	0	(1 819 626)
Mastermesh Production Kft.	0	(31 703)
Masterplast International Kft.	601 131	0
MasterFoam Kft.	250 248	0
Total:	**851 379**	**(2 567 639)**
Net balance:		**(1 716 260)**

31 December 2018

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

Loans granted to related parties as of 31 December 2019 and 31 December 2018 are as follows:

Company name	31 December 2019	31 December 2018
Masterplast Romania S.R.L.	413 150	561 880
Masterplast YU D.o.o.	2 445 848	964 530
Masterplast International Kft.	4 596 340	0
Total:	**7 455 338**	**1 526 410**

Out of loans of EUR 1.850.000 provided to Masterplast Romania S.r.l. until the end of 2019, EUR 500.000 (HUF 165.260 thousands) was forsaken as of 31 December 2019.

The Company had the following loans received from its subsidiaries as of December 31, 2019 and 2018, respectively:

Company name	31 December 2019	31 December 2018
Masterplast Kft	600 000	0
Mastermesh Production Kft.	297 000	0
Összesen:	**897 000**	**0**

Key executives of the Company discharge their duties as employees. Short-term allowances paid to them in 2019 amounted to HUF 72 828 thousands. No loans were granted to senior officers in 2019 or 2018. Total fees paid to the members of the Board of Directors was HUF 8.640 thousands in 2019 (HUF 8.228 thousand in 2018).

(all figures in thousand HUF unless indicated otherwise)

28. FINANCIAL RISK MANAGEMENT

The Company's activities are subject to various financial risks, such as market risks (especially exchange rate risk and price risk), liquidity risk and credit risk. The Company's comprehensive risk management programme focuses on the unpredictability of financial markets and tends to minimise its potential negative effects on the Company's financial operations.

Market risk

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

Exchange rate risk

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

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

	2019	2018
Appreciation of EUR / HUF rates by 3 %		
Financial profit/(loss)	61 983	111 798
Effect of exchange rate increase	8 858	(7 528)
Adjusted financial profit/(loss)	**70 841**	**104 270**
Profit before tax	14 828	(529 348)
Effect of exchange rate increase	8 858	(7 528)
Adjusted profit before tax	**23 686**	**(536 876)**
Depreciation of EUR / HUF rates by 3 %		
Financial profit/(loss)	61 983	111 798
Effect at FX rate decrease	(8 858)	7 528
Adjusted financial profit/(loss)	**53 125**	**119 326**
Profit before tax	14 828	(529 348)
Effect of exchange rate decrease	(8 858)	7 528
Adjusted profit before tax	**5 970**	**(521 820)**

(all figures in thousand HUF unless indicated otherwise)

Interest rate risk

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

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

	2019	2018
Appreciation of interest rates by 1 % point		
Financial profit/(loss)	61 983	111 798
Effect of interest rate increase	(17 163)	(16 484)
Adjusted financial profit/(loss)	**44 820**	**95 314**
Profit before tax	14 828	(529 348)
Effect of interest rate increase	(17 163)	(16 484)
Adjusted profit before tax	**(2 335)**	**(545 832)**
Depreciation of interest rates by 1 % point		
Financial profit/(loss)	61 983	111 798
Effect of interest rate decrease	17 163	16 484
Adjusted financial profit/(loss)	**79 146**	**128 282**
Profit before tax	14 828	(529 348)
Effect of interest decrease	17 163	16 484
Adjusted profit before tax	**31 991**	**(512 864)**

Total credit risk
The Company performs most of its business activities with subsidiaries operating under its own control, whereas its contacts with external suppliers and customers are marginal.

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

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

2019	**Falling due within 1 year**	**Falling due within 1-5 years**	**Falling due beyond 5 years**	**Total**
Finance lease liabilities	7 772	12 485	0	20 257
Creditors and other liabilities	3 592 684	0	0	3 592 684
Total	**3 600 456**	**12 485**	**0**	**3 612 941**

(all figures in thousand HUF unless indicated otherwise)

2018	**Falling due within 1 year**	**Falling due within 1-5 years**	**Falling due beyond 5 years**	**Total**
Finance lease liabilities	7 789	9 304	0	17 093
Creditors and other liabilities	2 048 936	0	0	2 048 936
Total	**2 056 725**	**9 304**	**0**	**2 066 029**

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

Name and calculation of Covenant	**Required**		**Met**
	2019	**2019**	**2018**
Liquidity ratio (current assets / (current liabilities -liabilities to shareholders))	≥1,00	1,99	1,14
Leverage ratio (equity / (balance sheet total-accrued income))	≥30%	42,12%	41,95%
Operating profitability (Operating profit or loss / net sales revenues)	≥4,00%	4,89%	4,60%
net debt/EBITDA	≤3,9	3,43	3,62

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

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

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

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

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

29. CONTINGENT LIABILITIES AND COMMITMENTS

Tender Commitments
The Company does not have any still ongoing, unclosed tenders as of 31 December 2019.

Litigations and extrajudicial cases launched by the Company
There is no litigation initiated against or initiated by the Company and there are not any ongoing legal processes.

30. MASTERPLAST EMPLOYEE SHARED OWNERSHIP PROGRAM

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

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

The Participants of the MRP in 2019 were the employees of the Company and Masterplast Kft, Masterplast Hungária Kft as well as Masterfoam Kft. that are all 100% controlled subsidiaries of the Company and whom were covered the Company’s Remuneration Policies. The Founder assigned those leaders of the aforementioned companies to be Participants, who had the greatest impact on the achievement of the company’s business goals set out in the Remuneration Policies.

Participants have acquired a stake in the MRP organization in exchange of Masterplast shares and financial assets, which were contributed by the Founder as non-cash financial assets or cash benefits. When the goals set out in the Remuneration Policies were met, the MRP paid dividends to the Participants in proportion of their stakes in the MRP and simultaneously withdrew their stakes. Payments to Participants made through the MRP Organization are recognized by the Company as personnel costs in accordance with IFRS.

The financials of the MRP were consolidated by the Company.

31. SUBSEQUENT EVENTS

HUF 18 863 thousands of bonuses are expected to members of the middle and top management of parent entity in accordance with the Group’s 2019 results already achieved and the paying of bonuses can be in May 2020. These bonuses and their related taxes are accrued for in the annual 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.

(all figures in thousand HUF unless indicated otherwise)

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.

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

Company	Start of loans	Value	Currency	Interest rate	Expiration date
Masterplast Srl. (RO)	2019.01.02	1.250.000	USD	1 havi USD LIBOR+1,5%	2020.12.31.

32. STATEMENTS FOR THE FUTURE

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

33. ASSUMPTION OF RESPONSIBILITY

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

34. APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The 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 annual financial statements may only be amended by the Annual Meeting of the Shareholders.

MASTERPLAST GROUP INTERNATIONAL

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