



# MASTERPLAST PLC. INTERIM MANAGEMENT REPORT

14 MAY 2020



MASTERPLAST PLC.  
Interim management report  
1<sup>st</sup> Quarter 2020  
Consolidated, not audited  
According to International Financial and Reporting Standards (IFRS)  
14 May 2020

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

1. SUMMARY

The Company achieved record sales and earnings in a positively starting, but by the end of the quarter uncertain industry environment. The Group revenue increased by 13% in Q1 2020 versus the prior year. The EBITDA was 1 126 thousand EUR (4,5% EBITDA ratio) compared to 934 thousand EUR (4,2% EBITDA ratio) in 2019 which meant 21% growth. PAT increased by 34 thousand EUR, which was 14% growth compared to the base. The first quarter of 2020 is a new record in terms of sales and EBITDA in the Company's operations compared to the same periods in previous years. The increase in trade margin value was more than the turnover expansion in sales. The performance of the EPS and traditional fiberglass mesh plant in Serbia has improved, while the foam production upturn in Kal still lagged behind compared to the plans and the base quarter. The Group's financial result was worse due to the unfavourable exchange rate effects, however the profit after taxation landed on 272 thousand EUR profit compared to the 238 thousand EUR base.

Masterplast expects uncertain construction environment for the future, which may be mitigated and offset by government incentive programs. In addition to maintaining the financial stability, the Group is ready to handle the negative effects of the coronavirus epidemic with keep up a stable supply chain and a flexible logistic background, but the deteriorating environment may also have a negative impact on the Company's turnover and operating profit.

Data in 1000 EUR	Q1 2020	Q1 2019
Sales revenues	24 952	22 068
EBITDA	1 126	934
EBITDA ratio	4,5%	4,2%
Profit/loss after taxation	272	238
Net income ratio	1,1%	1,1%

Source: consolidated non-audited report of the Group on 31st of March 2020 and non-audited report on 31st of March 2019 based on IFRS accounting rules, as well as the non-audited data from the Group's management information system

- In Q1 2020 the Company has met with slightly moderated but mostly favourable trends in the new building market and in the home renovation market of major importance for Masterplast. On the most significant Hungarian market, the positive construction mood typical of previous years continued in the first quarter, but from the middle of March the number of new investments decreased slightly, and there was a huge wave of – raw material purchasing – demand. In Romania, despite the unfavourable political situation, the construction industry closed a strong quarter, the previously launched building insulation projects continued in January and in February. In Serbia, the construction activity increased, the value of work performed was higher, and the number of building permits issued also increased significantly in the first two months of the quarter. In Ukraine, the building industry performed well overall in Q1 compared to the same period in 2019 and the value of the construction works landed almost on the same level as last year. In Poland, the construction industry slowed down, the value of building and assembly work increased, as did the number of homes handed over, while the number new housing constructions declined. In Slovakia, the construction sector performed well, there was a growth in the first two months, while in March there was already a decline. In Croatia the industrial production decreased, the construction industry did not expand compared to the same period last year and due to the epidemiological situation, construction activity almost completely backslid. The situation was further

aggravated by an earthquake in Zagreb, where many buildings damaged. The industrial production in North Macedonia decreased, while with regard the construction industry, the number of building permits issued was higher compared to the same period last year.

- The total revenue of the Company was 24 952 thousand EUR in Q1 2020, 13% higher than in the base period in 2019.
- Still the Thermal insulation system provided the biggest product share, where the overall sales grew by 14% in Q1 2020. There was also sales increase in the other product groups too, in the Roofing foils and accessories (6%), in the Dry construction system product group (12%), in the Heat, sound and water insulation materials (3%), even in the Building industry accessories product group (2%) too. Regarding the Industrial applications, the revenue was 45% higher in this quarter compared to the base period in 2019.
- **On the Group's main Hungarian market**, the sales increased by 29% in Q1 2020 compared to the base while on the export markets it decreased by 11%. The sales revenues also grew in Romania (31%), in Serbia (11%), in Ukraine (3%) and in Slovakia (3%). In Poland (-1%) and in Croatia (-6%) the revenues were smaller, just as in North Macedonia (-17%) with the smallest share of sales.
- Compared to the increase in turnover, the increase in the trade margin value was higher in Q1 2020. The Group's trade margin was higher on the Ukrainian and Polish markets, but the realized margin volume grew on the Hungarian and Romanian markets as well.
- There was a growth in the production output of traditional and German technology fiberglass mesh, just as the profile production, while the EPS production in Serbia and the foam production in Kal dropped compared to the base quarter.
- The cost of materials and services – considering the change in the self-manufactured inventories as well – has increased (10%) less than the turnover expansion in Q1 2020.
- As a result of the expanding headcount of the fiberglass mesh factory in Serbia and due to the payrises the personnel expenses of the Company have increased in the quarter compared to the base. The Group had 1 103 employees at the end of Q1 opposed to the staff level of 963 people of the base period.
- There was an increase in the amount of depreciation in Q1 2020 compared to the base.
- The other operating expenses in Q1 2020 also increased compared to the base period.
- The Group EBITDA was 1 126 thousand EUR in Q1 2020 (4,5% EBITDA ratio) compared to the 934 thousand EUR (4,2% EBITDA ratio) in the base period, which was 21% growth.
- The EBIT resulted in 494 thousand EUR in Q1 2020 which exceeded by 25% the 396 thousand EUR level of the base period.
- The interest revenues increased too while the interest expenditures decreased in Q1 2020 compared to the base period. Regarding the other financial result, the Company has generated and booked loss in Q1 2020 compared to profit of Q1 2019.
- The Group PAT was 272 thousand EUR profit in Q1 2020 **compared to the base period's profit of 238 thousand EUR**.
- The total fixed assets amounted to 36 874 thousand EUR at the end of Q1 2020, by 982 thousand EUR higher **than base period's volume**.
- The inventory at the end of March 2020 was 20 793 thousand EUR, landed by 3 001 thousand EUR lower than the base period closing stock was.
- The trade accounts receivables were 18 908 thousand EUR at the end of this quarter which meant 2 683 thousand EUR increase (17%) compared to base period.
- The Company issued a total of 6 billion HUF nominal value of bonds under Growth Bond Program announced by the National Bank of Hungary which restructured the financing of the Group. This provides a long-term low-interest (1,08% EUR basis) resource for further growth.

## Business prospects

Next to the excellent results in the first quarter, the outlook for the industry because of the situation at the end of the quarter deteriorated observably and became uncertain. Export activity to the Western European countries which are most severely affected by the virus has declined due to the unabridged restrictions. In Hungary, in addition to the general economic slowdown and emergency restrictions, the number of new investments and the number of building permits also decreased. Projects started under the previous government incentives have typically entered the final stages, which predicts narrowing market opportunities in the absence of new comprehensive government incentive programs. The state initiatives that have introduced so far, the incentives for so-called rust zones and the upswing mood in public renovation may have a positive effect, but new state subsidies for construction and building energy renovations are also needed to offset the persistently deteriorating industrial environment. The uncertain operating environment may also have a negative impact on the Company's turnover and operating results.

The Group responded quickly to the situation caused by the coronavirus. Operational safety is continuously ensured by exploiting the possibilities of our own production, stable supply of raw materials, cost-effectiveness changes and reorganization of work schedules. In addition to financial stability, the company ensures business continuity and service to its partners by maintaining a high level of services. Masterplast does not plan any redundancies, it expects to retain its staff. In view of the changed consumer habits, the Company has set as an important goal the further strong development of its own online presence and the support of the e-commerce and online development of its partners.

### 2. Presentation of the external economic and industrial environment

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

The Masterplast in the first two months of Q1 2020 has faced with slightly moderated but mostly favourable trends and industrial climate in its country portfolio. And in March, economic actors, including Masterplast, typically had to cope with the global crisis caused by the coronavirus.

On the most significant Hungarian market, the positive construction mood typical of previous years continued in the first quarter. According to the data of the statistical office, the construction output increased in February compared to the same period of the previous year, but from the middle of March the number of new investments decreased slightly, and the announcements of the outcome of public procurement tenders were shifted. The impact of the global health emergency and the resulting restrictions, unlike in other sectors, did not have a negative effect on the construction sector in the first quarter, and for this reason there was a huge wave of – raw material purchasing – demand. Larger market participants remain optimistic because the government with its previous and current measures (such as 5% VAT on housing in so-called rust zones, advance of public building renovations, launch of the hotel and restaurant renovation loan program) has an incentive effect on the construction sector. The emerging economic crisis is likely to affect the building industry, but the sector is characterized by a slower response (as ongoing construction works will be completed) and because of the already mentioned state support measures, the expected negative trend presumably will show up in results by the end of 2020 or beginning of next year.

In Romania, the economy in the first quarter was featured by an unfavourable political situation, there were changes of governments, investor distrust and consequently of these, the devaluation of the national currency. However, despite the current situation, the construction industry closed a strong quarter, the previously launched building insulation projects continued in January-February, in addition to which the unusually favourable weather conditions also had a positive effect on demand. However, from the middle of March, emergency status was taken in due to the coronavirus and major commercial activities and construction works were halted.

In Serbia, construction activity increased in the first quarter of 2020, the value of work performed was higher than in the same period of the previous year, and foreign trade picked up. The number of building permits issued also increased significantly in the first two months of the quarter. In view of the viral situation, the government to reduce its negative effects introduced economic protection measures in March.

In Ukraine, the building industry performed well overall in Q1 compared to the same period in 2019. The value of the construction works landed almost on the same as last year. In the viral situation at the end of the quarter, no direct government measures were introduced to support the construction industry, but the launched other restrictions and tightening significantly affected the sector at the end of Q1.

In Poland, in Q1 the construction industry slowed down. The value of building and assembly work increased, as did the number of homes handed over, while the number new housing constructions declined. Continuous labour shortage and building material prices featured the market in the quarter. Although the virus really appeared in the country in March, its economic impact has spread to the next quarter, and whose construction involvement is still uncertain for market participants.

In Slovakia, the construction industry performed well in Q1, growing by an average of 7% year-on-year in the first two months, while in March there was already a decline. Strict measures were launched in mid-March to control the coronavirus, whose economic impact will be mostly felt in the second quarter.

In Croatia, the industrial production decreased in the first quarter of 2020, and the construction industry did not expand compared to the same period last year. After the first two months, due to the epidemiological situation, construction activity almost completely backslid, most construction stopped, only the relevant building projects continued. The situation was further aggravated by an earthquake in March in Zagreb, which damaged many buildings and even many of them became unusable, including hospitals, schools, government offices and other major buildings. As a result, in the future the number of constructions in the area will increase significantly, but the reconstruction may take several years.

The industrial production in North Macedonia decreased, while foreign trade increased. With regard the construction industry, the number of building permits issued was higher compared to the same period last year, and average wages were also bigger in the first quarter.

In correspondence with the processes and data cited above, the EUROSTAT quarterly statistic report is recalled here presenting the changes in the volume of the issued building permits divided by countries and compared to the base (preceding) periods.

Quarterly change of building permits from Q4 2018 to Q4 2019:

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Croatia	-7,9	34,3	-2,9	0,5	-4,8
Hungary	8,6	13,1	-22,3	12,8	-21,4
Poland	-1,6	0,0	5,0	-0,6	:
Romania	-2,7	5,5	-4,2	-2,4	7,9
Slovakia	12,1	-37,6	19,7	22,4	:
Serbia	27,0	20,6	-17,7	27,5	0,9

Source: EUROSTAT: Building permits - quarterly data

3. Sales by main product groups

Sales by main product groups:

Data in 1000 EUR	Q1 2020	Q1 2019	Index
	(A)	(B)	(A/B-1)
Thermal insulation system	12 085	10 587	14%
Roofing foils and accessories	3 051	2 884	6%
Dry construction system	3 376	3 008	12%
Heat, sound and water insulation materials	2 851	2 778	3%
Building industry accessories	1 135	1 117	2%
Industrial applications	2 453	1 695	45%
Total sales revenue	24 952	22 068	13%
Contribution of product groups in percentage to the total sales revenue			
Thermal insulation system	48%	48%	
Roofing foils and accessories	12%	13%	
Dry construction system	14%	14%	
Heat, sound and water insulation materials	11%	13%	
Building industry accessories	5%	5%	
Industrial applications	10%	8%	
Total sales revenue	100%	100%	

Source: consolidated non-audited report of the Group on 31st of March 2020 and non-audited report on 31st of March 2019 based on IFRS accounting rules, as well as the non-audited data from the Group's management information system

The Masterplast sales in Q1 2020 was 24 952 thousand EUR, 13% higher comparing to the base period in 2019.

Within the Group's sales revenue, the Thermal insulation systems continued to generate for the highest sales proportion (48%), where in the first quarter the sales increased by 14%. There was significant increase in EPS and fiberglass mesh item groups. Regarding the markets, the sales increase was the highest on the Hungarian market, but the turnover was rising everywhere except for the Croatian, North-Macedonian and Export markets compared to the same period last year.

Turnover of the Roofing foils and accessories landed on higher level in Q1 2020 versus Q1 2019 by 6%. In all item groups the sales reached higher amount. Regarding the markets, the demand was mixed, sales decreased in Croatia, Northern Macedonia, Slovakia and in the Export regions, stagnated in Poland, while sales in the other markets improved compared to the same period last year.

Sales of the Dry construction system products increased by 12% in Q1 2020 compared to the base. The turnover growth on the Hungarian and Serbian markets was the highest, but on the other markets the sales also increased, except of North-Macedonian and the Export area.

In the Heat, sound and water insulation materials product group in Q1 2020 the sales increased by 3% compared to the same period in 2019. The sales of foam products were smaller, while there was a growth in the turnover of glass and rock wool products, the XPS products and drainage ditch system. In terms of markets, the Company's revenue increased in the Hungarian, Ukrainian, Slovakian and Romanian markets, and decreased in the other areas.

Turnover of Building industry accessories products increased by 2% in the first quarter of 2020 compared to the base, where the sales dropped in all areas except of the Hungarian, Romanian and Export markets.

In case of Industrial applications product group, the Masterplast achieved 45% higher sales level in Q1 2020 as in the base period was, due to the non-strategic trade of raw materials while the revenue from packaging related products also increased compared to Q1 2019.

4. Sales by countries

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

Sales by countries:

Data in 1000 EUR	Q1 2020	Q1 2019	Index
	(A)	(B)	(A/B-1)
Hungary	11 201	8 668	29%
Export	3 689	4 123	-11%
Romania	2 923	2 238	31%
Serbia	1 918	1 735	11%
Ukraine	1 681	1 701	-1%
Poland	1 318	1 284	3%
Slovakia	990	963	3%
Croatia	919	978	-6%
North Macedonia	313	378	-17%
Total sales revenue	24 952	22 068	13%
Contribution of countries in percentage to the total sales revenue			
Hungary	45%	39%	
Export	15%	19%	
Romania	12%	10%	
Serbia	8%	8%	
Ukraine	7%	8%	
Poland	5%	6%	
Slovakia	4%	4%	
Croatia	4%	4%	
North Macedonia	1%	2%	
Total sales revenue	100%	100%	

Source: consolidated non-audited report of the Group on 31st of March 2020 and non-audited report on 31st of March 2019 based on IFRS accounting rules, as well as the non-audited data from the Group's management information system

On the most relevant Hungarian market, the turnover has grown by 29% in Q1 2020 compared to the base period. In all product group the sales increased, but with the highest rate the EPS and fiberglass mesh at the Thermal insulation system sales extended. To the outstanding growth not only the expansion of the domestic trade in raw materials contributed, the larger part of the increase came from to the completion of projects started last year.

The European appearance of the COVID-19 has the greatest impact on the export market, where a decrease of 11% was achieved in Q1 2020 compared to the base period. Except of the Building industry accessories, the Group had slightly decreasing sales in each product group. The revenue of fiberglass mesh products from the Thermal insulation system group was stagnant compared to the base year same period. Considering its markets, the Masterplast reached a growth in the German, Cyprian and Austrian areas, while the biggest drop was in Italy, in Denmark and in Ireland.

On the Romanian market the sales increased by 31% in Q1 2020 compared to the base period. The sales of Thermal insulation system and within that the fiberglass mesh products increased the most, but the revenue of the other product groups was growing too compared to the base



In Serbia the sales increased by 11% in Q1 2020 compared to 2019. A growth in turnover was achieved regarding the Thermal insulation system, the Roofing foils and accessories and the Dry construction system product group, while the turnover of the other product groups was smaller in the quarter this year than in Q1 2019.

On the Polish market the sales were down by 1% in Q1 2020 compared to the base. The revenue increased in the Thermal insulation system and in the Dry construction system product group. The Roofing foils and accessories product group was stagnant, while in the other groups the Company reached smaller turnover.

In Ukraine, the growing in sales was 3% in Q1 2020 **compared to the base. The Company's revenue** increased in the most relevant Thermal insulation system product group, where the non-own-produced fiberglass mesh sales accounted for most of the turnover. The other product groups except of the Building industry accessories also showed a growth in Q1 2020.

The sales increased by 3% in Q1 2020 on the Slovakian market. In the Thermal insulation system product group, in the Dry construction system and in the in the Heat, sound and water insulation materials the sales were higher. Regarding the other product groups, the turnover decreased in the quarter compared to the base.

On the Croatian market the sales fell by 6% in Q1 2020 on base term. The revenue increased in the Dry construction system product group. while at the other product groups there was a drop in sales compared to the base period.

In North Macedonia, with the smallest turnover share, 17% decrease in sales was reported in Q1 2020. The sales decreased in all product group compared to the Q1 2019.

Overall, Masterplast faced with the slightly moderated, but basically positive industrial environment in the first two **months of the quarter, while in March the sector showed a mixed picture in the Company's sales areas.** All in all, the Group has increased its total sales by 13% in Q1 2020 compared to the base period. The Group achieved sales growth in the Hungarian, Romanian, Serbian, Ukrainian, and Slovakian markets, while sales decreased in the export area, in Poland, in Croatia and in North Macedonia. In terms of product groups, the turnover landed on a higher level in each group compared to Q1 2019.

5. Profit and loss account

The exhibit below shows the consolidated profit and loss statement of the Masterplast PLC. in total cost form, in EUR.

Data in 1000 EUR	Q1 2020	Q1 2019	Change	Index
	(A)	(B)	A-B	(A/B-1)
Sales revenues	24 952	22 068	2 884	13%
Cost of materials and services	-20 178	-18 220	-1 958	11%
Payroll costs and contributions	-3 737	-2 948	-789	27%
Depreciation	-632	-538	-94	17%
Change in self-manufactured inventories	220	86	134	156%
Other operating revenues and expenses	-131	-52	-79	152%
EBITDA	1 126	934	192	21%
<i>EBITDA ratio</i>	4,5%	4,2%		
PROFIT / LOSS OF BUSINESS ACTIVITY (EBIT)	494	396	98	25%
Interest revenues	18	14	4	29%
Interest expenses	-115	-154	39	-25%
Other financial revenues and expenses	-44	60	-104	-173%
FINANCIAL PROFIT/LOSS	-141	-80	-61	76%
Profit/loss from associations	0	-5	5	-100%
Profit/loss before income tax	353	311	42	14%
Taxes	-81	-73	-8	11%
Profit/loss after taxation	272	238	34	14%
<i>Profit attributable to the owners of the parent</i>	341	238	103	43%
<i>Profit attributable to the minority</i>	-69	0	-69	0%
<i>Earnings per share (EPS) (EUR)</i>	0,02	0,02		
<i>Diluted earnings per share (diluted EPS) (EUR)</i>	0,02	0,02		

Source: consolidated non-audited report of the Group on 31st of March 2020 and non-audited report on 31st of March 2019 based on IFRS accounting rules

The total revenue of the Group was 24 952 thousand EUR in Q1 2020, with 2 884 thousand EUR (13%) higher than in the base period. Compared to the increase in turnover, the increase in the trade margin value was higher in the period. The Group's trade margin was higher on the Ukrainian and Polish markets, but the realized margin volume grew in the Hungarian and Romanian markets as well. There was a growth in the production output of traditional and German technology fiberglass mesh, just as the profile production, while the EPS production in Serbia and the foam production in Kal dropped in Q1 2020 compared to the base quarter. The material and other material costs increased while the fuel and maintenance costs stagnated. The maintenance costs, the 3rd party related transportation expenditures and energy costs increased, while rent fees decreased in the period compared to the

base. The cost of materials and services – considering the change in the self-manufactured inventories as well – has increased (10%) less than the turnover expansion in Q1 2020.

As a result of the expanding headcount of the fiberglass mesh factory in Serbia and due to the payrises the personnel expenses of the Company have increased by 27% in Q1 2020 compared to the base period. The Group had 1 103 employees at the end of March 2020 opposed to the staff level of 963 people of the base period. 493 people were employed at the production unit in Subotica at the end of this quarter, compared to the level of 368 staff at end of March 2019.

There was an increase in the amount of depreciation in Q1 2020 compared to the base, mainly related to the Serbian manufacturing investments.

The other operating expenses increased slightly in Q1 2020 compared to the base period.

As the result of the above mentioned the Group EBITDA was 1 126 thousand EUR in Q1 2020 (4,5% EBITDA ratio) compared to the 934 thousand EUR (4,2% EBITDA ratio) in the base period, which was 21% growth. Considered the depreciation too the EBIT resulted in 494 thousand EUR in this quarter which exceeded by 25% the 396 thousand EUR level of the base period.

The interest revenues increased while the interest expenditures decreased in Q1 2020 compared to the base period.

The other financial related incomes and expenditures mainly represent the exchange rate related profits/losses. As the Company mainly realises its purchases in euro and USD and the sales are being generated in local currencies therefor the fluctuation of **these currencies can have a remarkable effect on the Group's financial results. Since most** of the local currencies are linked to the euro, the EUR/USD rate moves also influences – in case USD purchases – the exchange rate results. The Company had concluded EUR/USD and EUR/HUF based hedging deals in Q1 2020, the results from closure of this deals are also reflected among other financial profit/loss. The Hungarian entities (Masterfoam Kft., and Masterplast International Kft.) carry euro dominated working capital loans while the Serbian subsidiary holds euro base investment loan as well.

The following table shows the exchanges of major currencies for the Group in 2020, 2019 and 2018:

Closing exchange rates	31-12-2018	30-09-2019	31-12-2019	31-03-2020	Index	Index	Index	Index
	C	D	E	E	C/A	C/B	E/C	E/D
EUR/USD	1,14	1,12	1,12	1,10	97,99%	100,03%	97,93%	97,90%
EUR/HUF	321,51	320,79	330,52	359,09	102,80%	103,03%	111,94%	108,64%
EUR/RON	4,66	4,76	4,78	4,83	102,47%	100,35%	101,31%	100,96%
EUR/RSD	118,19	118,01	117,59	117,50	99,49%	99,65%	99,57%	99,92%
EUR/UAH	31,71	30,57	26,42	30,96	83,31%	86,44%	101,29%	117,18%
USD/HUF	280,94	286,14	294,74	327,07	104,91%	103,01%	114,30%	110,97%
USD/RON	4,07	4,24	4,26	4,40	104,60%	100,41%	103,65%	103,23%
USD/RSD	103,39	105,00	104,92	106,68	101,48%	99,92%	101,59%	101,68%
USD/UAH	27,69	27,25	23,69	28,06	85,55%	86,93%	102,98%	118,47%

Source: Hungarian National Bank rates

Mainly because of unfavourable exchange rate effects, the Company has generated and booked 44 thousand EUR loss as other financial result in Q1 2020 compared to the 60 thousand EUR profit of Q1 2019.

The Group PAT was 272 thousand EUR profit in Q1 2020 **compared to the base period's profit of 238 thousand EUR.**

All in all, the Group annual revenue increased by 13% in the first quarter of 2020 versus the prior year. Compared to the increase in turnover, the increase in the trade margin value was higher in the period. There was a growth in the production output of traditional and German technology fiberglass mesh in Serbia, while the foam production growth in Kal lagged behind in Q1 2020 compared to the base quarter. The cost of materials and services – considering the change in the self-manufactured inventories as well – has increased by a smaller rate than the

turnover expansion in Q1 2020. Due to the payrises and the expanding headcount the payroll costs showed an increase, and the depreciation also increased just as the other operating expenses. EBITDA was 1 126 thousand EUR (4,5% EBITDA ratio) in Q1 2020 compared to the 934 thousand EUR (4,2% EBITDA ratio) in Q1 2019. The Company's operating profit (EBIT) was 494 thousand EUR, 25% higher compared to the 396 thousand EUR of the base period. The financial result of the Group slightly decreased, furthermore the profit after taxation landed on 272 thousand EUR profit compared to the 238 thousand EUR base.

6. Other comprehensive income

Data in 1000 EUR	31-03-2020	31-03-2019
Profit for the year	272	238
Foreign exchange result on translation*	-1 793	167
Parent company's share of the change in the value of associates*	-26	0
Other comprehensive income	-1 818	167
Comprehensive income	-1 546	403

Source: consolidated non-audited report of the Group on 31st of March 2020 and non-audited report on 31st of March 2019 based on IFRS accounting rules

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

7. Balance sheet

Due to the strong seasonal impact of the Group's business during the year, the Company presents and analyses its balance sheet as at 31st March 2020 comparing to the balance sheet data of the same date of the previous year. A separate table shows the comparison with year-end volumes.

Data in 1000 EUR	31-03-2020	31-03-2019	Change	Index
	(A)	(B)	A-B	(A/B-1)
<b>FIXED ASSETS</b>				
Land, buildings and equipment	36 045	35 489	556	2%
Intangible assets	169	73	96	132%
Shares in related companies	295	29	266	917%
Deferred tax assets	365	301	64	21%
Total fixed assets	36 874	35 892	982	3%
<b>CURRENT ASSETS</b>				
Inventories	20 793	23 794	-3 001	-13%
Trade accounts receivable	18 908	16 225	2 683	17%
Tax receivables	1 416	1 500	-84	-6%
Other financial receivables	13	23	-10	-43%
Other current assets	1 403	2 406	-1 003	-42%
Liquid assets	6 654	1 907	4 747	249%
Total current assets	49 187	45 855	3 332	7%
<b>TOTAL ASSETS</b>	<b>86 061</b>	<b>81 747</b>	<b>4 314</b>	<b>5%</b>
<b>CAPITAL AND RESERVES</b>				
Subscribed capital	5 504	5 504	0	0%
Reserves	25 225	24 379	846	3%
Repurchased shares	-351	-21	-330	1571%
Parent share of interests	340	223	117	52%
Equity attributable to the owners of the parent	30 718	30 085	633	2%
Minority interests	373	301	72	24%
Total capital and reserves	31 091	30 386	705	2%
<b>LONG-TERM LIABILITIES</b>				
Long-term loans	4 104	6 966	-2 862	-41%
Liabilities from issued bonds	16 705	0	16 705	0%
Deferred tax liabilities	186	181	5	3%
Deferred income	3 503	3 850	-347	-9%
Other long-term liabilities	787	725	62	9%
Total long-term liabilities	25 285	11 722	13 563	116%
<b>SHORT-TERM LIABILITIES</b>				
Short-term loans	9 431	19 901	-10 470	-53%
Trade accounts payable	13 400	14 906	-1 506	-10%
Short-term leasing liabilities	191	226	-35	-15%
Other financial liabilities	1 541	0	1 541	0%
Tax liabilities	2 033	869	1 164	134%
Short-term deferred income	626	934	-308	-33%
Provisions	279	257	22	9%
Other short-term liabilities	2 184	2 545	-361	-14%
Total short-term liabilities	29 685	39 638	-9 953	-25%
<b>TOTAL LIABILITIES</b>	<b>54 970</b>	<b>51 360</b>	<b>3 610</b>	<b>7%</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>86 061</b>	<b>81 747</b>	<b>4 314</b>	<b>5%</b>

Source: consolidated non-audited report of the Group on 31st of March 2020 and non-audited report on 31st of March 2019 based on IFRS accounting rules

The total assets of the Group were 86 061 thousand EUR on the end of March 2020, by 4 314 thousand EUR higher than at the end of the base period.

The total fixed assets amounted to 36 874 thousand EUR at the end of Q1 2020, by 982 thousand EUR higher than **base period's volume. The Company has overall spent** 548 thousand EUR on CAPEX in 2020.

The inventory at the end of Q1 2020 was 20 793 thousand EUR, landed by 3 001 thousand EUR lower than the base period closing stock was. As a result of the Company's successful inventory management, the inventory level was reduced by 13% with increasing sales and production output.

The trade accounts receivables were 18 908 thousand EUR at the end of this quarter which meant 2 683 thousand EUR increase (17%) compared to base period, which is due to the increased sales to T-CELL Plasztik Kft., as the Masterplast has become its primary raw material supplier following the acquisition.

**The Group's cash and equivalents stood at** 6 654 thousand EUR at the end of March 2020, which were higher by 4 747 thousand EUR than the closing volume of Q1 2019.

The Company issued a total of 6 billion HUF (balance sheet value 16 705 thousand EUR) nominal value of bonds under Growth Bond Program announced by the National Bank of Hungary to refinance existing loans, which resulted in a decrease in short-term and long-term loans and in an increase in the liabilities related to bonds in the balance sheet.

The accounts payable was 13 400 thousand EUR, smaller by 10% versus at end of Q1 2020, and the deferred income also dropped (-14%) related to the government grants to investments compared to the base.

## 8. Cash-flow, bank information

Data in 1000 EUR	31-03-2020	31-03-2019	Change	Index
	(A)	(B)	A-B	(A/B-1)
Operating Activities				
PBT	353	310	43	14%
Depreciation and Amortisation	632	538	94	17%
Bad debt provision	149	173	-24	-14%
Shortage and scrap of stocks	26	17	9	53%
Provisions	60	70	-10	-14%
Profit on fixed asset sale	3	-24	27	-113%
Interest expense	115	154	-39	-25%
Interest revenue	-18	-14	-4	29%
Profit/loss from associations	0	5	-5	-100%
Unrealized foreign exchange gain (loss)	379	-56	435	-777%
Changes in Working Capital				
Change in Accounts Receivable	-4 585	-3 949	-636	16%
Change in Inventory	437	-747	1 184	-159%
Change in Other Assets	-277	-1 058	781	-74%
Change in Accounts Payable	2 672	2 133	539	25%
Change in Short-term liabilities	-980	418	-1 398	-334%
Taxation	0	-35	35	-100%
Net Cash from Operations	-1 035	-2 066	1 031	-50%
Investing Activities				
CAPEX	-548	-491	-57	12%
Sale of fixed assets	1	75	-74	-99%
Subsidiaries sold	0	0	0	0%
Government grant	0	0	0	0%
Interest received	18	14	4	29%
Net Cash from Investing activities	-528	-402	-126	31%
Financing Activities	0	0	0	0%
Borrowing	5 348	4 593	755	16%
Loan repayments	-1 529	-2 153	624	-29%
Government grant	0	0	0	0%
Dividends paid	0	0	0	0%
Interest paid	-115	-154	39	-25%
Net Cash from Financing activities	3 704	2 287	1 417	62%
Net Cash flow of the period	2 141	-181	2 322	-1283%
Cash at beginning of period	4 530	2 090	2 440	117%
Effect of exchange rate changes	-17	-2	-15	750%
Cash at end of period	6 654	1 907	4 747	249%

Source: consolidated non-audited report of the Group on 31st of March 2020 and non-audited report on 31st of March 2019 based on IFRS accounting rules

The net cash flow from operation was –1 035 thousand EUR at the end of Q1 2020, while it was -2 066 thousand EUR the end of the base period.

The cash flow from investing activities was -528 thousand EUR at end of March 2020 compared to -402 thousand EUR in same period 2019.

The net cash flow from financial related activities amounted to 3 704 thousand EUR compared to the 2 287 thousand EUR of the base year.

All in all, the cash and equivalents of the Company was 6 654 thousand EUR at the end of Q1 2020 which was higher by 4 747 thousand EUR than the level of the previous year same period.

Loans and bank related information:

By the end of March 2020, the Company had complied with the lately redefined and contracted banking covenant requirements.

Investigations against Masterplast:

An investigation has been extended to the MASTERPLAST Romania Srl. which was launched by the Romanian tax authority to an assumed tax claim in relation with anti-dumping laws on imported products concerning the operations of some of the suppliers of the Romanian subsidiary of the Company, and the investigative authority suspected MASTERPLAST Romania S.R.L. and two executive officials of it. For the upcoming periods of the procedure, as a security for possible future enforcement up to the amount of EUR 2 081 871 (9 951 341 RON), ordered the seizure and banned the alienation of Romanian properties owned by MASTERPLAST Romania S.R.L. This procedure has no influence on the operation and business activities of the MASTERPLAST Romania Srl. The Company has initiated a legal redress against the decision. The legal redress is under procedure. As the result of the completed tax investigation, the Romanian tax authority determined a VAT liability in the amount of 260 719 EUR (1 246 053 RON) and additionally 82 991 EUR (396 638 RON) as default interest for the inspected period from 01-01-2014 to 31-08-2016. The Company represented a bank guarantee for the tax liabilities.



9. Change in equity

Data in 1000 EUR	Subscribed capital	Shares	Capital reserves	Accumulated profit reserves	Conversation reserves	Total reserves	Parent company's share of profit	Equity per shareholders in parent company	Share of external owners	Shareholders' equity
01-01-2019	5 226	-22	6 656	19 302	-7 665	18 293	2 610	26 107	270	26 377
Net profit							34	34	19	53
Other comprehensive income					-224	-224		-224	5	-219
Transfer of previous year's net profit				2 610		2 610	-2 610			
Repurchased shares										
Capital increase	278							278		278
Capital increase - agio			1 407			1 407		1 407		1 407
Change in the share of external owners										
Paid dividends										
Ownership contribution				-49		-49		-49		-49
31-03-2019	5 504	-22	8 063	21 863	-7 888	22 037	34	27 553	294	27 847
01-01-2020	5 504	-381	8 063	23 062	-8 686	22 438	4 573	32 133	473	32 606
Net profit							340	340	-68	272
Other comprehensive income					-1 786	-1 786		-1 786	-32	-1 818
Transfer of previous year's net profit				4 573		4 573	-4 573			
Repurchased shares		30						30		30
Capital increase										
Capital increase - agio										
Change in the share of external owners										
Paid dividends										
Ownership contribution										
31-03-2020	5 504	-351	8 063	27 634	-10 472	25 225	340	30 718	373	31 090

Source: consolidated non-audited report of the Group on 31st of March 2020 and non-audited report on 31st of March 2019 based on IFRS accounting rules

## 10. Contingent liabilities

Company	Type of guarantee	Covert amount by guarantee	Currency	Amount in EUR	Currency
Masterplast Romania	Bank guarantee	1 246 053	RON	258 228	EUR
Masterplast Romania	Bank guarantee	396 638	RON	82 198	EUR
Masterfoam Kft.	Custom	10 000 000	HUF	27 848	EUR
Masterfoam Kft.	Tender guarantee	260 000 000	HUF	724 052	EUR
Masterplast YU D.o.o.	Bank guarantee	2 000 000	EUR	2 000 000	EUR
Total:				3 092 327	EUR

Source: consolidated non-audited report of the Group on 31st of March 2020 and non-audited report on 31st of March 2019 based on IFRS accounting rules, as well as the non-audited data from the Group's management information system

Off balance sheet items: relevant items in financial terms but items are not being presented in the balance sheet (such as guarantees, mortgage related liabilities etc.).

The Company has presented a bank guarantee covering the liabilities which were determined by the Romanian tax authority in the amount of 1 246 053 RON and 396 638 RON as default interest. Taking into account the legal outcome of the case, in consultation with the Company's legal counsel, the obligation is presented by the Company as a contingent liability.

## 11. Presentation of the manufacturing capacity

In the Group's EPS plant in Subotica in Q1 2020 the output was 7% lower than in the base period, but 9% higher than the planned. The decrease in the production is conscious, by utilizing the EPS capacity of T-Cell Plasztik Kft. Masterplast was able to serve the market more efficiently. With a stable plant located at three sites in the background the Group could increase the volume of sales in own-manufactured EPS products.

In Subotica, the production and output of the traditional fiberglass mesh factory also increased compared to the base period, it was 42% above of the Q1 2019 production level. Thanks to the technological developments launched in recent years, the productivity indicators have been steadily improved. The same can be said for the German technology, the targets set for the first quarter have been met.

The quarterly output of the mesh edge protection production was 11% higher than the period of last year.

In the Kal based foam factory the quarterly output was in lagging compared to the level of Q1 2019, closed at -10% versus last year. The lag was typically due to the decline in the turnover of the third-party packaging industry customers. The turnover of the construction and export partners was the same as in the base period. Overall, it can be said, orders from the packaging industry have declined over the past year, while the construction segment has been able to grow slightly.

The production of roofing foil at the Sárszentmihály site has entered the last stage of the investment. The necessary infrastructure modifications and headcount development have been completed, and the production line is ready to start trial production.

The efficient operation of the Group's plant units was not affected by the appearance of the COVID-19 in the first quarter of this year.

## 12. Changes of the full time employees (headcount)

	31-03-2020	31-12-2019	31-12-2018
Company employees	47	46	41
Group level employees	1 103	1 099	963

Source: non-audited data from the Group's management information system

## 13. Significant events between the quarter-end and the semi-annual report

The Group held the meeting of the Board of Directors on April 23, during which the Board of Directors, acting under the authority of the General Meeting, beyond items on the agenda related to normal business operations has decided as follows:

- Due to the prospective economic crisis caused by the outbreak of COVID-19 and the needs of the financial resources required for the Askania project, the Company do not pay dividends after fiscal year 2019.
- The mandate of two independent members of the Board of Directors - Kazár András Gábor and Dr. Martin-Hajdu György - has expired, Dezse Margaret Elizabeth and Sinkó Ottó have been elected as independent members pursuant to the published resolution.
- **The newly elected auditor of the Group is MAZARS Könyvszakértő és Tanácsadói Kft., The responsible auditor is Molnár Andrea Kinga.**

14. Balance sheet compared with 31 December 2019 status

Data in 1000 EUR	31-03-2020	31-12-2019	Change	Index
	(A)	(B)	A-B	(A/B-1)
<b>FIXED ASSETS</b>				
Land, buildings and equipment	36 045	37 193	-1 148	-3%
Intangible assets	169	191	-22	-12%
Shares in related companies	295	321	-26	-8%
Deferred tax assets	365	362	3	1%
Total fixed assets	36 874	38 067	-1 193	-3%
<b>CURRENT ASSETS</b>				
Inventories	20 793	21 257	-464	-2%
Trade accounts receivable	18 908	14 471	4 437	31%
Tax receivables	1 416	784	632	81%
Other financial receivables	13	2	11	550%
Other current assets	1 403	1 767	-364	-21%
Liquid assets	6 654	4 530	2 124	47%
Total current assets	49 187	42 812	6 375	15%
<b>TOTAL ASSETS</b>	<b>86 061</b>	<b>80 880</b>	<b>5 181</b>	<b>6%</b>
<b>CAPITAL AND RESERVES</b>				
Subscribed capital	5 504	5 504	0	0%
Reserves	25 225	22 438	2 787	12%
Repurchased shares	-351	-381	30	-8%
Parent share of interests	340	4 573	-4 233	-93%
Equity attributable to the owners of the parent	30 718	32 134	-1 416	-4%
Minority interests	373	473	-100	-21%
Total capital and reserves	31 091	32 607	-1 516	-5%
<b>LONG-TERM LIABILITIES</b>				
Long- term loans	4 104	3 864	240	6%
Liabilities from issued bonds	16 705	18 136	-1 431	-8%
Deferred tax liabilities	186	266	-80	-30%
Deferred income	3 503	3 748	-245	-7%
Other long-term liabilities	787	695	92	13%
Total long-term liabilities	25 285	26 709	-1 424	-5%
<b>SHORT-TERM LIABILITIES</b>				
Short-term loans	9 431	5 853	3 578	61%
Trade accounts payable	13 400	10 728	2 672	25%
Short-term leasing liabilities	191	290	-99	-34%
Other financial liabilities	1 541	92	1 449	1575%
Tax liabilities	2 033	1 047	986	94%
Short-term deferred income	626	626	0	0%
Provisions	279	219	60	27%
Other short-term liabilities	2 184	2 710	-526	-19%
Total short-term liabilities	29 685	21 565	8 120	38%
<b>TOTAL LIABILITIES</b>	<b>54 970</b>	<b>48 274</b>	<b>6 696</b>	<b>14%</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>86 061</b>	<b>80 880</b>	<b>5 181</b>	<b>6%</b>

Source: consolidated non-audited report of the Group on 31st of March 2020 and audited report on 31st of December 2019 based on IFRS accounting rules

15. Consolidated companies

Company	Place of business registration	Equity capital	Foreign currency	Ownership	Voting rate	Activity
Masterplast Romania S.R.L.	Romania	36 000	RON	100%	100%	Wholesale of building materials
Masterplast YU D.o.o.	Serbia	192 557 060	RSD	100%	100%	Wholesale of building materials, EPS and fiberglass production
Master Plast s.r.o.	Slovakia	26 555	EUR	100%	100%	Wholesale of building materials
Masterplast d.o.o.	Croatia	20 000	HRK	100%	100%	Wholesale of building materials
MasterPlast TOV	Ukraine	27 000	UAH	80%	80%	Wholesale of building materials
Masterplast Sp zoo	Poland	200 000	PLN	80,04%	80,04%	Wholesale of building materials
MasterFoam Kft.	Hungary	3 000 000	HUF	100%	100%	Foam sheet production
Masterplast Kft.	Hungary	10 000 000	HUF	100%	100%	Wholesale of building materials
Masterplast D.O.O.	North Macedonia	973 255	MKD	10%	10%	Wholesale of building materials
Green MP Invest	Ukraine	33 223 500	UAH	100%	100%	Asset management
Masterplast Hungária Kft.	Hungary	230 000 000	HUF	100%	100%	Wholesale of building materials
Mastermesh Production Kft.	Hungary	300 000 000	HUF	100%	100%	Fiberglass production
Masterplast International Kft.	Hungary	3 000 000	HUF	100%	100%	Wholesale of building materials
<i>Indirect relations:</i>						
Masterplast D.O.O.	North Macedonia	973 255	MKD	80%	80%	Wholesale of building materials
<i>Affiliated company of the Group:</i>						
Masterprofil Kft.	Hungary	3 000 000	HUF	20%	20%	Profile production
T-CELL Plasztik Kft.	Hungary	104 000 000	HUF	24%	24%	EPS production

Source: non-audited data from the Group's management information system

The consolidation of the Company is based on equity valuation (equity method) and recognized in profit and loss account. The fair value of the interest at the date of preparation of the interim management report is the same as the purchase value, so the profit and loss account has not been adjusted by the difference resulting from the valuation of the share.

16. Leaders and strategic employees influencing the operation of the Issuer

The members of the Board:

Name	Post	Commencement of mandate (beginning of membership in the Board)	Completion of mandate	Time spent in Board /as Board members	Stockholding (pcs)
Tibor Dávid	Chairman of the Board	03-04-2008	30-04-2020	approximately 12 years	4 548 057
Ács Balázs	Vice Chairman of the Board	03-04-2008	30-04-2020	approximately 12 years	3 877 259
Kazár András Gábor	Board member	24-04-2013	30-04-2020	approximately 7 years	-
Dr. Martin-Hajdu György	Board member	01-05-2014	30-04-2020	approximately 6 years	-
Dirk Theuns	Board member	01-05-2014	30-04-2020	approximately 6 years	-

The data of the Company's top management are shown in the table below on 31 March 2020:

Name	Post	Beginning of the current top management position	Completion of current top management position	Stockholding (pcs)
Tibor Dávid	Chairman	03-04-2008	indefinite duration	4 548 057
Ács Balázs	Vice Chairman	03-04-2008	indefinite duration	3 877 259
Nádasi Róbert	CEO	01-08-2018	indefinite duration	33 864

17. The shareholders of the Company with a holding above 5%

The Company's shareholders with a holding of more than 5% at the time of the closure of the report based on the announcements:

Name	Deposit handler	Quantity (pcs)	Share (%)
Tibor Dávid	no	4 548 057	31,15
Ács Balázs	no	3 877 259	26,55
OTP Alapkezelő Zrt.	no	929 944	6,37
SOH Kft. & LPH Kft. jointly	no	779 676	5,34
Total		10 134 936	69,41

18. Presentation of the amount of own shares (pcs)

	31-03-2020
Issuing ownership	179 798
Affiliated companies ownership	0
Total	178 798

## 19. Publications issued by Masterplast PLC. in the reference period:

Publication date	Object
02.01.2020.	Share capital, voting rights
03.02.2020.	Share capital, voting rights
14.02.2020.	Information document on bond registration
14.02.2020.	Announcement with respect to the registration of bonds
25.02.2020.	Publication of Q1-Q4 2019 results, interim management report
25.02.2020.	Press release regarding to the publication of Q1-Q4 2019 results, interim management report
02.03.2020.	Share capital, voting rights
12.03.2020.	Information on acquisition of German plant
23.03.2020.	General Meeting Invitation
01.04.2020.	Share capital, voting rights
02.04.2020.	General Meeting Proposals
02.04.2020.	Remuneration Statement
17.04.2020.	Announcement of MASTERPLAST Nyrt. regarding the Annual General Meeting based on Government Decree 102/2020. (IV. 10.)
23.04.2020.	Resolutions of the Board of Directors made within the competence of the General Meeting
23.04.2020.	Annual Report
23.04.2020.	CG Declaration
23.04.2020.	Summary Report
04.05.2020.	Share capital, voting rights

DECLARATION

MASTERPLAST Nyrt. (H-8143 Sárszentmihály, Árpád u. 1/A.) declares that the interim management report provides a true and fair view of the financial position of MASTERPLAST Nyrt., comprises the subsidiaries included in the consolidation.

Sárszentmihály, 14 May 2020

A handwritten signature in blue ink, consisting of stylized, overlapping loops and lines.

Tibor Dávid  
Chairman of the Board



