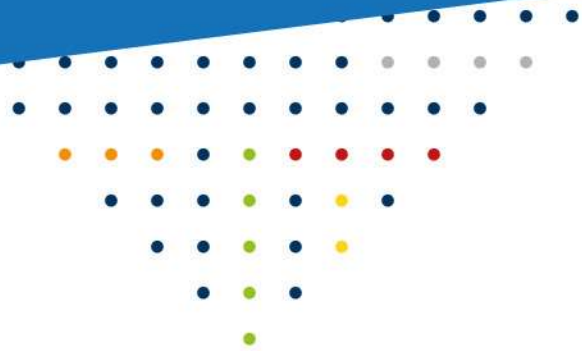
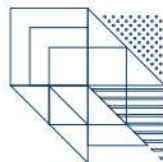
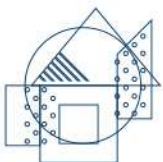


MASTERPLAST



MASTERPLAST PLC. ANNUAL REPORT 2020



MASTERPLAST Nyrt.

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2020
in accordance with International Financial Reporting Standards (IFRS)
(as adopted by the EU)

Sárszentmihály, 29 April 2021



CEO

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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 2020 annual financial statements of MASTERPLAST Nyilvánosan működő Részvénytársaság ("the Company"), which comprise the statement of financial position as at 31 December 2020 - showing a balance sheet total of HUF 28,611,199 thousand and a total comprehensive income for the year of HUF 120,751 thousand -, the related profit and loss statement and comprehensive profit and loss statement, statement of changes in equity, cash flow statement 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 2020 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 Standards on Auditing ("HNSA") and with applicable laws and regulations in force in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, as well as with respect to issues not covered by these Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code) and we also comply with further ethical requirements set out in these.

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

Key audit matters

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

Key Account Matters	Diligences performed in relation to the Key Audit Matters
<p>Valuation of long-term participations in affiliated companies</p> <p>The Company's participations in affiliated companies represent HUF 4.478.000 thousand as of 31 December 2020, which is approximately 16% of total assets.</p> <p>The reason for the change is the impairment and reversal of the valuation of long-term interests in associates and the recognition of a new acquisition, which was identified as a key audit matter due to:</p> <p>1) In the case of a follow-up assessment, management annually assesses whether it is necessary to recognize an impairment loss in accordance with International Financial Reporting Standards. In this regard, the preparation of business plans, the assessment and evaluation of impairment indicators and impairment tests involve significant management estimates.</p> <p>2) For initial recognition, the determination of acquisition cost may also involve significant assumptions depending on the terms of the transaction contract. In connection with the new acquisition of the Company a call option agreement ensures the acquisition of an additional 50% of the shares, which results in a future cash outflow and thus the recognition of a financial liability. Based on this we consider Valuation of long-term participations in affiliated companies significant to our audit and a key audit matter.</p> <p>The Company's accounting policy and disclosures about its participations in affiliated companies and related impairment and initial recognition are included in Note 8.6.3 Impairment on investments in subsidiaries and Note 12 Investments in subsidiaries.</p>	<p>Our audit procedures included, among others, evaluating assumptions and methodologies used by the Company, as well as indications and indicators of impairment to identify whether it is necessary to account for impairment. In addition, we reviewed whether the expected cash flows and impairment tests are based on strategic plans prepared by management and are based on appropriate assumptions. We have assessed the Company's disclosures in the notes on long-term participations in associates, including the Company's methodology for testing impairment, to determine whether they comply with EU IFRSs.</p> <p>In connection with the new acquisition, we understood the structure of the acquisition and, based on the acquisition agreement, we checked the components, amounts and existence of control by the Company.</p> <p>-We understood certain elements of the call option agreement for the acquisition of additional shares and the conditions and probability of their exercise, future cash-flow outflows. We analysed the accounting policy applied by the Company with respect to the shares.</p> <p>-Based on the discounted value of future payments, we recalculated the amount of the call option to acquire additional shares and verified the fair value of the financial liability recognized with an independent recalculation. We checked whether the applied discount rate corresponds to the characteristics of the Company.</p> <p>-We assessed the adequacy of the Company's disclosures about participations in affiliated companies in accordance with EU IFRSs including the measurement of acquisition cost and financial liability related to the option, in respect of non-current interests in associates.</p>

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Liabilities from issued bonds	Diligences performed in relation to the Key Audit Matters
<p>As at 31 December 2020, the balance of liabilities arising from bonds is HUF 11,965,970 thousand. During 2019 and 2020, the Company initiated a review of its external financing structure in order to diversify and improve the composition of the Company's debt portfolio. Accordingly, the Company has issued bonds within the framework of the Growth Bond Program ("NCP") of the National Bank of Hungary and has obtained a competitive source of funding. These liabilities are recognized as financial liabilities at amortized cost using the effective interest method, which is determined by reference to the proceeds from the issue, the cost of the issue, the nominal interest rate of the bond, the amount of repayments due at issue and the market price of the bonds at issue. Due to the size of the bonds issued by the Company, the determination of the carrying amount of the bonds was identified as a key audit matter.</p> <p>Detailed information and related accounting policies can be found in paragraphs 8.21 and 18 of the Notes.</p>	<p>We have reviewed the agreements, the prospectus and interpreted its content.</p> <p>We reconciled the amounts received from the bond issue, the issue costs, the nominal interest rate of the bond and the amount of repayments due at the time of repayment for the underlying documents.</p> <p>We compared the amounts offered for the bonds with the prices of similar financial instruments available in the market.</p> <p>We reconciled the number of bonds registered by KELER Central Counterparty with the closing date analysis.</p> <p>We recalculated the initial effective interest rate associated with the bonds and the carrying amount of the bonds using the above data in the underlying documents.</p> <p>We have reviewed the appropriateness of the accounting treatment applied to the bonds, including amortized cost accounting, in accordance with the requirements of IFRS 9.</p> <p>We have checked the completeness and accuracy of the publications.</p>

Other matters

The annual financial statements of the Company for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on April 23, 2020.

Other information

Other information consists of the 2020 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.

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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 2020 is consistent, in all material respects, with the 2020 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 regards to its business report, we do not express opinion in this regard.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, 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, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

- We were appointed as statutory auditor by the General Assembly of Shareholders of the Company on 14 December 2020. Our engagement is uninterrupted since this date.



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- 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.
- 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, 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 Molnár Andrea Kinga.

Budapest, April 29, 2021

Philippe Michalak Budzan
Philippe Michalak Budzan
Partner

Molnár Andrea Kinga
Molnár Andrea Kinga
Registered Auditor
Registration number: IFRS000265
K000027

Mazars Kft.
1123 Budapest, Nagyenyed utca 8-14
Registration number: 000220

MASTERPLAST PLC.
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(all figures in thousand HUF unless indicated otherwise)

2. STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	Notes	31 December 2020	31 December 2019
NON-CURRENT ASSETS			
Property, plant and equipment	10	1 879 126	1 981 990
Intangible assets	10	21 549	37 388
Investments in subsidiaries	12	4 478 000	3 084 602
Investments in associates	13	109 100	106 147
Deferred tax assets	27	97 987	9 335
Other non-current financial assets	14	10 441 981	7 042 188
Non-current assets		17 027 743	12 261 650
CURRENT ASSETS			
Trade receivables	15	258 341	128 377
Tax receivables	27	1 102	12 898
Other current financial assets	16	802 980	1 122 690
Cash and cash equivalents	17	10 521 033	614 902
Current Assets		11 583 456	1 878 867
TOTAL ASSETS		28 611 199	14 140 517
EQUITY			
	5		
Share capital		1 460 128	1 460 128
Reserves		2 825 572	3 068 076
Treasury shares		(50 542)	(126 076)
Profit/(loss) for the year		364 543	(1 369)
Equity		4 599 701	4 400 759
PROVISIONS			
Provisions		2 481	3 051
Provisions		2 481	3 051
NON-CURRENT LIABILITIES			
Non-current finance lease liabilities	11	15 304	12 485
Deferred income	19	90 898	93 693
Liabilities from issued bonds	8	11 965 970	5 999 454
Other non-current liabilities	20	1 262 597	0
Long-term liabilities		13 334 769	6 105 632
CURRENT LIABILITIES			
Trade payables	21	75 371	23 712
Current finance lease liabilities	11	5 586	7 772
Current deferred income	19	2 793	2 793
Other finance liabilities		905 201	27 826
Other current liabilities	22	9 685 297	3 568 972
Current liabilities		10 674 248	3 631 075
TOTAL LIABILITIES		24 009 017	9 736 707
TOTAL EQUITY AND LIABILITIES		28 611 199	14 140 517

The attached notes form part of the annual financial statements.

MASTERPLAST PLC.
ANNUAL FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2020
 (all figures in thousand HUF unless indicated otherwise)

3. PROFIT AND LOSS STATEMENT

	Notes	2020	2019
Revenues	28	780 286	952 648
Materials and services used	23	(360 430)	(293 451)
Payments to personnel	24	(489 790)	(432 460)
Depreciation, amortisation and impairment	10	(91 667)	(88 166)
Dividend income	28	687 367	22 928
Other operating (expense)/income	25	85 756	(204 102)
OPERATING PROFIT		611 522	(42 603)
Interest income	26	248 645	26 680
Interest expense	26	(225 949)	(24 686)
Other financial (expense)/income	26	(344 375)	59 989
FINANCIAL PROFIT/(LOSS)		(321 679)	61 983
Profit/ (loss) attributable to associates	13	2 953	(4 552)
PROFIT/(LOSS) BEFORE TAX		292 796	14 828
Income tax	27	71 747	(16 197)
PROFIT/(LOSS) FOR THE YEAR		364 543	(1 369)

MASTERPLAST PLC.
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(all figures in thousand HUF unless indicated otherwise)

4. COMPREHENSIVE PROFIT AND LOSS STATEMENT

	31 December 2020	31 December 2019
Profit/(loss) for the year	364 543	(1 369)
Comprehensive income related to CCIRS transaction	(243.792)	
Other comprehensive income	120.751	0
Comprehensive income/(loss)	120.751	(1 369)

MASTERPLAST PLC.
ANNUAL FINANCIAL STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2020
 (all figures in thousand HUF unless indicated otherwise)

5. STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Treasury Shares	Share Premium	Retained earnings	Reserves, total	Profit/ (loss) for the year	Equity, total
2020.január. 1.		1 460 128	(126 076)	2 318 249	749 827	3 068 076	(1 369)	4 400 759
Profit for the year	3						364 543	364 543
Other comprehensive income - CCIRS	19			(243 792)		(243 792)		(243 792)
Prior year's profit or loss reclassified					(1 369)	(1 369)	1 369	
Redeemed treasury shares	7		(38 300)					(38 300)
Dividends paid								
MRP consolidation	33				2 657	2 657		2 657
MRP allowance	33		113 834					113 834
2020.december 31.		1 460 128	(50 542)	2 074 457	751 115	2 825 572	364 543	4 599 701

MASTERPLAST PLC.
ANNUAL FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2020
 (all figures in thousand HUF unless indicated otherwise)

	Note	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	3						(1 369)	(1 369)
Other comprehensive income								
Prior year's profit or loss reclassified					(539 835)	(539 835)	539 835	
Redeemed treasury shares	7		(119 375)					(119 375)
Dividends paid					(490 364)	(490 364)		(490 364)
MRP consolidation	33				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

MASTERPLAST NYRT.
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(all figures in thousand HUF unless indicated otherwise)

6. CASH FLOW STATEMENT

	2020	2019
OPERATING ACTIVITIES		
Profit/(loss) before tax	292 796	14 828
Depreciation, amortisation and impairment of tangible assets	91 667	88 166
Impairment loss/(gain)	524 343	849
Provisions (released)/made	(570)	471
(Gains)/losses on disposal of tangible and intangible assets	(102 476)	760
Loss of subsidiaries sold	0	0
Interest paid	225 949	24 686
Interest received	(248 645)	(26 680)
(Profit)/loss from associates	(2 953)	4 552
Unrealised foreign exchange (gain)/ loss	827 995	(54 856)
Working capital changes:		
Increase/(decrease) in trade receivables	(130 288)	190 427
Increase/(decrease) in other current assets	(99 459)	(1 021 227)
(Increase)/decrease in trade payables	52 152	6 680
(Increase)/decrease in other liabilities	6 986 450	1 565 262
MRP result	2 657	1 431
Income tax paid	71 747	(16 197)
Net cash flows from operations	8 491 365	779 152
INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	(13 739)	(345 503)
Subsidiaries purchased/ increased in capital	(119 787)	(99 840)
Subsidiaries sold	12 417	0
Issuance of shares	0	0
Proceeds from the disposal of tangible and intangible assets	143 251	3 189
Interest received	248 645	26 680
Net cash flows from investing activities	270 787	(415 474)
FINANCING ACTIVITIES		
Loans taken	0	897 000
Loans repaid	0	0
Issued bonds	5 727 812	5 999 454
Dividends paid	0	(490 364)
Increase in non-current loans provided to subsidiaries	(4 338 620)	(6 188 062)
Interest paid	(225 949)	(24 686)
Net cash flows from financing activities	1 163 243	193 342
Increase/(decrease) in cash and cash equivalents	9 925 395	557 020
Cash and cash equivalents at the beginning of the year	614 902	57 882
Net foreign exchange translation gain or loss	(19 264)	0
Cash and cash equivalents at the end of the year	10 521 033	614 902

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 46 in 2020 (44 in 2019).

The cost of the Company's external audit for 2020 is 46 900 EUR + VAT (EUR 64 080 + VAT in 2019) 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.

Profitability of Masterplast Nyrt. in 2020 is attributed to the following key factors:

- The Company's revenues are largely derived from rent and interest income related to the abovementioned activities.
- The company's performance in 2020 was greatly influenced by a dividend of HUF 630 million received from its two subsidiaries in Hungary and 57 million from its two foreign subsidiaries.

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

MASTERPLAST PLC.
ANNUAL FINANCIAL STATEMENTS
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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.

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 2019).

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

The shareholders are as follows:

Shareholders		2020	2019
1	Tibor Dávid	454 805 700 Ft	454 805 700 Ft
2	Ács Balázs	387 725 900 Ft	387 725 900 Ft
3	OTP Alapkezelő	93 676 200 Ft	93 518 400 Ft
4	LPH Kft., SOH Kft.	79 886 900 Ft	77 967 600 Ft
5	Több kisebbségi tulajdonos	420 012 800 Ft	424 844 100 Ft
6	Visszavásárolt részvények	24 020 400 Ft	17 879 800 Ft
Total:		1 460 127 900 Ft	1 460 127 900 Ft

The voting rights are as follows:

	2020	2020	2019	2019	
1 Tibor Dávid	4 548 057	32%	4 548 057	32%	votes
2 Ács Balázs	3 877 259	27%	3 877 259	27%	votes
3 OTP Alapkezelő	936 762	7%	935 184	6%	votes
4 LPH Kft., SOH Kft.	798 869	6%	779 676	5%	votes
5 Several minority shareholders	4 200 128	29%	4 248 441	29%	votes
Total:	14 361 075	100%	14 422 481	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
 DEZSE Margaret Elizabeth – independent member
 DIRK THEUNS – independent member
 SINKÓ Ottó – independent member

Members of the Audit Committee:

DEZSE Margaret Elizabeth
Dirk THEUNIS
SINKÓ Ottó

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.

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

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020, but none of them had a significant impact on the annual financial statements of the Company. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective in 2020. Standards applied for the preparation of the annual financial statements are the same as those applied in 2019.

8.2.1 New standards, interpretations and amendments adopted by the Company

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. The Company has assessed the potential impact of the standard on profit and loss of the Company and deemed it to be immaterial.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The Company has assessed the potential impact of the standard on profit and loss of the Company and deemed it to be immaterial.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "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." The amendments clarify that materiality will depend on the nature or magnitude of

The attached notes form part of the annual financial statements.

information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Company has assessed the potential impact of the standard on profit and loss of the Company and deemed it to be immaterial.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The Company has assessed the potential impact of the standard on profit and loss of the Company and deemed it to be immaterial.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The Company has assessed the potential impact of the standard on profit and loss of the Company and deemed it to be immaterial.

8.2.1 New standards, interpretations and amendments not yet effective and not early-adopted by the Company

- IFRS 17 Insurance contracts including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023, this amendment has not yet been adopted by the EU).
- Amendment to IAS 1 Presentation of financial statements: Classification of liabilities as short and long-term (effective for annual periods beginning on or after 1 January 2023, this amendment has not yet been adopted by the EU).
- Amendment to IAS 1 Presentation of financial statements and an Amendment in IFRS Practical Guide 2: Publication of accounting policies (effective for annual periods beginning on or after 1 January 2023, this amendment has not yet been adopted by the EU).
- IAS 8 Accounting policies, changes in accounting estimates and changes in errors: Definition of accounting estimate (effective for annual periods beginning on or after 1 January 2023, this amendment has not yet been adopted by the EU).
- Amendment to IFRS 3 Business combinations (effective for annual periods beginning on or after 1 January 2023, this amendment has not yet been adopted by the EU).
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- Amendments to IAS 16 Property, plant and equipment (effective for annual periods beginning on or after 1 January 2022, this amendment has not yet been adopted by the EU).
- Amendments to IAS 37 Provisions, contingent liabilities and contingent receivables (effective for annual periods beginning on or after 1 January 2022, this amendment has not yet been adopted by the EU).

- Amendment of annual corrections to IFRSs, 2018-2020 (effective for annual periods beginning on or after 1 January 2022, this amendment has not yet been adopted by the EU).
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in connection with the Interest Rate Benchmark Reform- Phase 2. (effective for annual periods beginning on or after 1 January 2022, this amendment has already been adopted by the EU)
- Amendments to IFRS 4 Insurance contracts- postponement of IFRS 9 (effective for annual periods beginning on or after 1 January 2022, this amendment has already been adopted by the EU)

The above-mentioned standards and amendments are not expected to have a significant impact on the Company's results, financial position and financial statements.

8.3 Foreign exchange operations

Functional and reporting currency

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

Transactions and balances

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

8.4 Intangible assets

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

8.5 Property, plant and equipment

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

Land is not depreciated.

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

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

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

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Residual values of significant assets are determined by the Technical Director of the Group who assesses them and reviews their residual values annually.

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	Date of Acquisition/ Foundation	Ownership (%)		Voting right (%)	
				2020	2019	2020	2019
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%
Fidelis Bau Kft	Hungary	Manufacture of insulating light concrete	2020.07.01	100%	0%	100%	0%
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 Nonwoven GmbH	Germany	Roof film production	2020.07.01.	50%	0%	100%	0%
MasterPlast TOV	Ukraine	Wholesale of construction materials	2005.03.17	80%	80%	80%	80%
Masterplast YU D.o.o.	Serbia	Wholesale of construction materials EPS and fiberglass production	2002.03.19	100%	100%	100%	100%
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.

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8.6.2 Investments in associates

The Company has the following investment in an associate company:

Company	Incorporated in	Core operations	Foundation date	Ownership (%)		Voting rate (%)	
				2020	2019	2020	2019
MasterProfil Kft. (1)	Hungary	Profil production	26.04. 2007	20%	20%	20%	20%
T-Cell Plasztik Kft. (2)	Hungary	Polistyrene production	03.06.2019	24%	0%	24%	0%

(1) Majority (80%) owner is Mr. Zsolt Császár.

(2) Majority owners in equal parts are Mr. Zsolt Sinkó and Marcell Lakatos. Masterplast Nyrt acquired its 24% share in the entity 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 *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.

8.8.5 *Trade Receivable*

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

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

8.8.6 *Derivative financial instruments*

The Company uses derivative financial instruments such as forward foreign exchange contracts or interest rate swaps to manage the risks arising from changes in interest rates and exchange rates. These derivative financial instruments are recorded at fair value on the date of conclusion of the contract and revalued in subsequent periods. Derivatives are recorded as financial instruments if their fair value is positive or as liabilities if their fair value is negative. Income and expense arising from changes in the fair value of derivatives that are not hedges are accounted through profit or loss as income or expense of financial transactions. The fair value of derivative financial instruments at the end of the financial year is based on the calculation prepared by the Contractual Partner of the Company taking into account daily the fluctuations of exchange rates as well the contractual terms.

8.8.7 *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

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

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

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

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

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

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

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

8.15.2 The Company as a lessor

The Company also conducts leasing activities for its subsidiaries and external companies that are not classified as 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 received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses are recognised in the same periods in which the expenses are recognised.

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

8.17 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.

Revenue is recorded when all five conditions as required by IFRS 15 Customer Contracts are met.

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 participated in the growth bond programme announced by the MNB both in 2019 and 2020, under which Masterplast Nyrt issued bonds with a nominal value of HUF 6 -6 billion (EUR 32.7 million of balance sheet value as at 31 December 2020). The funds raised from the 2019 issue have been used to restructure funding, providing a long-term, low-interest (1.08% on EUR basis) resource for further growth. The proceeds from the bonds issued in HUF were disbursed to subsidiaries as EUR-based parent loans, which were fully used by the subsidiaries to re-finance their existing loans. As a result, the amount of short- and long-term loans of the Group decreased while its liabilities from issued bonds increased by the same amount in the balance sheet. In order to optimise exchange rate effects and interest costs resulting from transactions denominated in different currencies, the Company entered into a CCIRS hedging transaction in December 2019, which will reduce interest costs calculated on the basis of the Company's current financing structure in the coming years. The bonds were introduced to the BÉT Xbond market on 18 February 2020. The proceeds from the bond issued in 2020 will be used in full by the Group to finance its ongoing and future investments. The bonds were introduced to the BÉT Xbond market on 19 February 2021.

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The Company uses the effective interest rate calculation method for both bonds, but the impact of this method on the accounts (due to the minimum difference between nominal value and amortised cost) is immaterial.

Description of bond	MASTERPLAST 2026/I HUF	MASTERPLAST 2027/I HUF
Date of issue	6 December 2019	21 December 2020
Maturity Date	6 December 2026	21 December 2027
Registration Date:	18 February 2020	19 February 2021
Nominal Value	50 000 000	50 000 000
Issued pieces	120	120
Term (year)	7	7
Type of interest	fixed	fixed
Interest	2,00%	2,10%
Effective rate	0,12%	0,12%
Date of interest payments	Annually, 6st of December	Annually, 21st of December
Principal payments	Equal instalments between years 4-7	Equal instalments between years 4-7

MASTERPLAST 2026/I HUF	2020	2019
Total nominal value of issued bonds	6 000 000 000	6 000 000 000
Amortized cost	5 994 366 113	5 999 454 110
Fair value	5 992 548 448	5 999 454 110
Face value	6 000 000 000	6 000 000 000

MASTERPLAST 2027/I HUF	2020	2019
Total nominal value of issued bonds	6 000 000 000	0
Amortized cost	5 971 603 830	0
Fair value	5 993 364 000	0
Face value	6 000 000 000	0

CCIRS hedging transaction

The key objective of the 2019 bond issue was to restructure the Group's funding structure. In order to reach this objective all the HUF 6 billion of proceeds from the bonds denominated in HUF were exchanged into EUR then were disbursed to subsidiaries as EUR-based parent loans. These EUR-based parent loans were fully used by the subsidiaries to re-finance their existing EUR-denominated loans. Masterplast Nyrt. entered into the CCIRS transaction in order to mitigate the risk of fluctuating HUF/EUR exchange rates since it keeps its records in HUF as well as to achieve an interest rate that is more favourable than the market price. The transaction consists of a foreign exchange and an interest rate swaps that are inseparably linked to the bonds and provides 1:1 cover for principal and interest payments.

Cash flows from the CCIRS transaction and the bonds are in line in time and amount therefore any change in the value of the basic product is fully compensated by that of the hedging transaction (both in terms of exchange rate and interest).

The Company entered into the CCIRS transaction with Raiffeisen Bank. The Bank's credit rating does not affect credit risk. The transaction is assessed by Raiffeisen Bank Zrt. on the basis of market data at least once a month on the last day of the month. Based on the above the Company considered the CCIRS transaction to be 100% effective therefore applies hedge accounting in accordance with IFRS 9. The Company recognizes the effects of changes in the exchange rates directly in profit or loss, while the changes arising from yield curves are recognized in the OCI.

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The transaction details are as follows:

Description	MASTERPLAST 2026/I HUF
Binding day	16 December 2019
Maturity Date	7 December 2026
Place of implementation	OTC
Party paying fixed interest	Raiffeisen Bank Zrt.
Contracted amount	HUF 6 022 801 800
Fixed interest rate	1,9264% p.a.
Fixed interest	HUF 113 184 119
Party paying fixed interest	Masterplast Nyrt.
Contracted amount	EUR 18 306 388
Fixed interest rate	1,08% p.a.
Fixed interest	EUR 196 061

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:

The attached notes form part of the annual financial statements.

- 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.

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.

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

2020	Intangible assets	Properties	Machinery, equipment	Assets in construction	Tangible Assets	Total
Gross value, opening	173 307	2 324 278	226 577	271 980	2 822 835	2 996 142
Increase	2 731	160 408	54 084	244 633	459 125	461 856
Decrease	(9 394)	(34 615)	(23 764)	(438 686)	(497 065)	(506 459)
Gross value, closing	166 644	2 450 071	256 897	77 927	2 784 895	2 951 539
Accumulated depreciation and impairment, opening	(135 919)	(676 411)	(164 434)	0	(840 845)	(976 764)
Increase	(9 176)	(62 333)	(20 158)		(82 491)	(91 667)
Decrease		570	16 997		17 567	17 567
Accumulated depreciation and impairment, closing	(145 095)	(738 174)	(167 595)	0	(905 769)	(1 050 864)
Net book value, opening	37 388	1 647 867	62 143	271 980	1 981 990	2 019 378
Net book value, closing	21 549	1 711 897	89 302	77 927	1 879 126	1 900 675

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

Masterplast Nyrt. does not have intangible assets with an indefinite useful life. No finance cost was capitalised as part of the gross value during 2019 and 2020. Part of our bank loans are covered by the net book value of tangible assets of Masterplast Nyrt:

2020	2019
1 856 901	1 731 745

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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 2020	31 December 2019
Gross value	41 385	66 076
Accumulated depreciation	11 632	(30 475)
Net value	29 753	35 601

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

	31 December 2020	31 December 2019
Lease liabilities within 1 year	5 586	7 772
Due in 2-5 years	15 304	12 485
Due over 5 years	0	0
Total lease obligations	20 890	20 257

The present values of minimum lease payments were as follows:

Period	31 December 2020	31 December 2019
	Minimum lease pay- ments	Minimum lease pay- ments
Lease payments falling due within 1 year	5 586	7 772
Lease payments falling due within 2-5 years	15 304	12 485
Lease payments falling due over 5 years		
Minimum lease payments	20 890	20 257
Financing expenses	0	0
Present value of minimum lease payments	20 890	20 257

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12. INVESTMENTS IN SUBSIDIARIES

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

Company	31 December 2020		31 December 2019	
	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
Fidelis Bau Kft.	100,00%	114 857	0,00%	0
Master Plast S.r.o.	100,00%	78 068	100,00%	0
Masterplast Sp zoo	80,04%	59 503	80,04%	59 503
Masterplast Nonwoven GmbH*	50,00%	1 267 526	0,00%	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%	131 125	100,00%	198 178
Investments in subsidiaries		4 478 000		3 084 602
T-Cell Plasztik	24,00%	97 710	24,00%	99 840
Masterprofil	20,00%	11 390	20,00%	6 307
Investments in associates		109 100		106 147
Total		4 587 100		3 190 749

*Investment in Masterplast Nonwoven GmbH includes share purchase option of HUF 1.262.597 thousand

Masterplast Nonwoven GmbH

Masterplast Nyrt. founded Masterplast Nonwoven GmbH. on 4 June 2020. The Company acquired a 50% share of the Subsidiary as well as exclusive management rights while Mr. Hartmut Layer acquired ownership of the remaining 50% share. The newly founded company acquired LHB GmbH & Co.'s Beschichtungs KG plant in Aschersleben. The plant produces special fabrics and multilayered membranes for healthcare as well as the construction industry. Due to exclusive management rights the Group fully consolidates this entity.

The Company's future plans include the purchase of the remaining share, for which it entered into an option contract of EUR 4,1 million with a 3-year deadline with the co-owner. The total (discounted) amount of the option is included in the Group's report in the "Other long-term liabilities" The Company used the weighted average cost of capital (WACC:7.05%) – that is also used in DCF models - in order to determine the fair value.

The Company evaluated its purchase option for the 50% stake of Noonwooen GMBH from Mr Hartmut Layer (which consists of a purchase option and a selling obligation) at fair value in accordance with IAS 27 as it was considered to be the purchase price of a shareholding- Any change in the value of the purchase option was considered to be the cost of acquiring the shareholding in order to avoid significant valuation and recognition inconsistencies.

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Fidelis Bau Kft.

Masterplast Nyrt. acquired 100% share in Fidelis Bau Kft. on 1 July 2020. Fidelis BAU Kft. - established in 2002 - is a manufacturer of "Thermobeton" and a former supplier of the Masterplast Group. Fidelis BAU Kft. has the necessary regulatory approvals and licences and manufacturing technology for the collection, transport and processing of polystyrene waste.

With the acquisition of Fidelis BAU Kft., the production technology for the recycling of polystyrene waste is available within the Masterplast Group as well as all official approvals and licenses, thereby Masterplast Group implements a circular management system called "Hungarocell Green Program".

Green MP Invest

There has been no significant economic change in Ukraine in 2020. In the first quarter of fiscal year 2016, the Company decided to stop its investment in Ukraine and to sell previously purchased assets and machinery. In order to determine market prices, the Fair Value of assets was re-examined by the Company as a result of which all assets with the exception of the property and cash were fully depreciated.

The market value of the property is UAH 12,5 million based on the updated valuation, while the company has set the book value of the property at 12 million UAH. The Company deemed the difference to be insignificant thus it was accounted for as impairment. The company is currently exploring the possibilities of utilising the property purchased for this project.

Based on the fair value hierarchy, the valuation is classified as Level 2. Fair values were determined by third party experts contacted by management using the method of comparison of similar assets' prices. Based on this method assets were impaired to their estimated market values less costs of sale.

The Company recognized an impairment of UAH 7 812 620 (224 891 EUR) in its 2020 records for its investment in Ukraine as summarized in the schedule below:

Type of asset	Book Value	Estimated Market Price	Impairment	Average Impairment %
Properties	354 839	359 820	9 412	2.7%
Machinery & equipment	104 087	0	104 087	100.0%
Other	112 391	999	111 392	99,1%
Total	571 317	360 819	224 891	39.4%

The Company recognized an impairment of UAH 5 113 128 (195 381 EUR) in its 2019 records for its investment in Ukraine as summarized in the schedule below:

Type of asset	Book Value	Estimated Market Price	Impairment	Average Impairment %
Properties	471 034	470 004	1 030	0.2%
Machinery & equipment	133 503	56 113	77 390	58.0%
Other	157 716	40 756	116 961	74.2%
Total	762 254	566 873	195 381	25.6%

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Changes in investments in subsidiaries during 2020:

Company	Opening Net Book Value	Additional paid-in capital	Share purchase option	Share settlement	Impairment reversal	Impairment charge	Result of investments in associates	Closing Net Book Value
MPNonwoven GmbH	0	4 929	1 262 597	0	0	0	0	1 267 526
Fidelis Bau Kft.	0	114 857	0	0	0	0	0	114 857
Master Plast S.r.o.	0	0	0	0	78 068	0	0	78 068
Green MP Invest	198 178	0	0	(12 416)	6 208	(60 845)	0	131 125
Masterprofil Kft.	6 307	0	0	0	0	0	5 083	11 390
T-Cell Plasztik	99 840	0	0	0	0	0	(2 130)	97 710
Összesen	304 325	119 786	1 262 597	(12 416)	84 276	(60 845)	2 953	1 700 676

Changes in investments during 2019:

Company	Opening Net Book Value	Additional paid-in capital	Sale of share in subsidiary	Impairment reversal	Impairment charge	Result of investments in associates	Closing Net Book Value
MP Österreich GmbH*	0	0	(302 104)	302 104	0	0	0
Masterprofil Kft.	10 859	0	0	0	0	(4 552)	6 307
T-Cell Plasztik	0	99 840	0	0	0	0	99 840
Total	10 859	99 840	(302 104)	302 104	0	(4 552)	106 147

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

Impairment charges and reversals recorded for investments in subsidiaries were as follows in 2020:

Impairment on investments	Opening impairment	Translation difference	Impairment Charge	Impairment Reversal	Closing impairment
Master Plast S.r.o.	(78 068)	0	0	78 068	0
Green MP Invest	(198 178)	0	(60 845)	6 208	(252 815)
Masterplast Romania S.r.l.	(353 071)	0	0	0	(353 071)
Masterplast Österreich GmbH	0	0	0	0	0
Total	(629 317)	0	(60 845)	84 276	(605 886)

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:

Impairments of investments	Opening impairment	Translation difference	Impairment Charge	Impairment Reversal	Closing impairment
Master Plast S.r.o.	(78 068)	0	0	0	(78 068)
Green MP Invest	(198 178)	0	0	0	(198 178)
Masterplast Romania S.r.l.	(353 071)	0	0	0	(353 071)
Masterplast Österreich GmbH	(302 104)	302 104	0	0	0
Total	(931 421)	302 104	0	0	(629 317)

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13. INVESTMENTS IN ASSOCIATES

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

Company	31 December 2020		31 December 2019	
	Ownership (%)	Book Value	Ownership (%)	Book Value
MasterProfil Kft.	20,00%	11 390	20,00%	6 307
T-Cell	24,00%	97 710	24,00%	99 840
Összesen		109 100		106 147

- 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 6.307 thousand for the investment in MasterProfil Kft. in the opening IFRS balance sheet as at January 1 2020.
- Investment in T-Cell Plasztik Kft was HUF 99.840 thousand at the end of 2019.

Changes in book value in 2020:

Company	Opening Net Book Value	Profit or loss attributable to associates	Comprehensive income	Closing Net Book Value
MasterProfil Kft.	6 307	5 083	0	11 390
T-Cell Plasztik Kft.	99 840	(2 130)	0	97 710
Total	106 147	2 953	0	109 100

Changes in book value in 2019:

Company	Opening Net Book Value	Profit or loss attributable to associates	Comprehensive income	Closing Net Book Value
MasterProfil Kft.	10 859	(4 552)	0	6 307
T-Cell Plasztik Kft.	99 840	0	0	99 840
Total	110 699	(4 552)	0	106 147

The Company did not receive dividends from associates in 2020 or 2019.

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Key financial data of the Associated Company:

1. MasterProfil Kft.

The abbreviated balance sheet of the Associated Company:

	31 December 2020	31 December 2019
Non-current assets	117 143	123 820
Current assets	478 736	298 472
Long-term liabilities	0	85 935
Short-term liabilities	538 932	304 824
Net asset value	56 947	31 533
Ownership ratio in the Associated Company	20%	20%
Net asset value for the Associated Company	11 389	6 307

The abbreviated profit and loss statement of the Associated Company:

	2020	2019
Sales revenue	1 041 714	978 165
Operating profit	54 176	(11 827)
Earning attributable to owners	25 416	(22 762)
Income to the Company on the basis of the ownership ratio	5 083	(4 552)

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.

2. T-Cell Plasztik Kft.

The abbreviated balance sheet of the Associated Company:

	31 December 2020	Correction	31 December 2019
Non-current assets	1 317 428	89 010	1 141 267
Current assets	383 125	(12 424)	659 810
Long-term liabilities	622 668	184	333 718
Short-term liabilities	874 459	8 653	1 360 067
Net asset value	203 426	67 749	107 292
Ownership ratio in the Associated Company	24%		24%
Net asset value for the Associated Company	48 822		25 750

The abbreviated profit and loss statement of the Associated Company:

	2020	Correction	2019
Sales revenue	1 953 037	0	2 080 804
Operating profit	118 236	(33 469)	(43 083)
Earning attributable to owners	96 134	(33 251)	(71 758)
Income to the Company on the basis of the ownership ratio	23 072	(7 980)	(17 222)
Total income:			(2 130)

The attached notes form part of the annual financial statements.

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14. OTHER LONG-TERM FINANCIAL ASSETS

	31 December 2020	31 December 2019
Loans given		
Masterplast YU D.o.o.	2 701 962	2 445 848
Masterplast International Kft.	6 173 030	4 596 340
Masterplast Nonwoven GmbH	1 566 989	0
Total	10 441 981	7 042 188

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	16.906.388	EUR	1 havi EURIBOR+1,5%	2026.12.31
MP Nonwoven GmbH	2020.06.29.	3.623.000	EUR	1 havi EURIBOR+1,5%	2023.12.31.
MP Nonwoven GmbH	2020.07.15.	291.593	EUR	1 havi EURIBOR+1,5%	2023.12.31.
MP Nonwoven GmbH	2020.08.25.	377.000	EUR	1 havi EURIBOR+1,5%	2023.12.31.

15. TRADE RECEIVABLES

	31 December 2020	31 December 2019
Trade receivables	260 288	130 245
Impairment	(1 947)	(1 868)
Trade Receivables net of impairment	258 341	128 377

Trade receivables were paid in 44 days in average in 2020 (42 days in 2019).

Impairment charged and reversed on trade receivables in 2020:

Impairment on trade receivables	Opening impairment	Translation difference	Impairment Charge	Impairment Reversal	Impair- ment write-back	Closing Impair- ment
Impairment of trade receivables	(1 868)	0	(168)	0	89	(1 947)
Total	(1 868)	0	0	0	89	(1 947)

Impairment loss recognised and reversed on trade receivables in 2019:

Impairment on trade receivables	Opening impair- ment	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)

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The maturity of trade receivables is as follows:

	31 December 2020			31 December 2019		
	Gross book value	Impairment loss	Net book value	Gross value	Impairment loss	Net book value
Not yet due	257 073	0	257 073	121 081	0	121 081
Due over 0-60 days	1 268	0	1 268	6 491	0	6 491
Due over 61-90 days	0	0	0	717	0	717
Due over 91-180 days	0	0	0	0	0	0
Due over 181-360 days	0	0	0	177	(89)	88
Due over 360 days	1 947	(1 947)	0	1 779	(1 779)	0
Total Trade Receivable	260 288	(1 947)	258 341	130 245	(1 868)	128 377

16. OTHER CURRENT ASSETS

	31 December 2020	31 December 2019
Other current assets		
Other receivables *	1 058 351	739 740
Impairment loss on other receivables**	(550 641)	(2 946)
Impairment loss on other receivables	172 641	360 789
Accrued bonus	31 345	25 107
Accrued other costs	37 530	0
Other intercompany receivable (MRP)	53 754	0
Total	802 980	1 122 690

**Impairment of HUF 547,695 thousand on the loan to the Romanian subsidiary included

* The following items are included in other receivables

Description	31 December 2020	31 December 2019
Bonuses, commissions	129 357	114 001
Interest of loans granted to affiliates **	547 695	413 150
VAT receivables from VAT group members	336 615	165 031
Other receivables	44 684	47 558
Total	1 058 351	739 740

**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)	2020.01.02	1.250.000	EUR	1 havi EURLIBOR+1,5%	2020.12.31.
Masterplast Srl. (RO)	2020.09.03	250.000	EUR	1 havi EURLIBOR+1,5%	2021.08.31.

At the end of the year the Company recorded an impairment loss of HUF 547,695 thousand on loan granted to the Romanian subsidiary.

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17. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash and cash equivalents		
Cash	885	1 466
Bank deposits	10 520 148	613 436
Total	10 521 033	614 902

The Company did not have restricted cash or cash equivalents as at 31 December 2020 or 31 December 2019.

18. LIABILITIES FROM ISSUED BONDS

In 2019, the Group participated in the development bond programme announced by the MNB, under which Masterplast Nyrt issued bonds with a nominal value of HUF 6 billion (EUR 18,1 million) to restructure the financing of the Group. The proceeds from the bonds issued in HUF were disbursed to subsidiaries as EUR-based parent loans, which were fully used by the subsidiaries to re-finance their existing loans. As a result, the amount of short- and long-term loans decreased by EUR 18.1 million while its liabilities from issued bonds increased by the same amount in the balance sheet.

In order to optimise exchange rate effects and interest costs resulting from transactions denominated in different currencies, the Company entered into a CCIRS hedging transaction in December 2019, which did not have a material impact on profit and loss in the last quarter of 2019, while it will reduce interest costs calculated on the basis of the Company's current financing structure in the coming years. The bonds were introduced to the BÉT Xbond market on 18 February 2020. The impact was HUF 243,792 in 2020 that was accounted for through equity.

In 2020, the Company issued additional bonds with a nominal value of 6 billion HUF under the Development Bond Program to finance its further growth. The additional HUF 6 billion of bonds issued under the bond program provides a stable source for the Company's ongoing and future investments. Temporarily, the Company used the funds raised in part to re-finance its short-term loans, which resulted in a decrease in the amount of short-term loans and an increase in Group's bond liabilities on the balance sheet. The bonds were introduced to the BÉT Xbond market on 19 February 2021.

19. 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 2020	31 December 2019
GVOP-1.1.2.-2004-11-0003/5.0	""Master"" educator; MASTER3AS centre - Products, Services, Training at ""Master"" level	Masterplast Nyrt.	81.497	83.689
SZVP-2003-6-03-08-1	Networking at ""Master"" level	Masterplast Nyrt.	12.194	12.797
Total:			93 691	96 487
Current part:			2 793	2 793
Non-current part:			90 898	93 693

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

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20. OTHER NON-CURRENT LIABILITIES

Megnevezés	31 December 2020	31 December 2019
MP Nonwoven share purchase option	1 497 033	0
MP Nonwoven share purchase option discount	(234 436)	0
Total other non-current liabilities	1 262 597	0

21. TRADE PAYABLES

The maturity of trade payables is as follows:

Description	31 December 2020	31 December 2019
Not yet due	62 533	19 852
Due over 0-60 days	12 838	3 860
Total	75 371	23 712

22. OTHER CURRENT LIABILITIES

Description	31 December 2020	31 December 2019
Taxes payable	356 700	188 063
Other current liabilities	60 487	62 200
Accrual of Share purchase option discount	276 720	0
Current loans	27	503 058
Liabilities to shareholders	8 770 427	1 716 260
Cash pool liabilities	297 000	897 000
Related party liabilities	200 656	202 391
Other current liabilities	9 962 017	3 568 972

23. MATERIALS AND SERVICES USED

Description	2020	2019
Material costs	(57 899)	(47 342)
Services used	(302 531)	(246 109)
Total	(360 430)	(293 451)

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24. PERSONNEL RELATED COSTS

Description	2020	2019
Payroll costs	(388 132)	(327 085)
Other payments to personnel	(40 360)	(38 097)
Payroll taxes and social security contributions	(61 298)	(67 278)
Total	(489 790)	(432 460)

25. OTHER INCOME AND EXPENSES

Description	2020	2019
Received and paid concessions	(32 144)	(26 215)
Impairment Charges	(79)	(849)
Sale of investments in subsidiaries	(12 416)	32
Change in impairment of investments	23 431	0
Forgiven loan to subsidiary	0	(165 260)
Gains on fixed asset sales	102 476	(760)
Other	4 489	(11 052)
Total	85 756	(204 102)

26. OTHER FINANCIAL PROFIT OR LOSS

Description	2020	2019
Interest income	248 645	26 680
Interest expense	(225 949)	(24 686)
Other incomes and expenses of financial transactions	(344 375)	59 989
Total	(321 679)	61 983

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

	Book value	Book value	Fair value	Fair value
Valuation of financial instruments	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Other non-current financial assets	10 441 981	7 042 188	10 873 556	7 334 584
Trade receivables	258 341	128 377	258 341	128 377
Tax receivables	1 102	12 898	1 102	12 898
Other current financial assets	802 980	1 122 690	802 980	1 122 690
Cash and cash equivalents	10 521 033	614 902	10 521 033	614 902
Total	22 025 437	8 921 055	22 457 012	9 213 451
Non-current finance lease liabilities	15 304	12 485	15 304	12 485
Liabilities from issued bonds	11 965 970	5 999 454	11 985 913	5 999 454
Other non-current liabilities	1 262 597	0	1 262 597	0
Current finance lease liabilities	5 586	7 772	5 586	7 772
Trade payables	75 371	23 712	75 371	23 712
Other current liabilities	1 820 071	1 880 538	1 820 071	1 880 538
Related party cash pool liabilities	8 770 427	1 716 260	8 770 427	1 716 260
Total	23 915 326	9 640 221	23 935 269	9 640 221

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 2020	Payment within 1 year	Payment within 2-5 year	Payment beyond 5 year
Total loans and credits	27	0	0
Cash pool	8 770 427	0	0
Interests of loans and credits	95 598	0	0
Total	8 866 053	0	0

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

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27. TAXES

Tax receivables and tax payables were as follows:

	31 December 2020	31 December 2019
Taxes Receivable	1 102	12 898
Taxes Payable	(356 700)	(188 063)
Net Tax Receivable/(Payable)	(355 598)	(175 165)

Income tax for the years ended 31 December 2020 and 31 December 2019 includes the following components:

Income tax expense	2020	2019
Current Income Tax Expense	(16 905)	(12 248)
Deferred Income Tax Expense	88 652	(3 949)
Total Income Tax Expense	71 747	(16 197)

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

Period	Actual tax rate
2020	9%
2019	9%

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

	31 December 2020	31 December 2019
Year-end balance of deferred tax		
Property, plant and equipment	10 355	9 442
Receivables	175	168
Carried forward tax losses	49 293	0
Provisions	(223)	(275)
Prior years Impairment on investments (RO, SK)	38 387	0
Closing deferred tax assets, net	97 987	9 335
Of which deferred tax assets	97 987	9 335
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.

The Company does not have carried forward prior year losses in 2020

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The Masterplast Nyrt's corporate income tax calculation as of 31 December 2020:

Items increasing the corporate income tax base

Description	2020
Current year depreciation and amortization plus the net book value of written off PP&E recognized in the records	132 480
Impairment Charge on receivables	168
Receivables forgiven (intercompany RO loan)	547 695
Paid penalties	6
Impairment on investments	60 845
Non-deductible costs	9 700
Total:	750 894

Items decreasing the corporate income tax base

Description	2020
Current year depreciation and amortization plus the net book value of written off PP&E recognized by the tax law	(131 723)
Donations	(88)
Dividend received	(630 000)
Total:	(761 811)

Corporate income tax calculation	2020
<i>Profit before tax*</i>	287 901
Adjusted pre-tax profit	287 901
Tax-basis decreasing items	(761 811)
Tax-basis increasing items	750 894
Tax base	276 984
Adjusted tax basis	276 984
Corporate income tax payable (9%)	24.929
<i>Tax benefits</i>	(10 104)
Fizetendő társasági adó (9%)	14.825

*without consolidate of MRP

Profit before tax	287 901
Actual tax rate	9,0%
Tax payable calculated based on the actual tax rate	25 911
Impairment on trade receivable	7
Impairment on investments	5 476
Impairment on Romanian loan	49 293
Other	(87 711)
Received dividend	(56 700)
Research and innovation contribution	2 081
Tax benefits	(10 104)
Differences total:	(97 658)
Corporate income tax expense	(71 747)
Effective corporate income tax rate	25%

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28. REVENUES

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

Sales revenue by main activity in 2020 and 2019 was as follows:

Net sales	2020	2019
Services (real estates rents, fee for bookkeeping, finance and HR services)	607 645	593 902
Bonuses, concessions	172 641	358 746
Total	780 286	952 648

The majority of the Company's revenue comes from rent, interest and dividend income.

Dividend income from subsidiaries is accounted through profit and loss on a separate line:

Company	2020	2019
Masterplast Kft.	600 000	0
Mastermesh Production Kft.	30 000	0
MasterPlast Ukrajna	28 075	0
Masterplast Sp zoo	29 292	21 687
Dividend from consolidated MRP entity	0	1 241
Total	687 367	22 928

29. RELATED PARTY TRANSACTIONS

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

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Revenue received from related parties for the years ending on 31 December 2020 and 2019 is as follows:

Company name	2020	2019
Masterplast Gyártó és Ker. Kft.	52 454	47 869
Master Plast S.r.o.	2 059	1 789
Masterplast d.o.o.	2 251	2 162
Masterplast Romania S.R.L.	4 941	10 392
Masterplast YU D.o.o.	3 906	3 756
Fidelis Bau Kft	3	0
MasterFoam Kft.	75 616	67 464
Masterplast Sp. z.o.o.	0	2 624
Masterplast Hungária Kft.	276 486	274 682
Masterplast International Kft.	316 048	278 459
Masterplast Nonwoven GmbH	34 806	0
Total:	768 570	689 197

Associate company	2020	2019
Masterprofil Kft.	13 196	39 943
T-Cell Plasztik Kft.	268	179
Total:	13 464	40 122

Interest received from related parties for the years ending on 31 December 2020 and 2019 is as follows:

Company name	2020	2019
Masterplast Romania S.R.L.	7 123	8 564
Masterplast YU D.o.o.	39 504	15 518
Masterplast International Kft.	66 650	2 566
Masterplast Nonwoven GmbH	11 447	0
Masterplast Gyártó Kft.	173	0
Total:	124 897	26 648

Cost of services provided by and cost of materials purchased from related parties in the years ending on 31 December 2020 and 2019 are as follows:

Company name	2020	2019
Masterplast d.o.o	0	2 784
Masterplast International Kft.	232	171
MasterFoam Kft.	0	583
Masterplast Gyártó és Ker. Kft.	17 243	17 539
Masterplast Hungária Kft.	1 844	1 949
Total:	19 319	23 026

The attached notes form part of the annual financial statements.

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Receivables from related parties as of 31 December 2020 and 31 December 2019 are as follows:

Company name	31 December 2020	31 December 2019
Masterplast Kft.	9 447	8 210
Masterfoam Kft.	17 052	17 892
Masterplast Hungária Kft	46 263	46 100
Masterplast International Kft.	29 083	26 044
Fidelis Bau Kft.	3	0
Master Plast S.r.o.	555	71
Masterplast Sp zoo	0	2 569
Masterplast Romania S.R.L.	1 728	5 051
Masterplast Nonwoven GmbH	4 773	0
Masterplast YU D.o.o.	3 497	2 100
Masterplast D.o.o.	58	0
Total:	112 459	108 037

Associate company	31 December 2020	31 December 2019
Masterprofil Kft	2 723	36 604
T-Cell Plasztik Kft.	140 099	227
Total:	142 822	36 831

Liabilities to related parties as of 31 December 2020 and 31 December 2019 are as follows:

Company name	31 December 2020	31 December 2019
Masterplast Kft.	3 968	3 152
Masterplast Hungária Kft.	114	181
Mastermesh Production Kft.	3 987	395
Total:	8 069	3 728

Associate company	2020. december 31.	2019. december 31.
T-Cell Plasztik Kft.	191	0
Total:	191	0

Cash pool receivables from and payables to related parties as at 31 December 2020 and 31 December 2019 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.

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31 December 2020

Company name	Receivable	Liability
Masterplast Kft.	0	(5 998 156)
Masterplast Hungária Kft.	0	(2 007 999)
Mastermesh Production Kft.	0	0
Masterplast International Kft.	(1 175 593)	0
MasterFoam Kft.	411 321	0
Total:	(764 272)	(8 006 155)
Net balance:		(8 770 427)

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)

Loans granted to related parties as of 31 December 2020 and 31 December 2019 are as follows:

Company name	31 December 2020	31 December 2019
Masterplast Romania S.R.L.	547 695	413 150
Masterplast YU D.o.o.	2 701 962	2 445 848
Masterplast International Kft.	6 173 030	4 596 340
Masterplast Nonwoven GmbH	1 566 989	0
Total:	10 989 676	7 455 338

- Loan of EUR 1,500,000 granted to Masterplast Romania S.R.L was impaired to EUR 547,695 earlier, however the remaining amount was fully impaired as at 31 December 2020.
- On 31 Decembet 2019, the Company waived EUR 500,000 from a loan of EUR 1,850,000 compared to Masterplast Romania S.R.L. on 31 December 2019, with a book value of HUF 165,260 thousand.

The Company had the following loans received from its subsidiaries as of December 31, 2020 and 2019, respectively:

Company name	31 December 2020	31 December 2019
Masterplast Kft	0	600 000
Mastermesh Production Kft.	297 000	297 000
Összesen:	297 000	897 000

Key executives of the Company discharge their duties as employees. Short-term allowances paid to them in 2020 amounted to HUF 116.429 thousands. No loans were granted to senior officers in 2020 or 2019. Total fees paid to the members of the Board of Directors was HUF 8.388 thousands in 2020 (HUF 8.532 thousand in 2019).

30. FINANCIAL RISK MANAGEMENT

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

	2020	2019
Appreciation of EUR / HUF rates by 3 %		
Financial profit/(loss)	(321 679)	61 983
Effect of exchange rate increase	(65 998)	8 858
Adjusted financial profit/(loss)	(387 677)	70 841
Profit before tax	292 796	14 828
Effect of exchange rate increase	(65 998)	8 858
Adjusted profit before tax	226 798	23 686
Depreciation of EUR / HUF rates by 3 %		
Financial profit/(loss)	(321 679)	61 983
Effect at FX rate decrease	65 998	(8 858)
Adjusted financial profit/(loss)	(255 681)	53 125
Profit before tax	292 796	14 828
Effect of exchange rate decrease	65 998	(8 858)
Adjusted profit before tax	358 794	5 970

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Interest rate risk

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

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

	2020	2019
Appreciation of interest rates by 1 % point		
Financial profit/(loss)	(321 679)	61 983
Effect of interest rate increase	(87 704)	(17 163)
Adjusted financial profit/(loss)	(409 383)	44 820
Profit before tax	292 796	14 828
Effect of interest rate increase	(87 704)	(17 163)
Adjusted profit before tax	205 092	(2 335)
Depreciation of interest rates by 1 % point		
Financial profit/(loss)	(321 679)	61 983
Effect of interest rate decrease	87 704	17 163
Adjusted financial profit/(loss)	(233 975)	79 146
Profit before tax	292 796	14 828
Effect of interest decrease	87 704	17 163
Adjusted profit before tax	380 500	31 991

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 2019 and 2020 based on the non-discounted values of contractual payments.

2020	Falling due within 1 year	Falling due within 1-5 years	Falling due beyond 5 years	Total
Finance lease liabilities	5 586	15 304	0	20 890
Liabilities from issued bonds	0	5 982 985	5 982 985	11 965 970
Other non-current liabilities	0	1 262 597	0	1 262 597
Creditors and other liabilities	9 760 668	0	0	9 760 668
Total	9 766 254	7 260 886	5 982 985	23 010 125

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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
Liabilities from issued bonds	0	2 999 727	2 999 727	5 999 454
Other non-current liabilities	0	0	0	0
Creditors and other liabilities	3 592 684	0	0	3 592 684
Total	3 600 456	3 012 212	2 999 727	9 612 395

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
	2020	2020	2019
Liquidity ratio (current assets / (current liabilities - liabilities to shareholders))	≥1,00	1,55	1,99
Leverage ratio (equity / (balance sheet total - accrued income))	≥30%	33,15%	42,12%
Operating profitability (Operating profit or loss / net sales revenues)	≥4,00%	6,66%	4,89%
net debt/EBITDA	≤3,9	1,66	3,43

Tax risk

The Company monitors the changes in legislation and acts immediately when a change in regulations affecting the Company as a whole takes effect and implements measures or amends existing policies as necessary. As a result, management is not aware of any significant tax risk.

Equity risk

Capital structure

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

Dividend payment policy

In the event the Company cannot find development and acquisition targets required for its growth, it can pay 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 858.318 pieces of new dematerialized ordinary shares where all rights attached to the new shares were identical to the previously issued ordinary shares (series 'A') with a nominal value of HUF 100 per shares, at an issue price of HUF 607 per shares and thus increasing the share capital to HUF 1.460.127.900. The 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.

31. CONTINGENT LIABILITIES AND COMMITMENTS

Tender Commitments

The Company does not have any still ongoing, unclosed tenders as of 31 December 2020.

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.

32. RESEARCH AND DEVELOPMENT ACTIVITIES

The Company did not have any research and development activities.

33. MASTERPLAST EMPLOYEE SHARED OWNERSHIP PROGRAM

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

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

According to IFRS 2, the MRP organization is 100% recorded in its books as an extension, as it determines the operation of the MRP organization through the remuneration policy.

Because the benefit is based on shares, it is valued and accounted for in accordance with IFRS 2.

In connection with the 2019/2020 programme, MRP participants are employees of Masterplast Nyrt. and its fully owned subsidiaries (Masterplast Ltd., Masterplast Hungaria Kft., Masterplast International Kft. and Masterfoam Kft.), who are covered by the company's Remuneration Policies. The Company has included those managers of the aforementioned companies as Participants in the MRP entity who had the greatest influence on the achievement of the corporate business objectives set out in the Remuneration Policies.

Participants acquired shareholding in the MRP in exchange for Masterplast shares and financial instruments allocated as non-cash contributions by the Founder.

The 2019-2020 programme for 2020 was launched by the Company on 7 June 2019 based on a stock option agreement between the MRP entity and Masterplast Nyrt. (date: 17 June 2019) which can be called down if the over-achieving targets set out in the remuneration policy are met.

If conditions are fulfilled, the MRP entity shall transfer the purchase right options to the members, who may exercise their right of option (and settle the option price of HUF 100 per share) to acquire Masterplast shares from Masterplast Nyrt in proportion of their achievements compared to the objectives.

The fair value of the purchase option option is determined on the basis of the Black Sholes model. Fair value is determined at the grant date.

At the balance sheet date, the Company has the total number of shares related to the MRP allowance shown in equity as treasury shares (less the estimated value of share-based remunerations for 2020). The total amount of the benefit is accounted for through profit and loss under IFRS 2, while all treasury share transactions linked to the MRP remunerations are accounted for through equity. The soonest the Settlement may take place is on the first working day after the approval of the current financial statements by the General Meeting.

The grant date is the date on which the remuneration policy was signed, in this case 7 June 2019 in connection with the 2019/2020 programme. The vesting period shall be the second year following the start of the programme, i.e. until 31 December 2020.

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Benefit value is determined based on the value of the expected exercise of purchase right options. The share options were evaluated taking into account the following factors:

	MRP 2019/2020	
Grant date	-	2019. június 07.
Maturity date	-	2021. május 31.
Option price	HUF/db	100
Fair value of share option at grant date:	HUF/db	616
Fair value of share option at grant date:	EUR/db	1,68707
Risk-free yield	p.a.	3,18%
Expected number of shares purchased through options	db	184 794
Expected value of shares purchased through options	EUR	311 762

For the calculation of the risk-free yield, the Company used the interest rates of the 10-year Hungarian Government Bond and the exchange rate changes of Masterplast Nyrt. shares in BÉT for volatility.

The fulfillment of the KPI's prescribed in the MPR remuneration policy (not belong for the consolidated EBIT 2020) was as follows:

KPI name	Fulfillment %
Konzolidált adózott eredmény növekedés az előző évhez képest	135,2%
Konzolidált adózott eredmény növekedés a stratégiai tervhez képest	117,1%

If the following KPI's are met, the a precondition for the benefit is that the sales revenue included in the 2020 consolidated financial statements exceeds 2018.

KPI name	Fulfillment %
<i>Group turnover increase compared to 2018</i>	<i>126,0%</i>
Masterfoam Kft increase in adjusted pre-tax profit	141,2%
Central European region audited EBIT growth compared to the previous year	196,5%
Export profit center adjusted EBITDA growth over the previous year	183%
Masterplast Hungária Kft. profit center adjusted EBITDA growth over the previous year	125,6%
International Trade Department adjusted margin requirement	212,1%
HQ profit center adjusted EBITDA growth over the previous year	141,9%
Warehousing profit center adjusted EBITDA growth over the previous year	149,6%
Fiberglass manufactured quantity requirement 2020	100%
EPS manufactured quantity requirement 2020	0%

As the Company and the MRP entity are launching 2-year programmes, the 2020/2021 remuneration programme has been launched in 2020. Similar to the previous programme, an option contract was signed between the MRP entity and Masterplast Nyrt. in which the vesting period is the second year after the start of the programme, i.e. 2021, so the launch of this programme has no impact on the consolidated accounts for 2020.

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The expected gross payments per subsidiaries are the following:

Name of entity	31 December 2020	31 December 2019
Masterplast Hungária Kft.	15 481	0
Masterplast International Kft.	19 935	0
Masterplast Kft.	15 484	0
Masterfoam Kft.	2 854	0
Total	53 754	0
Masterplast Nyrt	60 080	0
Total	113 834	0

Receivables of HUF 53.754 thousand are presented as „Other current financial assets” in the balance sheet, while expected personnel costs of HUF 60.080 thousand to the Company’s employees are accounted through profit and loss as „payments to personnel”. The total option value of HUF 113.834 thousand is accounted for through equity as „treasury shares”.

34. IMPACT OF COVID-19

Masterplast Group faced the current situation triggered by the spread of the COVID-19 virus with strong market embeddedness and a stable liquidity situation. With regard to the industry, it is now clear that the construction and building materials industries are less severely affected by the situation.

Based on feedback from Hungarian market participants, the construction industry presented an ambiguous picture in 2020. The Government's economic protection measures to mitigate the impact of the coronavirus (e.g. 5% VAT on housing construction in so-called rust belts, advancement of public building renovations, launch of a hotel and restaurant renovation loan programme, non-refundable corporate real estate investment loans) have stimulated the construction sector. According to KSH data, construction production was higher every month than the previous month from June to November. However, the overall construction output declined by almost 10% on a year-to-year basis compared to an already strong 2019. Current construction expectation for 2021 has been repeatedly positive thanks to the family support home improvement programme with the announced new elements and the housing renovation aid to be introduced.

However, it should be noted that these measures, in the last part of the year, have reduced the already weak demand. The Company's construction forecast for 2021 are positive as sales and profit are expected to grow further, even if they will fall short of the results achieved in previous years.

With the purchase of the plant in Germany, the Group's position as a manufacturer of multilayered membranes for construction continued to strengthen. Through the acquisition, the Company became a manufacturer of special healthcare products, and the knowledge and experience thus acquired became the basis for the Company's entry into the healthcare industry and further developments within the industry.

35. SUBSEQUENT EVENTS

The bonuses for the parent company's senior and middle management in the previous financial year are worth HUF 60,080 thousand, which is expected to be paid in May 2021 under the remuneration programme. The cost of these bonuses is included in the annual financial statements. The presence in the healthcare sector is further

strengthened by the construction of a new production plant in Sárszentmihály, the company's headquarters, where technology to manufacture healthcare textiles is being developed.

The new factory unit will supply raw materials for manufacturers of medical protective clothing, masks and other hygiene equipment used in healthcare. High productivity is ensured by high-level automation manufacturing technology capable of producing one or more layers of special health textiles from summer 2021.

As a further development step, the Company will install additional new production capacity to enable the production of various finished healthcare goods by September 2021. Thus, by the end of the strategic period, the Company will develop an integrated production system in which the Group can serve the entire production chain from special health textile materials to finished healthcare goods in Hungary as well as in its foreign markets.

The Company also intends to carry out research activities to develop new, innovative healthcare materials. The Group is exploring the possibility of further develop its production capacity of its key products in order to be able to supply a significant part of its sales by own products as well as to be able to explore exciting new uses for its products as well as new markets.

The Company is committed to develop circular production thus explores new opportunities to introduce new recyclable insulation production systems.

Master Modul Kft., a company with a profile to produce modular buildings was established on 12 April 2021. The Company had 25% share in this new entity.

36. 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.

37. 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.

38. APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements of Masterplast Nyrt. for the year ended 31 December 2020 were approved by the Board of Directors in a resolution dated 23 April 2021 and allowed their publication. The annual financial statements may only be amended by the Annual Meeting of the Shareholders.

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