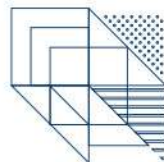
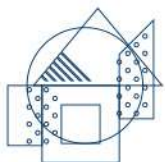




MASTERPLAST PLC. CONSOLIDATED  
MANAGEMENT AND BUSINESS REPORT 2020





Company registration number: 07-10-001342

Tax number: 13805300-4-07

Company: Masterplast Nyrt.

Company address: 8143 Sárszentmihály, Árpád u. 1/a.

## **CONSOLIDATED MANAGEMENT AND BUSINESS REPORT**

Business year: 01/JAN/2020 – 31/DEC/2020

Sárszentmihály, 29 April 2021



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CEO

## MASTERPLAST PUBLIC LIMITED COMPANY

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**Introduction**

This annual report presents an analysis of the Corporate Group's results and all other information necessary to evaluate its operation, including the directions of expected development along with the associated risks, and the introduction of the management, research and development activities and corporate social responsibility.

**Ownership**

Masterplast Nyrt. is a business organisation that was established by its private individual owners for trading purposes in 1997.

Distribution of shareholder equity:

- 14 601 279 registered ordinary shares each with a face value of HUF 100

Shares are issued in the form of dematerialised shares.

ISIN identification number: HU0000093943

Owner's name	2020	2019
Tibor Dávid	454 805 700 Ft	454 805 700 Ft
Ács Balázs	387 725 900 Ft	387 725 900 Ft
OTP Alapkezelő	93 676 200 Ft	93 518 400 Ft
LPH Kft., SOH Kft.	79 886 900 Ft	77 967 600 Ft
Nádasi Róbert	3 386 400 Ft	3 386 400 Ft
Additional minority owners	416 626 400 Ft	424 844 100 Ft
Repurchased shares	24 020 400 Ft	17 879 800 Ft
<b>Total:</b>	<b>1 460 127 900 Ft</b>	<b>1 460 127 900 Ft</b>
	(5 503 939 EUR)	(5 503 939 EUR)

Source: data from the Company's management information system

In early 2011, the Company decided to go public in order to raise capital on the capital market to achieve its medium-term plans and to change into a publicly listed company.

Accordingly, its conversion into a publicly listed company was registered on 20 April 2011 and it was technically introduced to the Budapest Stock exchange on 29 November 2011. In 2012 the Company raised capital of EUR 6.1 million with two share issuance transactions, which broadened its ownership structure.

## **MASTERPLAST PUBLIC LIMITED COMPANY**

### **Voting rights and voting**

Every ordinary shareholder is entitled to one vote. Only the shareholders registered in the share register before the General Meeting entitled to take part at the General Meeting with a voting right.

The General Meeting passes its decisions with simple majority of votes, except when a three quarters majority of the submitted votes is required for a decision under the Act on Business Organisations.

If the General Meeting decides to change a decision made by the Board of Directors, the decision modifying the original decision is only valid subject to approval by the shareholders in attendance.

### **Data of own shares**

At the balance sheet date, the Corporate Group had 240 204 repurchased dematerialised own shares.

### **Board of Directors**

The Company's final decision-making body except in matters that are within the general meeting's competence. Its activities are governed by the Company's Statutes, the general meeting's decisions and the effective laws.

Pursuant to the Statutes, the Board of Directors comprises five members elected by the Annual General Meeting.

Members of the Board of Directors on 31 December 2020:

- Dávid Tibor – Chairman
- Balázs Ács – Deputy Chairman
- Dezse Margaret – Independent member
- Dirk Theuns – Independent member
- Sinkó Ottó – Independent member

### **Audit Committee**

The General Meeting and the independent members of the Board of Directors have created a three-member Audit Committee to carry out the powers defined in the Company Act and the Capital Market Act.

Members of the Audit Committee:

- Dezse Margaret
- Dirk Theuns
- Sinkó Ottó

The Audit Committee is responsible for:

- a) commenting on the annual report drawn up according to the accounting act;
- b) making recommendations on the identity and remuneration of the Auditor;
- c) preparing the contract to be concluded with the Auditor and signing the contract on behalf of the publicly traded company based on the powers conferred by the Statutes;
- d) monitoring the professional requirements that apply to the Auditor and adherence to conflict of interest requirements, performing functions related to cooperating with the Auditor and, if applicable, recommending measures for the Board of Directors;
- e) evaluating the functioning of the financial reporting system and recommending necessary measures;
- f) assisting the Board of Directors in its work for the sake of adequate control of the financial reporting system;
- g) supervising and managing internal audit work.

### **General Meeting**

The Company's topmost body is the General Meeting consisting of all shareholders. The annual general meeting is in charge, amongst other things, of accepting the annual financial reports and decisions on the utilisation of net profit, electing and withdrawing members of the Board of Directors, selecting the auditor, amending the Statutes and all other decisions that have a material impact on the Company's capital and which are conferred to the general meeting's exclusive competence under legislation or the Statutes.

## MASTERPLAST PUBLIC LIMITED COMPANY

### Subsidiaries

On 31 December 2020, the Masterplast Group is present on the region's construction industry market through several active subsidiaries in 9 countries and indirect participation through its subsidiaries.

Company name	Place of registration	Date of foundation
Master Plast S.r.o.	Slovakia	1999
Masterplast Romania S.R.L.	Romania	2001
Masterplast YU D.o.o.	Serbia	2002
Masterplast d.o.o.	Croatia	2002
MasterFoam Kft.	Hungary	2004
MasterPlast TOV	Ukraine	2005
Masterplast Sp zoo	Poland	2005
Masterplast Kft.	Hungary	2007
Green MP Invest	Ukraine	2012
Masterplast Hungária Kft.	Hungary	2016
Mastermesh Production Kft.	Hungary	2016
Masterplast International Kft.	Hungary	2016
Masterplast Nonwoven GmbH	Germany	2020
Fidelis Bau Kft.	Hungary	2002
<i>Indirect relationship:</i>		
Masterplast D.O.O.	North Macedonia	2002
<i>The Group's affiliated undertaking:</i>		
Masterprofil Kft.	Hungary	2006
T-CELL Plasztik Kft.	Hungary	2013

Source: data from the Company's management information system

Masterplast with the agreement on acquiring a plant in Germany - which was announced on 21 May 2020 – the Company established the Masterplast Nonwoven GmbH on 4 June 2020. The Company acquired a 50% stake and exclusive management rights in the subsidiary. According to the plans of the Company, the subsidiary started its operation on 1 July 2020, with the acquisition of the Aschersleben plant, which produces special fleeces and multilayer membranes for the healthcare and construction industries.

The Company – by a share purchase agreement signed on 1 July 2020 - acquired the 100% share in the Fidelis BAU Építőipari és Kereskedelmi Korlátolt Felelősségű Társaság. The purchase price of the share consists of a fixed amount of HUF 100 million, and the sum of the net book value of assets and liabilities based on the balance sheet of the company for H1 2020. The total purchase price was HUF 114,9 million. The planned return on the acquisition is 7 years. Fidelis BAU Kft founded in 2002, is a



manufacturer of "Thermobeton", a thermal insulation lightweight concrete made from recycled raw materials, and a former supplier of the Masterplast Group. Fidelis BAU Kft has the necessary official permits for the collection, transport and processing of polystyrene waste, as well as production technology. With the acquisition of Fidelis BAU Kft the production technology required for the recycling of polystyrene waste and all official permits are available within the Masterplast Group, thus the Masterplast Group implements a circular production system called the "Hungarocell Green Program".

### **Plans for expansion**

The Company is not planning to establish subsidiaries in new countries in the near future, however, it does plan to increase its export sales activities overseen from the Hungarian headquarters primarily to European markets. This growth is fostered by the production growth seen in its existing fiberglass plant in Subotica and the plant in Germany as a manufacturer of multilayer membranes for the construction market. In addition, the Group entered the healthcare products market in 2020, which offers new opportunities and contributes to the Group's results by generating higher profits in addition to sales. The strategic product supply of virus control for the healthcare industry has become conspicuous and has become more important. Expanding demand and the demand for innovation also provide a solid foundation for the coming periods.

Masterplast has launched a project at the Company's subsidiary, located at Subotica, with the subsidy of the Hungarian State, in order to further development of the production of fiberglass mesh. With the Project, the glass fabric production capacity will be expanded, the existing weaving and coating machine park will be modernized, a modern warehouse base and a prefabrication department will be established. With the new machines based mainly on modern German technology and renewable manufacturing, logistics and assembly services, the Group will be able to serve the market of premium quality products with the highest quality. Construction work will begin in early 2021, and after the successful commissioning of the production units, production is expected to begin in early 2022. With the implementation of the Project, the production of the Group's glass fabric is planned to increase to 150 million m<sup>2</sup> / year, which makes the Masterplast Group the second largest producer of glass fabric in Europe and the third largest in the world.

The subsidiary of the Company, MASTERPLAST Kft. is launching a new investment in the healthcare industry to create a finished product manufacturing capacity for personal protective equipment for the health industry, supported by the Hungarian State. The Project is implemented at the Company's headquarters in Sárszentmihály. With the creation of the new production capacity, it will be possible to produce finished health care products such as protective coveralls, medical gowns, disposable medical suits, foot bags, head protection and isolation sheets. The Project is closely related to the large investment in the production of raw materials for the healthcare industry, which started in December 2020. With the implementation of the two projects, the total value of Masterplast's manufacturing developments in the healthcare industry will exceed HUF 12 billion.

## **MASTERPLAST PUBLIC LIMITED COMPANY**

With the development of finished product production capabilities, integrated production will be realized in the Company's healthcare sector as well, within the framework of which Masterplast will control the entire production chain from raw materials to finished products. As a result of the production development, Masterplast will be able to produce products for which, according to industry forecasts, the healthcare industry will have a growing demand even after the end of the pandemic situation. With its efforts in the healthcare industry, Masterplast simultaneously aims to create investor value and strengthen the security of product supply in Hungarian healthcare.

### **The impact of macroeconomic developments on the corporate group's activities**

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

In 2020 the coronavirus and the measures related to the current situation determined the living environment but did not fundamentally affect the operation of the construction industry. The Masterplast has faced with slightly moderated but mostly favourable trends and industrial climate in its country portfolio.

On the most significant Hungarian market according to the feedback of the market participants, the construction industry was mixed in 2020. The government has provided incentive measures to the construction sector to protect against the coronavirus (such as 5% VAT on housing in so-called rust zones, advancing the public building renovations, launching a hotel and restaurant renovation loan program, non-repayable corporate real estate investment loans). According to CSO data, construction output was higher in each month from June to November than in the previous months. Overall, however, on an annual basis, the construction output declined by nearly 10% compared to the already strong 2019 year. The current construction expectation for 2021 is again strongly positive, thanks to the family support home creation program and the housing renovation support that is introduced in 2021. However, it should be noted that, these measures pushed back the already weakening demand in the last part of the year. The Company's construction expectations for 2021 are positive, confident of further revenue and earnings growth, even if it lags behind the results achieved in previous years.

In Romania, the construction industry was characterized by also a mixed picture. At the beginning of the year, the volume of construction work increased, but from the middle of March an emergency situation was declared due to the coronavirus, the stopped construction works and the larger thermal insulation projects could continue only in September. By the summer, however, the market had revived, with both traditional and residential demand starting to grow. On an annual basis, although the performance of the economy decreased, construction output increased, mainly due to renovations.

In Serbia, in view of the viral situation in order to reduce its negative effects, the government introduced economic protection measures in March, reducing interest rates to ensure the liquidity of the economy until the end of the year. In the construction sector, the value of work performed fell behind of last year on an annual basis, while the number of building permits issued increased.

In Germany, the coronavirus epidemic in the first half of the year largely paralyzed the economy. The government has introduced several stabilization and growth-enhancing programs to offset the effects of the epidemic. In Q3 the economic downturn stopped, and the economy grew at a record rate. The construction industry also performed well, although the public investment lagging behind, the number of housing constructions jumped significantly and the number of construction orders increased, approaching pre-crisis levels of January 2020. As a result of the second national closures due to the coronavirus, a major economic recovery is not expected by the beginning of 2021, it will be postponed.

In Ukraine, GDP fell on an annual basis, construction dropped back. After a good start at the beginning of the year, the restrictions imposed at the end of Q1 due to the viral situation significantly affected the sector, the demand for building materials and constructions decreased, while the value of construction work was higher than last year.

In Poland as a whole, there was a decline in the construction industry. The value of new construction as well as renovation works also decreased year-on-year compared to the base, while the number of new homes handed over at the end of the year reached a record due to new energy efficiency regulations in force from 2021 onwards.

In Slovakia, the situation was mixed in the building industry, after a growth in the first quarter the construction output declined. Industrial production also landed on a lower level, the coronavirus and a shortage of skilled labor led to a slowdown in major constructions. There was a decrease in the number of construction projects and a number of building permits, while there was an increase in the number of renovations.

In Croatia, after a stronger first two months, the epidemiological situation led to an almost complete decline in construction activity, most construction stopped, only the major construction projects continuing. The situation was further aggravated by the fact that in March Zagreb was hit by an earthquake, during which many buildings were damaged and even a few became unusable. In 2020, neither the economy nor the construction industry was able to expand compared to the same period last year. Due to the epidemiological situation, the significant decline in tourism weakened construction activity, the willingness to invest declined, and the number of building permits issued also decreased.

In North Macedonia, the industrial production decreased just as the foreign trade. With regard to the construction industry, the virus situation reduced the demand, the number of building permits issued and the estimated total value of construction projects were also lower than last year.

## MASTERPLAST PUBLIC LIMITED COMPANY

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

Percentage change in the number of construction permits 2017 - 2020:

Country	2017	2018	2019	2020
Croatia	34,9	-6,0	30,8	-16,1
Hungary	21,5	-3,2	-3,7	-38,1
Poland	19,3	3,3	4,6	3,2
Romania	7,7	2,6	-0,4	-2,9
Slovakia	-8,6	11,4	-0,9	-6,5
Serbia	34,0	9,4	29,1	7,4

Source: EUROSTAT: Building permits percentage change

## Developments in performance on business operations

### Overview of sales by product group

Sales by main product groups (thousands of EUR)	2020	2019	Change %
	(A)	(B)	(A/B-1)
Thermal insulation system	54 110	52 475	3%
Roofing foils and accessories	20 177	14 320	41%
Dry construction system	12 351	11 563	7%
Heat, sound and water insulation materials	13 397	13 450	0%
Building industry accessories	5 499	5 566	-1%
Industrial applications	17 140	9 730	76%
<b>Total sales revenue</b>	<b>122 673</b>	<b>107 104</b>	<b>15%</b>

Contribution of product groups in percentage to the total sales revenue		
Thermal insulation system	45%	49%
Roofing foils and accessories	16%	13%
Dry construction system	10%	11%
Heat, sound and water insulation materials	11%	13%
Building industry accessories	4%	5%
Industrial applications	14%	9%
<b>Total sales revenue</b>	<b>100%</b>	<b>100%</b>

Source: data from the Company's management information system

On an annual level, the Group's sales revenue grew by 15% to EUR 122 673 thousand.

Within the Group's sales revenues, thermal insulation system primarily accounted for the largest share (45%) and saw an overall 3% increase in year-on-year terms. The majority of sales revenue growth was driven by rising sales of own-produced fiberglass mesh in the European Union markets of the Group, where only in Croatian and in Germany there was a minor decline. The Group's EPS sales decreased, mostly in Hungary, but also in Slovakia compared to the base. Turnover of accessory products (glue, profiles) increased in 2020.

The turnover in roofing foils and accessories increased by 41% compared to the 2019 base year. The turnover of diffusion roofing films increased 1,5 times, to which the production unit of Masterplast Nonwoven GmbH also contributed greatly. In terms of markets, the Group's turnover in this product group increased almost everywhere, only in Croatia landed on a lower level.

The company's turnover in dry construction systems grew by 7% in 2020 compared to the 2019 base year. There were different sales results in each market, the Group's sales increased in North Macedonia, Hungary, Slovakia and Romania, while sales in other countries decreased compared to the base period.

In the heat, sound and water insulation materials product group reached the same level of the previous year's base. There were different sales results in each market, the Group's turnover in the North Macedonian, Hungarian, Slovakian and Romanian areas increased, while in the other countries the sales revenue decreased compared to the base.

Building industry accessories exhibited an 1% turnover drop compared 2020 to the base year. Although sales increased in North Macedonia, Poland, Hungary, Romania, Serbia and Germany, the loss of income was larger in the Group's other markets as a whole.

The Group's industrial applications product group achieved a 76% turnover increase in 2020 compared to the base period. Non-strategic trade in raw materials slightly declined, while revenue from packaging products increased compared to last year. Also, the revenue of the German factory's healthcare products and the sale of protective clothing to the Hungarian healthcare industry, which started in December, are presented here, which also contributed significantly to the sales growth of the product group.

## MASTERPLAST PUBLIC LIMITED COMPANY

### Turnover by country

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

In the first half of 2020, the Company revised and changed the breakdown of its sales by country. With acquisition of Masterplast Nonwoven GmbH, the Group reclassified the German market from the Export category to a separate category, as from H2 2020 Masterplast has own subsidiary in the country.

Sales by countries (thousands of EUR)	2020	2019	Change %
	(A)	(B)	(A/B-1)
Hungary	47 252	42 629	11%
Export	16 249	15 734	3%
Romania	13 741	12 044	14%
Serbia	9 625	9 236	4%
Germany	8 858	1 590	457%
Ukraine	8 416	8 912	-6%
Poland	8 310	6 834	22%
Slovakia	5 066	4 759	6%
Croatia	3 644	3 811	-4%
North Macedonia	1 513	1 555	-3%
<b>Total sales revenue</b>	<b>122 673</b>	<b>107 104</b>	<b>15%</b>

Contribution of countries in percentage to the total sales revenue		
Hungary	39%	41%
Romania	13%	15%
Export	11%	11%
Serbia	8%	9%
Germany	7%	1%
Ukraine	7%	8%
Poland	7%	6%
Slovakia	4%	4%
Croatia	3%	4%
North Macedonia	1%	1%
<b>Total sales revenue</b>	<b>100%</b>	<b>100%</b>

Source: data from the Company's management information system

The group's turnover increased by 11% in 2020 on the Hungarian market, its largest market, compared to the base previous year. The turnover increased in all product groups. The reason for its growth was mainly the entry into the health care finished goods market, as 450 thousand protective clothing belonging to the industrial applications product group was sold to Hungarian healthcare in the last quarter. Revenues also increased significantly in the product group of thermal insulation system, in the roofing foils and accessories, as well as in the product group of heat, sound and water insulation materials compared to the base period. Within the thermal insulation system product group, EPS sales fell slightly.

Sales turnover grew by an annual 3% on Export markets. The revenue of fiberglass mesh products from the thermal insulation system product group and the sales of diffusion roofing foils from the roofing foils and accessories product group increased the most, but sales of medical foils among Industrial applications and the income from dry construction system products also increased. Turnover fell in the other product groups. In terms of markets, Masterplast achieved growth in the English, Portuguese and Latvian areas, while sales decreased the most in Estonia, Italy, Denmark and Greece.

The Group exhibited a 14% rise on its Romanian market, also one of its major markets. The turnover of fiberglass mesh products, belonging to the thermal insulation system product group, increased mainly compared to the base in 2020, but the sales of roofing foils and accessories also improved significantly. The turnover of the other product groups also reached higher level compared to 2019.

The Group's sales in Serbia increased by 4% in 2020 compared to the base year. Sales revenue in thermal insulation system product group increased the most, within the fiberglass mesh revenue was higher. There was a drop in the heat, sound and water insulation materials and in products of industrial applications. Revenue increased in the other product groups.

The German market is reported separately compared to previous periods, because Masterplast has been present in the country with direct sales since H2 2020. Thanks to the new manufacturing company, turnover in the country has increased significantly. Masterplast Nonwoven's products are categorized in the product group of Roofing foils and accessories and in the medical foils in the Industrial applications. However, the Group is still present in the German market with its other product groups, where there was a smaller drop in sales of thermal insulation system products, dry construction system products and heat, sound and water insulation materials compared to the base period.

In Ukraine, the Company's turnover closed the year with a 6% decrease compared to the previous year. With the exception of the roofing foils and accessories and the dry construction system product group, the turnover of each group decreased compared to last year. Sales of fiberglass mesh (not manufactured by the Group) belonging to the thermal insulation system products fell the most compared to the base.

The Group's sales revenue improved by 22% on the Polish market compared to the 2019 base year. The turnover increased the most in the roofing foils and accessories product group, but the turnover of the thermal insulation system product group also improved significantly. The revenue only in the dry construction system and heat, sound and water insulation materials product groups decreased compared to the base.

The Company achieved a 6% increase in turnover in Slovakia in the year under review. Except for building industry accessories and industrial applications, the sales increased in all product groups compared to the base.

## MASTERPLAST PUBLIC LIMITED COMPANY

The Group's turnover dropped by 4% in Croatia compared to 2019. Apart from the dry construction system products and industrial applications product group, there was a smaller decline in sales in all areas.

In North Macedonia with the smallest share of turnover, the revenue decreased by 3% in 2020 compared to the previous year. With the exception of the dry construction system and the thermal insulation system product groups, the turnover of the other product groups increased.

### Masterplast's consolidated profit or loss

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

Profit or loss statement (thousands of EUR)	31 December 2020	31 December 2019	Change	Change %
	(A)	(B)	(A-B)	(A/B-1)
Sales revenues	122 673	107 104	15 568	15%
Materials and services used	-95 790	-87 808	-7 982	9%
Payments to personnel	-16 197	-14 027	-2 170	15%
Depreciation, amortisation and impairment	-2 873	-2 085	-788	38%
Movements in self-produced inventories	970	1 838	-868	-47%
Other operating income (expense)	-580	219	-799	-364%
<b>OPERATING PROFIT</b>	<b>8 203</b>	<b>5 242</b>	<b>2 961</b>	<b>56%</b>
Interest received	388	77	311	402%
Interest paid	-922	-554	-369	67%
Other financial (expense) income	-334	572	-906	-158%
<b>Financial loss</b>	<b>-868</b>	<b>96</b>	<b>-963</b>	<b>-1008%</b>
Profit or loss attributable to associates	8	-12	20	-170%
<b>PROFIT BEFORE TAX</b>	<b>7 344</b>	<b>5 326</b>	<b>2 018</b>	<b>38%</b>
Income tax	-905	-563	-342	61%
<b>PROFIT FOR THE YEAR</b>	<b>6 439</b>	<b>4 763</b>	<b>1 676</b>	<b>35%</b>
EBITDA	11 076	7 327		
EBITDA ratio	9,0%	6,8%		
Earnings per share (EPS) (EUR)	0,40	0,32		

Source: consolidated audited report of the Company on 31st of December 2020 and audited report on 31st of December 2019 based on IFRS accounting rules

The consolidated annual turnover for the year 2020 amounted to EUR 122 673 thousand, which corresponds to an increase of 15% compared with the value of the reference period.

In line with the prevailing commodity and basic material prices and exchange rate trends, the Group continued to follow a sales strategy in 2020 for its strategic products that took into account the position of the markets and the price fluctuations of products, focusing on maximising the margins that also include transportation costs.



Despite the effects of the coronavirus epidemic, the Company closed a year with outstanding turnover and profitability. With the production of healthcare textiles in Germany and the sale of healthcare protective clothing marketed in Hungary, the Company successfully entered the healthcare industry, which contributed to the Group's profit by generating higher profits in addition to sales revenue. Thus, the Company achieved outstanding results in both the construction and healthcare segments.

In addition to the record turnover, the Group's trading margin increased in 2020 compared to the base period. With the exception of the Croatian market, both the Group's trading margin and realized margin volume increased in all markets for the full year.

The output of the profile and fiberglass mesh factory in Subotica increased in 2020 compared to the base, while the output of EPS and the output of the foam plant in Kál which is in an already improving trend, decreased slightly. The German fleece unit was operating at high-capacity utilization in the second half of the year, and demand for healthcare products remained strong. The Group's production efficiency improved, and its production profit increased compared to last year, mainly due to the expanding output in Subotica. Throughout the year, production indicators, efficiency and quality indicators continued to improve, which had a positive impact on cost.

Due to the growing manufacturing output and growing sales revenue, the Group's manufacturing raw material and other material costs increased, just as energy costs, foreign transport costs and maintenance and repair costs, while fuel and rents decreased in 2020 compared to the base period. The cost of materials and services – considering the change in the self-manufactured inventories as well – has increased by 10% versus the turnover expansion with 15%.

As a result of the operation of the Aschersleben plant and due to the increase in salaries the personnel expenses of the Company increased in the year compared to the base. The Group had 1 109 employees at the end of 2020 opposed to the staff level of 1 099 people of the base period. 450 people were employed at the fiberglass mesh production unit in Subotica at the end of this quarter, compared to the level of 486 staff at end of December 2019. The Masterplast Nonwoven plant employed 38 people at the end of the quarter.

Mainly related to the operation of the new Germany subsidiary there was an increase in the amount of depreciation.

Other operating expenses increased compared to the profit of the base period, the provision made in connection with the examination of the Romanian tax office worsens the result of the period compared to the base period.

As a result of all of the above factors, the Group's EBITDA was EUR 11 076 thousand (9,0% EBITDA ratio) in 2020 compared with the EUR 7 327 thousand (6,8% EBITDA ratio) in the reference period. The net income of its business activities came to EUR 8 203 thousand in 2020 compared with EUR 5 242 thousand in the reference period.

The Group's interest income improved, while interest expenses increased in 2020 compared to the base period.

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The other financial related incomes and expenditures mainly represent the exchange rate related profits/losses. As the Company mainly realises its purchases in EUR and USD and the sales are being generated in local currencies therefor the fluctuation of these currencies can have a remarkable effect on the Group's financial results. Since most of the local currencies are linked to the EUR, the EUR/USD rate moves also influences – in case USD purchases – the exchange rate results.

The Group recognized as other financial results a EUR 334 thousand loss in 2020 compared to the gain of EUR 572 thousand in the base period.

Also considering the financial results, the Group's profit after tax came to EUR 6 439 thousand in 2020 as opposed to the EUR 4 763 thousand profit in the reference period.

In summary, despite the effects of the coronavirus epidemic, the Company had a better, more productive year than 2019 was. Sales were able to increase by 15%, but in addition to the increase in turnover, the trade margin also increased. The efficiency of our own production has further improved. The output of the Serbian profile and fiberglass mesh factory increased, while the production of EPS and the output of the foam plant in Kál which is in an already improving trend, decreased slightly. The German fleece unit was operating at high-capacity utilization in the second half of the year. The Group's trading margin increased, and production output also increased in 2020. The cost of materials and services – considering the change in the self-manufactured inventories as well – has increased by 10% versus the turnover expansion with 15%. The Group's personnel expenses increased, and the Group's depreciation also increased, as did other operating expenses compared to the base period.

As a result of all of these, the Group's EBITDA was EUR 11 076 thousand versus EUR 7 327 thousand during the reference period, while the operating profit was EUR 8 203 thousand in 2020, compared to EUR 5 242 thousand in the base period. Taking into account the financial results, the Group's profit after tax in 2020 exceeded the profit of the base period by EUR 1 676 thousand (35%).

The Company's financial position

Balance sheet (thousands of EUR)	31 December 2020	31 December 2019	Change	Change %
	(A)	(B)	(A-B)	(A/B-1)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	48 904	37 193	11 711	31%
Intangible assets	177	191	-14	-7%
Goodwill	4 291	0	4 291	0%
Investments in associates	299	321	-22	-7%
Deferred tax assets	754	362	392	108%
<b>Non-current assets</b>	<b>54 425</b>	<b>38 067</b>	<b>16 358</b>	<b>43%</b>
<b>CURRENT ASSETS</b>				
Inventories	25 084	21 257	3 827	18%
Trade receivables	16 755	14 471	2 283	16%
Taxes receivable	619	784	-166	-21%
Other current financial assets	13	2	11	458%
Other current assets	1 764	1 767	-4	0%
Cash and cash equivalents	33 267	4 530	28 736	634%
<b>Current assets</b>	<b>77 501</b>	<b>42 812</b>	<b>34 688</b>	<b>81%</b>
<b>TOTAL ASSETS</b>	<b>131 925</b>	<b>80 880</b>	<b>51 046</b>	<b>63%</b>
<b>EQUITY</b>				
Share capital	5 504	5 504	0	0%
Reserves	23 837	22 438	1 399	6%
Redeemed treasury shares	-138	-381	243	-64%
Parent company's share of the profit or loss	5 768	4 573	1 195	26%
Equity attributable to parent company's shareholders	34 970	32 133	2 837	9%
Non-controlling interests	1 899	473	1 426	302%
<b>Equity</b>	<b>36 869</b>	<b>32 606</b>	<b>4 263</b>	<b>13%</b>
<b>LONG-TERM LIABILITIES</b>				
Long-term loans	3 926	3 864	62	2%
Liabilities from issued bonds	32 772	18 136	14 636	81%
Deferred tax assets	338	266	72	27%
Deferred income	3 362	3 748	-386	-10%
Other long-term liabilities	4 599	695	3 904	562%
<b>Long-term liabilities</b>	<b>44 996</b>	<b>26 709</b>	<b>18 287</b>	<b>68%</b>
<b>CURRENT LIABILITIES</b>				
Short-term loans	5 914	5 853	61	1%
Trade payables	13 306	10 728	2 578	24%
Short-term financial leasing liabilities	269	290	-21	-7%
Other current financial liabilities	2 480	92	2 388	2593%
Taxes payable	2 497	1 047	1 449	138%
Current part of deferred income	450	626	-176	-28%
Provisions	317	219	98	45%
Other current liabilities	24 828	2 710	22 118	816%
<b>Current liabilities</b>	<b>50 060</b>	<b>21 565</b>	<b>28 496</b>	<b>132%</b>
<b>TOTAL LIABILITIES</b>	<b>95 056</b>	<b>48 273</b>	<b>46 783</b>	<b>97%</b>
<b>EQUITY AND LIABILITIES</b>	<b>131 925</b>	<b>80 880</b>	<b>51 046</b>	<b>63%</b>

Source: consolidated audited report of the Company on 31st of December 2020 and audited report on 31st of December 2019 based on IFRS accounting rules

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As of 31 December 2020, the Group's assets were worth EUR 131 925 thousand meaning an increase of EUR 51 046 thousand over the closing value of the reference period.

As of the end of December, the value of fixed assets was EUR 54 425 thousand which was EUR 16 358 thousand higher than the closing value of assets on the cut-off date of the reference period. The Corporate Group spent a total of EUR 16 098 thousand for investments and for the replacement of other assets in the reporting year.

Due to the increase in production output the inventories of the Group amounted to EUR 25 084 thousand at the end of December 2020, which is EUR 3 827 thousand higher than the closing inventory of the reference period.

The Group's trade receivables grew by 16%, EUR 2 283 thousand compared with the 2019 reference period.

The Group's cash and equivalents amounted to EUR 33 267 thousand as of 31 December 2020, which was EUR 28 736 thousand higher than the closing stock in the same period of 2019. In December 2020 the Ministry of Finance transferred support for the medical foil production investment located in Sárszentmihály, 100% of the state aid, approximately EUR 20,5 million was paid.

The Group's stock of trade payables also increased and was EUR 2 578 thousand higher than in 2019.

The Company issued a total of 6 billion HUF nominal value of bonds under Growth Bond Program announced by the National Bank of Hungary in December 2020 to provide a stable source for the ongoing and future investments. The Company temporarily used the borrowed funds to refinance part of its short-term loans, as a result of which the amount of short-term loans decreased, and the Group's liabilities related to bonds in the balance sheet increased. The bonds were introduced on the BSE Xbond market on 19.02.2021.

The deferred income also dropped in 2020 related to the government grants to investments compared to the base.

### Financial and other management indicators

Financial and other management indicator		2020	2019
Current ratio		1,55	1,99
Interest coverage ratio		12,0	13,2
Accounts receivable turnover ratio	days	49	49
Accounts payable turnover ratio	days	50	44
Inventory turnover rate	days	74	71
EBITDA ratio	%	9,0	6,8
Debt ratio	%	72	60

Source: data from the Company's management information system

**Research and development activities**

Due to the economic impact of Covid-19, as well as Masterplast's business position, the company's strategy was complemented by the healthcare business. In line with the updated strategy, developments within the Group focused on the roofing foils and fiberglass product categories, on existing productions and the new healthcare segment.

In the range of roofing foil products, Masterplast started to develop a new diffusion roofing foil product family based on the technological possibilities of Masterplast Nonwoven GmbH in Germany, which joined the group during the year. The goal is to use the advantages of the production technology to enter the market with an excellent value-for-money, high heat and aging resistance product family, which can give our customers a long user guarantee, and to be a factory supplier of roofing system sellers next to the traditional retail customers.

In the fiberglass product range, the main focus was on the improving production efficiency, in which Masterplast was able to make significant progress. In addition to increasing efficiency, quality indicators have also improved.

Due to the pandemic, there was a significant demand for the products of Masterplast Nonwoven GmbH. The standard, existing product portfolio has been expanded with the newly developed Linopore 20 + 20 protective overall raw material, for which the Company has obtained international certification. This new product is a key element in the production of a number of defence devices. The production of this product played a determining role in the Group's profitability in the second half of 2020 and is expected to continue in the coming years. By the end of the year, Masterplast had developed its own, qualified protective overalls, which know the TYPE - 6 grade without an over-glued seam, as it is fully suitable for protection against Covid-19. The great advantage of the product is that it is made of our own Linopore 20 + 20 material and the production capacity can be organized quickly because it does not require special mechanization.

Developments were implemented with own resources and professional support from our suppliers. The Group plans to continue developments linked to production and strategic products in the years to come.

**Environmental protection**

The Corporate group's operating area, sales, logistics and production facilities do not qualify as environmentally hazardous technologies or key risk operations. That said, as a responsible corporation, the Company complies with the applicable environmental protection requirements, and strives to think and operate of the curve in numerous areas without substantially increasing its costs.

The Company applies conscious waste management at its premises, including selective waste collection and in-house recycling.

In 2020, the Group acquired Fidelis BAU Kft. which company has the necessary official permits for the processing and recycling of polystyrene waste and to produce thermal insulation lightweight

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concrete. Taking advantage of the opportunity arising from this acquisition, Masterplast has launched a polystyrene recovery program in Hungary, which is unique in the building materials industry. Masterplast collects the construction residues of the polystyrene products it supplies during its construction through its Ökopont partner network and recycles them 100%, producing thermal insulation material again - thus significantly reducing the amount of construction site waste.

In 2020, the specific waste volume in fiberglass mesh production was significantly reduced by increasing the discipline of production technology, with smaller but important machine improvements supporting better and less waste generation.

In both its logistic and production operations, pay close attention to energy consumption, which is both an economic aspect and reduces CO2 emissions. In terms of transportation capacity, in 2020 a large part of the fleet was replaced with more modern and environmentally friendly vehicles.

Masterplast Nyrt. applies the ISO 50001:2011 Energy management system standard at its Sárszentmihály location and has continued the operation of the Energy management systems in its Hungarian subsidiaries.

### Short-term plans

The coronavirus pandemic, which began in March 2020, fundamentally sets out the Company's short-term plans.

Among the **construction markets**, the Hungarian market, which has the largest weight, has been characterized by a recovery in the housing construction and housing renovation sub-market since the beginning of the epidemic, and this recovery is expected to continue in 2021. More time spent at home due to working in home-office and the benefits available through the home creation program have a strong stimulating effect on the demand side, while businesses are helped by the Hungarian state with tax breaks. According to surveys, as a result of the announced government incentive measures, renovation and modernization works can be carried out on almost 14% of the Hungarian housing stock in Hungary in 2021, which means about 570 thousand dwellings. With the exception of Ukraine and Croatia, the Company expects a favourable industrial environment in all markets, where the deterioration of the coronavirus situation will have only temporary, and has only smaller negative effects on the economy of each country. Web sales, which are not typical in the construction industry, have gained ground in many countries as a result of the pandemic, and the Company expects a further livening here.

The year 2021 started with a significant price increase in the construction industry. The favourable suction effect in the main markets, the suction power of China's domestic market, the shortage of freight in the Far East and the difficulties of raw material producers have led to significant price increases, especially for refined petroleum products and metal products. Masterplast has responded in a timely manner and successfully managed to overcome difficulties in the operation of supply chains. It can manage supply difficulties by relying on its sourcing system with high inventories and multiple suppliers. The current period in the economy, which is generally interspersed with shortages

and price increases, may last until the end of the second quarter, and the Company expects the situation to return to normal in the third quarter of 2021.

The construction industry, including the insulation industry, has started to grow in all of the Company's markets, thanks, among other things, to the European Union's regulations, according to which in the future only nearly zero-energy buildings can be permitted for use. Although this regulation will only apply in Hungary from 30 June 2022, the Company expects the insulation materials gradually coming to the fore as a result of other local incentives. The Group continues to seek to take advantage of this growth by increasing production output in the short term too, which will also improve the profitability of its core business by reducing unit costs. Based on all these trends, the Company launched in January 2021 the further development of fiberglass mesh production in Subotica, which will increase the fiberglass mesh production capacity by 25 percent. With new machines based mainly on modern German technology and renewable manufacturing, logistics and assembly services, the Group will be able to serve the market of premium quality products with the highest quality requirements.

With the acquisition of a plant in Aschersleben, Germany, which also produces raw materials for the **healthcare industry**, Masterplast has successfully entered the healthcare market, where it has achieved success primarily in the production of raw materials for masks and protective clothing. Based on this, the Group launched the investment of the Hungarian fleece manufacturer, which is the largest volume investment in the history of Masterplast. The new plant will start production in the summer of 2021 in Sárszentmihály. The fleece factory to be established is fully suitable for the supply of raw materials for the manufacturers of medical protective clothing, mouth masks and other hygiene devices used in healthcare, which are also necessary for pandemic control. With the development, a unique regional investment will be created not only in Hungary, but also in the entire Carpathian Basin, as there is currently no similar production of health care raw materials in Hungary and in the neighbouring countries. Masterplast plans to sell raw materials produced above domestic demand in European target markets, for which demand has increased significantly. The Company also aims to build finished goods manufacturing capabilities, which will create integrated manufacturing in the Group's healthcare segment, enabling Masterplast to supply the entire production chain from raw materials to finished products. The planned launch of the healthcare finished goods manufacturing investment is expected by the end of September 2021. Despite the increase in vaccination levels, the demand for protective clothing from healthcare institutions is expected to remain high, which the Group's manufacturing capacity will be ready from the Q4 2021, but the production can also ensure other disposable hospital isolation devices. A key goal is to make Masterplast the main supplier of Hungarian healthcare in 2021 in terms of protective clothing.

The production of healthcare raw materials and finished products is a higher profit-performing industry. With the opening of new, modern, efficient capacities, an even higher level of efficiency than at the previous year will be achieved.

The Company continues to strive to optimise its operations and to continuously improve its profit-earning capacity. Due to the constant unpredictable and unforeseeable changes in the economic

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environment, continuous and rapid adaptation to market needs is paramount. As a result, the Company also aims to broadly develop its sales staff in an effort to boost its market presence.

By 2021, in line with the new strategy announced in January 2021, the Company expects sales of more than EUR 150 million and profit after tax of over EUR 10 million.

### **The Company's long-term strategy**

At the end of 2019, the Group developed its vision for 2030, the updating of which was necessitated by the entry into the healthcare industry in 2020. Based on the vision, the Company sets the cornerstones at the end of each year until the end of the next strategic period, and then updates the main directions for the next business year.

Corner points of the strategy

- the thermal insulation system registered at European level
- the dynamically growing new player in the health industry

The Group remains the centre of attention on customer focus and customer value creation, which is secured by the continuous development of its expanding manufacturing activities and services. Guided by the strategy, it remains focused and efficient operation, according to which Masterplast wants to create excellence in all areas of the company's operations. The focused and efficient operation of the Group includes geographic, product, market and customer specific strategies for both the Group and its subsidiaries and export areas.

As an approved insulation material manufacturer, Masterplast aims to become the second largest producer and distributor of fiberglass mesh in the entire European market and the third largest in the global market, and to achieve a leading role in the production and sale of roofing foils. In order to this, the Company plans to steady and expand its market position by further expanding and developing the existing production capacities.

In strategic product areas, the Group aims to become a key industry benchmark in the region. In addition to the development of lean processes, the focus of the development is the continuous development of expertise, the continuous improvement of quality and the further increase of competitiveness in all product ranges.

- In 2021, the expansion of production capacity in the Subotica plant of the Group continues with the installation of new, modern machines and the further development of the efficiency of the existing machine park. In this way, Masterplast can also serve the market of premium category products by 2022. In addition, the development of a modern warehouse base and a prefabrication department will begin, so that the Company can provide a wider range of high-quality manufacturing services to its customers with the highest quality requirements. The expansion of the fiberglass mesh knowledge base will continue, providing a basis for launching non-construction manufacturing and sales.



- With the acquisition of the plant in Germany, the Company's position as a manufacturer of multilayer membranes for the construction industry was further strengthened. Through the acquisition, the Company became a manufacturer of special medical fleeces, and the knowledge and experience gained in this way became the basis for the Company's entry into the healthcare industry and further developments within this industry.
- The presence in the healthcare sector is further strengthened by the construction of a new production plant started at the Company's headquarters in Sárszentmihály, where on the one hand the hygienic textile production technology is installed. The new factory unit is suitable for the supply of raw materials to manufacturers of medical protective clothing, mouth masks and other hygiene devices used in healthcare. The high degree of productivity is ensured by a production technology with a high level of automation, which with achieving special product properties, will be able to produce one or more layers of health care textiles from the summer of 2021. As a further development step, the Company installs additional new production capacity, which will enable the production of finished healthcare products by September 2021. Thus, by the end of the strategic period, the Company will develop integrated production, within the framework of which the Group will be able to serve the entire production chain from hygienic textile raw materials to finished products both in Hungary and in export markets. The Company also intends to conduct research and development activities aimed at developing new, innovative raw materials tailored to the needs of the healthcare industry.
- The Group is examining the possibility of further development of its own production capacity in its most important product ranges. Through its potential investments, the Company will be able to cover a significant portion of its strategic product sales from its own production, as well as create exciting opportunities for industrial applications.
- The Company is committed to the implementation of circular management and therefore explores innovative development opportunities for the production of recyclable insulation systems.

In each country and product range, the Company determines the optimal level of services that partners think are truly valuable. The resulting product-service package is a competitive alternative that can provide business opportunities and development for the partners.

- The Masterplast group's distributor subsidiaries serve construction material traders, procurement companies and hardware store chains. The structure of the construction material trade sector differs from one country to the next, so a unique sales policy will be created for every market to ensure the best possible efficiency. The overarching central element of its service portfolio is fast and reliable service fostered by its efficient shipping system and permanent inventory. Professional competency and thereby increasing expert status are priority objectives, which are also reinforced by direct communication with contractors. Significant strategic goal is to give special support to the partners operating with

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web sales activities, which are facing great growth, and to provide them with a customized service.

- Increasing export activities will allow the reinforcement of the Group's market position in fiberglass and roofing foil and the targeted increase in market share within the segment and Western European and southern European countries. In these product groups, the broad product range and developing manufacturing background will ensure increasing competitiveness. The price to value ratio and reliable quality is what first and foremost represents value for partners, in addition to the certificates provided with the products.
- The Company intends to sell healthcare products through a new business line, which also includes the production of raw materials and finished products. This makes it possible to meet the needs of special customized medical textiles - raw materials, finished goods, special services - both in Hungary and in the case of the surrounding countries.

These strategic objectives have created a clear concept for the future that the Company's staff can identify with, and which motivates them to work harder and to strive to achieve it. Every employee is maximally committed to continuous development and maintaining high performance levels. The cornerstone of Masterplast's success continues to be a corporate culture that focuses on market focus, individual responsibility and entrepreneurship. Masterplast is a company built on employee value creation, committed to maintaining long-term working relationships and individual development.

### **Risk management**

#### **Total credit risk**

The Group supplies the goods and services to numerous customers. Given its contract volumes and the creditworthiness of its buyers, the Company does not face any significant credit risk. The control mechanisms in place at the Group's subsidiaries, operated according to its international receivables management policy, ensure that sales are only made to customers with a sound financial background in order to decrease the Group's credit risk.

Loans provided by bank are assessed at a group level, which includes the risk of performance related assessments for subsidiaries. In order to autonomously fund their operations, subsidiaries also borrow from their local banks in the form of investment and working capital funding loans.

The largest amount that can potentially be exposed to credit risk is the balance sheet value of financial assets, including the transactions decreased by impairment included on the balance sheet.

#### **Interest rate risk**

The Group's management deems that the interest rate risk stemming from variable interest rate loans is not significant as the adjusted interest amounts defined by banks in the wake of the financial crisis are not as substantial and can be covered from the Group's operating profit.

**Liquidity risk**

The Group's liquidity policy requires it to hold sufficient liquid assets and the availability of credit lines to implement its Financial Strategy. On 31 December 2020, the Group had a EUR 32,7 million bonds issued. With the bonds issued within the framework of the bond program launched by the MNB, the Group provides adequate solvency and financial flexibility to achieve the Group's strategic goals.

**Geographic risk**

The majority of subsidiaries constituting the Group is located in Central Europe, but the Group also has subsidiaries in Ukraine. This relative dispersion nevertheless does not pose much risk as the Corporate Group has created local groups (regions) to oversee and improve subsidiary operations. These local groups are managed and overseen by specialised regional management.

**Country risk**

The Group's activities and success was shaped by the political, macroeconomic and general government financial situation in Central-Eastern, South-Eastern and Eastern European countries. Potential changes in the political and macroeconomic environment may have a negative impact on the Group's activities and its profit generating capacity.

**Exchange rate risk**

Masterplast procures its products primarily on a USD and EUR basis and sells them in the local currency of its subsidiaries, which creates currency exposure for the Group. As the currency of the majority of the Group's country portfolio is euro-based (with the exception of the Ukraine), fluctuations in local currencies relative to the euro and fluctuations in the EUR/USD exchange rate for products procured based on the USD impact the exchange-rate effect of its trading activities.

Exchange rate risk is managed by Masterplast centrally at the Group level and at the subsidiary level under the coordination of the parent company's CFO. The optimal coverage strategy is defined as part of annual financial planning and is implemented by the Group's following approval.

The entities in Hungary have working capital loans disbursed in euro and the Serbian subsidiary has a euro-based investment loan.

**Taxation risk**

The group constantly monitors and keeps track of changes in statutory regulations, and if legislative changes that affected the Group are adopted, it immediately takes the necessary measures and creates or changes its rules of procedure. As a result, there are no significant taxation risks identified by management.

**Management of capital risks**

- Dividend policy

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If the Group is unable to find development and acquisition targets to fuel its growth, it may pay dividends to its shareholders based on an individual Board of Directors decision, given adequate profitability.

- Raising capital

Masterplast did not raise capital in 2020 but may secure funding by raising capital in the future to implement its future strategic plans. The Group, with the exception of individual cases, does not plan to raise capital for its subsidiaries with shareholder approval, and funds increases in equity from the profit of previous years.

- Optimal capital structure

With the capital raised in 2018, the Group's equity/liability ratio improved significantly, which it intends to maintain in the future in an effort to reduce liquidity risk (stemming from unpredictable money markets).

- Maintaining operability

In order to maintain its smooth financial operability, the Group continuously strives to postpone and extend the payment deadlines of contracts and transactions with its suppliers in an effort to offset late payments from its buyers.

### **Ethical norms**

The Company pays special attention to observe the human rights, fight against corruption and prevent bribery. The Company have a Code of Ethics, which covers the followings:

- Regarding to the clients, among other things, to protect information, regulate fair business, handle conflicts of interest, business gifts, representation, and hospitality control, and the prohibition of bribery and corruption.
- Regarding to the employees of the Company or its affiliates, communication between the employees, contact with the management, non-discrimination, work-related requirements, protection of values, labor health and safety issues and health protection.
- Regarding to the shareholders of the Company, among other things, the prohibition of insider trading, the handling of confidential information held by the Company, the protection of corporate property, and the intellectual properties of the Company.
- In relation to the Company and the society, public participation, prohibition of child and forced labor, corporate social responsibility and environmentally awareness.

The Code of Ethics regulates the personal responsibility for the above. It regulates the additional requirements from the leaders and the obligation of notification in case of breach of the Code and the sanctioning of ethical offenses and violations. The Codex also arranges for compliance with the rules.

In addition, the Company has an internal audit system. The internal auditor brings into focus the respect for human rights, the fight against corruption and the prevention of bribery. Any abuses or breaches of the rules can be reported to the internal auditor in an anonymous manner by employees or other stakeholders. The internal auditor reports her work to an independent Audit Committee.

**Overview of premises**

In 2019 in order to expand the site in Sárszentmihály, 22 240 sqm of unbuilt land was purchased from the Sárszentmihály Municipality and was attached to the property of 104/12 lang register reference, so the area of Masterplast's Sárszentmihály site increased to 95 477 sqm.

Two construction projects have been launched at the central site in Sárszentmihály. A 5 000 sqm fleece factory is under construction, which is fully suitable for supplying raw materials for manufacturers of medical protective clothing, face masks and other hygiene devices used in healthcare. In addition, construction has begun on two warehouses with a floor area of 2 390 sqm and 2 500 sqm. The buildings are scheduled to be handed over at the end of May 2021 and will begin production with 50 employees from June onwards, with a steady rise.

The building stock of the Company in Kál did not change.

The Corporate group's own premises include 360 thousand sqm of land, nearly 6 thousand sqm of office space, 22 thousand sqm of production facility space, 59 thousand sqm of warehouse space and 92 thousand sqm of parking lots and roads.

There is ongoing maintenance and technical maintenance of buildings, public utilities and outdoor tiled areas.

The Company applies the ISO 9001: 2015 Quality Management System Standard, and the ISO 14001: 2015 Environmental Management System Standard, while the ISO 50001: 2011 Energy Management System Standard was successfully renewed in 2020.

**Management and structural subsequent events**

With the acquisition of Masterplast in Germany in the summer of 2020, it entered the healthcare industry as a specialist healthcare fleece manufacturer. This acquisition provided the basis for further developments within the healthcare industry for the Group. At the end of 2020, a construction of a new production plant began at the Company's headquarters in Sárszentmihály, where on the one hand hygienic textile production technology is installed and the production of sanitary textile finished goods become possible. In addition, the Company intends to pursue research and development activities aimed at developing new, innovative raw materials tailored to the needs of the healthcare industry.

New sector, new type of product, actors, working method, therefore the Company decided to create a new business division, which includes:

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- the manufacturing and sales in Aschersleben, Germany,
- the integrated production of the health industry in Sárszentmihály,
- the lamination and prefabrication of the Sárszentmihály fleece (construction segment) and
- the healthcare sales.

The Company entrusted with the management of the division Illés Jancsó, who is the company manager of Masterplast International Kft. and the managing director of Masterplast Nonwoven GmbH. He is a leader with significant experience in both fleece manufacturing and sales. During the first quarter of 2021, the development of a recruitment-selection strategy related to investments become emphasized, and then, until May 2021, the recruitment-selection and training of the necessary workforce will be important in order to ensure production starting in June. The development and adaptation of the division's operations to the Group's operational processes will receive special attention during the year.

### **Corporate Social Responsibility**

According to Masterplast's *ars poetica*, only a successful corporation can allow itself to help others. As such, the Group has supported its environment since its establishment.

To make sure that help ends up in the right hands at the right time in a transparent manner, Masterplast implements its corporate social responsibility programme based on carefully defined principles. Therefore, the Corporate Group adheres to strict ethical norms when making donations and expects the same of all of its employees. Decisions regarding donations are made based on professional, strategic and ethical principles. The Company strives to create its charitable work strategy, so that it benefits both society as a whole and the Group by creating value.

In order to ensure that assistance always reaches the right place and at the right time, all in a transparent way, Masterplast implements its corporate social responsibility program on the basis of carefully formulated principles. Accordingly, the Group adheres to strict ethical standards in its donation activities and expects this from all of its employees. Grant decisions are made on the basis of professional, strategic and ethical guidelines. The company strives to shape its donation strategy in a way that serves the interests of value creation for both society as a whole and the Masterplast Group.

It is a priority for the Corporate Group to participate in the economic and social life of its local environment more than as just an employer, and to support foundations and associations working for the sake of social responsibility.

The Company joined the KÉPES programme as a supporter; the programme was created in 2013 by a group of Székesfehérvár-based companies and the municipal government of Székesfehérvár. The KÉPES programme, or the Community Value Creation Programme — Together for Székesfehérvár! [Közösségi Értékkeremtő Program – Együtt Székesfehérvárért!] aims to come up with solutions that create lasting value for the local community as a joint effort between the business world and the

municipal government. Masterplast provides product and expert support for the program's projects and its employee team contributes with voluntary work.

As a firm believer in corporate social responsibility, Masterplast, in conjunction with its employees and partners, has been a supporter of the Hungarian Child Ambulance Foundation [Magyar Gyermekmentő Alapítvány] since 2015.

In the context of this now traditional collaboration project launched at the initiative of workers, the Company provides targeted help for the Foundation for the procurement of special medical diagnostic and educational tools. In the context of its end-of-the-year "Let's all save children together" ["Legyünk együtt gyermekmentők!"] initiative, the Company's partners also contribute to the donation's financial basis with their purchases. The amount required for purchasing the targeted equipment will be achieved with the help of Masterplast's additional own donations. In 2020 the Company once again donated a generous HUF 3 000 thousand to the Hungarian Child Ambulance Foundation. This amount was a significant contribution for the purchasing of a special child breathing device. The Masterplast family is proud that over the past years, thanks to its close collaboration with partners, it has contributed over HUF 10 million to the Foundation.

Another valuable part of the contribution is the Masterplast – MGYA (Magyar Gyermekmentő Alapítványt [Hungarian Child Ambulance Foundation]) first aid course series which provides assistance to teachers of educational institutions in Fejér County. As the first few minutes are essential in a medical emergency, it is important that teachers dealing with students possess the right knowledge. It is in recognition of this fact that the Company, hand-in-hand with the Hungarian Child Ambulance Foundation, launched the "Masterplast first aid course" at the end of 2017 to inform the teachers what they can do in the event of an emergency. Over 500 teachers so far have taken part in the courses. The year 2020 was unusual due to the coronavirus and due to which these educations had to be suspended, but Masterplast aims to continue its joint health education program with the foundation if the conditions are met.

### **Corporate governance**

The Consolidated Annual Report drawn up according to the applied accounting requirements provides a true and accurate overview of the assets, liabilities, financial situation and earnings of Masterplast Nyrt. and its undertakings included in the consolidation. Moreover, the Annual Report gives a reliable picture of the situation, development and performance of Masterplast Nyrt. and its undertakings included in the consolidation, presenting the main risks and factors of uncertainty.

The Group will do its best to operate in accordance with the statutory and regulatory requirements and in line with the principles of ethical business conduct. Therefore, the Company places particular emphasis on the corporate governance recommendations of the Budapest Stock Exchange in its day-to-day operations and regulation. The documents available on the following website: [https://www.masterplastgroup.com/document\\_folder/tarsasagiranyitasi-dokumentumok/](https://www.masterplastgroup.com/document_folder/tarsasagiranyitasi-dokumentumok/).

## **MASTERPLAST PUBLIC LIMITED COMPANY**

### **Equal opportunity and diversity**

The Size of the Group does not justify the application of Diversity and Employment Policy, but the Group pays great attention to the diversity of cultural and social environments, as well as the diversity of employees, varying from country to country. Takes care of non-discrimination and equal opportunities and equal treatment.

### **Masterplast Employee Shared Ownership Program**

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

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

The Participants of the MRP in 2020 were the employees of Masterplast Nyrt. and of by 100% controlled Masterplast Kft., Masterplast Hungária Kft., Masterplast International Kft. and Masterfoam Kft, where the Company's Remuneration Policies are applied and covered. The Founder assigned those leaders of the aforementioned companies to the Participants, who had the greatest impact on the achievement of the company's business goals set out in the Remuneration Policies.

### **Subsequent events**

The Masterplast in massive market embeddedness and with stable liquidity position has been faced with the current situation due to the spread of COVID-19 virus. With regard to the industry, it is now clear that the construction and building materials industries are less affected by the situation. The operating environment deteriorated observably, but was nowhere impossible, and targeted government programs significantly moderated this. During the period so far in the crisis, the Group has worked calmly-balanced and consciously to ensure that the Company can operate effectively despite declining demand. The Group adapts to the conditions caused by declining demand by streamlining operating processes, optimizing inventories, saving measures and managing receivables more efficiently, taking into account business continuity and maintaining a high level of service. In the changed market situation, the Company is constantly exploring alternative business opportunities, so in 2020 it entered the healthcare product market, which offers new opportunities and contributes to the Group's results by generating higher profits in addition to sales. In 2021, Masterplast will further expand its products with the production of raw materials and finished goods for personal protective equipment in the healthcare industry, as the strategic product supply of virus protection has come to the fore and become more important in the healthcare industry. The growing market demand and demand for innovation also provide a solid foundation for the coming periods.

The Group hope that the targeted economic protection subsidies will also have a positive impact on the construction industry and can help to offset the declining demand. Already during the emergency,



the rise of the building energy upgrades with renovation purposes can be expected to pick up, with bringing significant potential for Masterplast.

Based on currently available assumptions the Group came to the conclusion that viability and liquidity position is not endangered for the 12 months following balance sheet date.

The Company's Serbian subsidiary has launched the development of additional fiberglass mesh with the aim of increasing production capacity by 25%, modernizing existing production and establishing a modern warehouse base and an assembly department. The financing of the investment, 39% is provided by the Prosperitati Foundation, 25% is provided by the Group from the funds raised under the growth bond program, and the remaining part is provided by MASTERPLAST YU D.o.o. provided by its bank in the form of a loan. It is planned that operational production will start in the beginning of 2022.

The Company's other subsidiary Masterplast Kft. has launched another investment in the healthcare industry in order to create the production capacity of finished personal protective equipment for the healthcare industry, which is supported by the Hungarian State. This project will be implemented at the Company's headquarters in Sárszentmihály. With the new production, it will be possible to produce finished health care products such as protective coveralls, medical gowns, sluice gowns, foot bags, head protection and insulating sheets. The total value of the investment is HUF 2 590 803 496 for which the Hungarian State provides 80% non-refundable support (HUF 2 072 642 796). The Company plans to start operations in September 2021.

Master Modul Kft. was established on 12 April 2021 (for the production of modular buildings) with a 25% ownership share of the Company.

### **Observations regarding the future**

The Annual Report also includes observations regarding the future. These findings are based on the current plans, estimates and forecasts, so it would not be correct to rely on these findings any more than warranted. Observations regarding the future carry risk and uncertainty. The Corporate Group stresses that there are many important factors that may cause actual results to differ greatly from what is stated among the observations regarding the future.

### Summary

In summary, amidst a slightly moderated but mostly positive market environment, the Group's sales revenue exceeded last year's base by 15% in 2020. Taking advantage of the positive industrial trend and market embed, in respect of value, the Hungarian and Germany turnover increased the most, while in respect of product range, the greatest turnover expansion occurred in the healthcare products and roofing foils. In 2020, the Company's trading margin increased as did the Group's production output. The cost of materials and services – considering the change in the self-manufactured inventories as well – has increased by 10% versus the turnover expansion with 15%. The Group's personnel expenses increased, and the Group's depreciation also increased, as did other operating expenses compared to the base period.

As a result of all of these, the Group's EBITDA was EUR 11 076 thousand versus EUR 7 327 thousand during the reference period, while the operating profit was EUR 8 203 thousand in 2020, compared to EUR 5 242 thousand in the base period. Taking into account the financial results, the Group's profit after tax in 2020 exceeded the profit of the base period by EUR 1 676 thousand (35%).

The Company expects its industry environment continued to remain positive in the years to come, which may provide the basis for achieving the earnings targets defined in its strategic plans given the Group's improving production and operating efficiency.

# MASTERPLAST

