MASTERPLAST PLC.

CONSOLIDATED ANNUAL REPORT

2022.

MASTERPLAST

PUBLIC LIMITED COMPANY

ANNUAL REPORT 2022

CHAIRMAN'S GREETINGS

I would like to welcome our shareholders!

We have had an extremely busy and eventful year, which has brought us great successes and serious challenges. The year 2022 was characterized by a very strong duality. The rapid external environmental change is unprecedented in the history of the company, during which the economic outlook deteriorated significantly, the operating environment of companies changed markedly, and the business opportunities of the construction industry segment changed in an unfavourable direction in the short term.
However, in the meantime Masterplast has been continuously advancing on its own path, and we have made and are making significant progress towards the realization of our long-term vision. A number of external factors and the progress achieved in major projects also give us reason to be positive about the company's prospects overall. The thermal insulation segment could be one of the most promising sectors in the economy, following the changes in European energy policy, the EU identified among its strategic goals the drastic reduction of the energy consumption of buildings, for which the REPowerEU program will provide the resources in the countries of the European Union.
In recent years, we have launched production development investments worth around EUR 50 million, of which the production of several significant product types also turned to fruition. We are now one of the major exporters of fiberglass mesh and diffusion roofing foil production at European level, while in 2023, with the launch of the next 3 new plants, our thermal insulation manufacturing capacities will also be expanding by orders of magnitude. We are building on the future of insulation and thinking about intensive development, which justified our entry into the market of mineral thermal insulation materials. We see it as a serious achievement that despite the generally negative stock market sentiment, our vision has gained the confidence of investors and we have been able to start laying the foundations for the next level. According to our vision, by the second half of the decade, Masterplast could be the only thermal insulation material manufacturer in the East-Central European region with significant manufacturing and market positions in both plastic and mineral insulation materials. In addition, our important task is to exploit the potential of the modular building element manufacturing business and the health industry division, which are still in the investment phase, could contribute to Masterplast's future profitability.
We have strengthened ourselves with new partners in the implementation of our future plans. We are proud to have started a strategic cooperation with Market Zrt. and KÉSZ Group, two of the leading contractor-manufacturer companies in the Hungarian construction industry. If we talk about the future, it is important to mention the implementation of sustainability and ESG aspects. Conscious energy and waste management, the circular approach and the development of green culture appear both in our investments, in our daily operations, and in our market presence. We want to maintain our position established with the multiple award-winning Hungarocell Green Program and we are working on launching further green business development programs.
There are also positives in terms of the company's effectiveness. In the 25th year of our existence, we managed to exceed sales of EUR 200 million for the first time, while even in a difficult environment we approached the profitability achieved in the previous record year, with strong growth in sales of thermal insulation materials, which are most important to us. However, in the period ahead, we expect the company to operate at lower profitability, which will also rewrite our medium-term profitability forecasts. The most important things now are trust and cohesion, so I call on everyone to do so. In the spirit of creating value for investors, our definite goal is that all our investors, including the new shareholders who have joined us through the share issue, can realise significant value growth through their investment decisions over the next few years. We are working on this with my colleagues, to whom I would like to express my thanks and gratitude. I am confident that our devoted work will be embodied in further successes and – on a longer and bumpier path than originally planned, but we will achieve our goals.

Tibor Dávid
Chairman of the Board

INTRODUCTION OF MASTERPLAST GROUP

The main activity areas of Masterplast (later: “Group”, “Masterplast”, “Company”), founded in 1997, are production and sales of building insulation materials and systems in construction industry, complemented by the production and sale of healthcare textile and hygiene products. The international Group, which headquarter is based in Hungary, has its own active subsidiary companies in 10 European countries, where 7 different production plant units are operated. The Group represents itself with its construction industry products on thermal insulation system, heat, sound and water insulation, roofing and on dry construction market, furthermore the Company participates with hygiene products on healthcare market. The international and domestic manufacturing bases ensure competitiveness to deliver the products of the Group to the European markets and markets outside Europe, via its subsidiaries and partners. The aspects of sustainability, energy efficiency and environment protection are considered by Masterplast as high importance in the internal processes, as in production and innovation.

As of 31 December 2022, the Company had the following ownership at the subsidiaries.

Company	Place of registration	Ownership	Voting right
Masterplast Hungária Kft.	Hungary	100%	100%
Masterplast International Kft.	Hungary	100%	100%
Masterplast Medical Kft.	Hungary	100%	100%
Masterplast Modulhouse Kft.	Hungary	100%	100%
MasterFoam Kft.	Hungary	100%	100%
Masterplast YU D.o.o.	Serbia	100%	100%
Masterplast Sp zoo	Poland	80,04%	80,04%
Master Plast S.r.o.	Slovakia	100%	100%
Masterplast Romania S.R.L.	Romania	100%	100%
MasterPlast TOV	Ukraine	80%	80%
Masterplast d.o.o.	Croatia	100%	100%
Masterplast D.O.O. (1)	North-Macedonia	100%	100%
MP Green Invest	Ukraine	100%	100%
Masterplast Nonwoven GmbH	Germany	100%	100%
Fidelis Bau Kft.	Hungary	100%	100%
Masterplast Italia Srl.	Italy	51%	51%
Indirect relationship:			
Masterplast Proizvodnja D.o.o.	Serbia	100%	100%
The Group's affiliated undertaking:			
Masterprofil Kft.	Hungary	20%	20%
T-CELL Plasztik Kft.	Hungary	24%	24%
Master Modul Kft.	Hungary	25%	25%
MASTERWOOL MW-1 d.o.o.	Serbia	51%	50%

On April 12, 2022, MASTERPLAST ITALIA SRL was established in Italy for the Italian trade of insulation materials, with a 51% ownership of the Company. The Company has also launched an EPS-based thermal insulation material manufacturing investment project in MASTERPLAST ITALIA SRL.

MASTERWOOL MW-1 d.o.o. was established in Serbia in order to start rock wool production activities, but no investment activity and operation has yet taken place within the framework of this economic organization. On March 21, 2023, MASTERPLAST Plc. signed a share transfer agreement for the purchase of 49% of the registered capital of MASTERWOOL MW-1 d.o.o. As a result of the share transfer, MASTERPLAST Plc. becomes the sole owner of MASTERWOOL MW-1 d.o.o. with a 100% share.

With the acquisition of Masterplast D.O.O.'s previously externally owned 10% share, the consolidated ownership of the Company changed from 90% to 100% with effect from 22nd December 2022

The year started strongly for Masterplast, despite the Russia-Ukraine war and the global energy crisis, favorable industry trends prevailed in the construction industry in the first half of the year, but with inflation and interest rates soaring around the world, the industry deteriorated significantly by the third quarter. On a year-on-year basis, the Company's revenue grew by 5% to over EUR 200 million, driven by strong performance in the construction segment, which compensated the decline in sales of healthcare products. The decline in the share of healthcare products and increased manufacturing (typically energy) costs led to a decrease in gross margin, but the company's annual EBITDA still exceeded EUR 20 million (EUR 20 592 thousand, 10.2% EBITDA margin). Favourable currency movements for the Company improved the Group's financial results. As a result, the EUR 15 700 thousand annual profit after tax was only 2% below the record profitability base previous year. In the financial year, the Company raised capital for HUF 9,22 billion (EUR 22 359 thousand) in order to implement its investment plans. Although the recession in the construction industry resulted in a more moderate period of performance for the Company in the short, operating in an energy-conscious and thus crisis-resistant thermal insulation industry supports the achievement of growth goals in the medium and long term.

SUMMARY

- The Russia-Ukraine war that started in February 2022 and the following energy crisis have amplified supply constraints as a result of previous COVID-19 containment measures and further increased prices. These effects boosted industry demand in several markets in the first half of the year through early purchases, and the construction and insulation markets continued to be strengthened by energy efficiency and climate protection goals, as well as government subsidies and programmes. As a result of the above-mentioned developments, high inflation and rising interest rates around the world had a noticeable impact on construction demand from the third quarter. The market for new construction has declined spectacularly at European level, but there has been no decline in the renovation segment aimed at improving the energy efficiency of buildings. The operation of the construction market was significantly affected by the correction in raw material prices in the last quarter. As demand slowed down, prices of raw materials such as plastic, steel and glass fibre also started to fall, which encouraged operators to reduce high stock levels, which were an advantage in previous periods of shortages, resulting in oversupply and price competition.
- The Group's annual turnover in 2022 was EUR 201 780 thousand, 5% higher than in the base period. Thanks in particular to the thermal insulation product group, which is linked to the renovation market, the turnover of the core activity, the construction segment, increased significantly, compensating for the decline in sales of healthcare products, which had been a significant contributor to the base year. Sales of the thermal insulation systems product group, which accounts for the largest share (52%) and largely comprises own-produced products, were 38% higher than in the previous year, while sales of the thermal, sound and water insulation materials product group grew by 13%. The Company's performance in the dry construction systems and in building industry accessories product groups was at the base year level, while sales of roofing foils and accessories (-11%) and industrial applications including healthcare products (-42%) decreased in 2022 compared to the base year.
- In the largest Hungarian market, focusing only on construction product groups, the segment grew 37%, with the Company's overall Hungarian sales up 2% in 2022 compared to the base, due to weaker performance in industrial applications. The Company's sales in Italy, which is now a separate market from 2022 with a subsidiary presence, grew by an outstanding 51%, but also closed higher than a year earlier in the export (2%), Romanian (16%), Polish (13%), Serbian (12%), Slovakian (16%) and Croatian (17%) markets. Sales were slightly down in Germany (-5%) and Northern Macedonia (-3%), and down 29% in war-torn Ukraine.
- Both the trade margin amount and the margin rate on turnover decreased in 2022 compared to the base period. The decline in the share of healthcare products and increased manufacturing (typically energy) costs during the year had a negative impact on margins. In the context of the price mechanisms from the second half onwards, the company's previously purchased stocks at higher prices further weakened its trade margin.
- The output of EPS production in Serbia increased compared to the previous year, the capacity utilization of the mesh edge protection plant was on a base year basis. The output of the Serbian fiberglass mesh factory also increased, where production capacities increased through investments. From the Group's foam plant in Kal, the Company sold its foam production equipment in September, and a new EPS plant is being established at the site. The output of the Aschersleben fleece production unit decreased compared to last

year's base. Production activity has increased at the central site in Sárszentmihály, where capacities in the fleece production unit are increasingly reserved for customer orders. In the medical finished product department, product developments are being carried out in order to serve customer needs as widely as possible.

- The cost of materials and services – considering the change in the self-manufactured inventories as well – has increased by 10% compared to 2021.
- Mainly due to the increase in the headcount of the Serbian plant and the increase in wage levels in line with market trends, personnel related expenses increased by 26% in 2022 compared to the base period. As of the end of December 2022, the Group employed 1 499 people, compared to 1 379 at the end of the reference period.
- The 20% increase in the amount of depreciation was driven by established new CAPEX investment in Hungarian sites meanwhile the related government support was accounted proportionally in the P&l.
- On the other operating income line, the Company recorded a profit of EUR 3 524 thousand compared to a loss of EUR 4 442 thousand in the base period. The difference is explained by the removal of deferred income related to the government grants received in line with the depreciation and the write-back of the impairment of sold and used stocks. Despite the war situation in Ukraine, due to the better-than-expected payment behaviour and secure inventory management, the Company has not provisioned further impairments on its Ukrainian receivables and inventories beyond those accounted for in accordance with its policy in the ordinary course of business.
- As a result, the Company's EBITDA in 2022 amounted to EUR 20 593 thousand (EBITDA margin of 10,2 %) compared to EUR 22 831 thousand (EBITDA margin of 11,9 %) in the base period, while operating profit amounted to EUR 15 130 thousand in 2022 compared to EUR 18 275 thousand in the base period.
- The Company's interest income improved, while the Company's interest expenses increased in 2022 compared to base as a result of bond issuances and borrowing. Due to favourable exchange rate effects, a profit of EUR 3 937 thousand was recorded as a result of other financial operations, compared to the profit of EUR 1 136 thousand in the base period.
- Considering financial results, the Group's profit after tax in 2022 was a profit of EUR 15 700 thousand, compared with a profit of EUR 16 070 thousand in the base period.
- The value of fixed assets at the end of December 2022 was EUR 112 332 thousand, EUR 21 330 thousand higher than at the end of the reference period due to the launched investments.
- The value of inventory built up to ensure a stable supply chain was EUR 59 939 thousand at the end of December 2022, EUR 15 851 thousand higher than the closing stock at the end of the base period. The increase in inventories related to own production and the increase in the volume and price of purchased inventories. The impact of the measures introduced to optimise the level of stocks is expected in the following periods.
- Despite higher turnover performance than the base period the Company's trade accounts receivables closed at EUR 17 465 thousand euros at the end of December 2022, overall EUR 3 546 thousand (17%) lower than the base in 2021.
- At the end of December 2022, the Group's cash and cash equivalents amounted to EUR 25 882 thousand, which is EUR 10 500 thousand higher than at the end of the base period. In the last quarter, the Company raised capital of HUF 9.22 billion (EUR 22 359 thousand) through stock exchange, mainly to finance its investment plans in mineral wool production.
- As a result of the capital increase, the value of the Company's equity at 31 December 2022 was EUR 80 601 thousand, EUR 32 237 thousand higher than a year earlier.
- The total amount of loans increased by EUR 21 683 thousand due to the bank loans drawn to finance the higher working capital requirements for investments and increased own production.

PRESENTATION OF THE EXTERNAL ECONOMIC AND INDUSTRIAL ENVIRONMENT

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

The Russia-Ukraine war that broke out in February 2022 and the subsequent energy crisis have amplified supply constraints as a result of previous COVID-19 containment measures and further increased prices. These effects boosted industry demand in several markets in the first half of the year through early purchases, and the construction and insulation markets continued to be strengthened by energy efficiency and climate protection goals, as well as government subsidies and programmes. As a result of the above-mentioned developments, high inflation and rising interest rates around the world had a noticeable impact on construction demand from the third quarter. The market for new construction has declined spectacularly at European level, but there has been no decline in the renovation segment aimed at improving the energy efficiency of buildings. The operation of the construction market was significantly affected by the correction in raw material prices in the last quarter. As demand slowed down, prices of raw materials such as plastic, steel and glass fibre also started to fall, which encouraged operators to reduce high stock levels, which were an advantage in previous periods of shortages, resulting in oversupply and price competition.

According to the data of the Central Statistical Office, the volume of construction production in Hungary, which has the largest weight in terms of markets of the Group, increased by 3% year-on-year. Similarly to previous years, the state's home renovation subsidy, which ends at the end of the current year, continued to play a major role in the development of industry demand, and the regulations announced in August changing the reduction in utility charges also fueled the demand for insulation materials. At the same time, Hungary's inflation rate and key interest rate are by far the highest among EU countries, just as the weakening of the forint in 2022 was also outstanding.

According to forecast data, Romania's GDP grew by 4,9% in 2022, which is more favorable compared to expectations reported so far, but the annual inflation rate reached a high level, stopping at 16,4% in December. Construction production grew by 13% in 2022, mostly driven by the non-residential segment. At the same time, the number of building permits decreased by 7% compared to the previous year, according to data from Eurostat. Overall, the Romanian construction market was characterised by high uncertainty and unpredictability due to high prices and an unfavourable economic environment, and the sector also suffered from significant labour shortages during the year.

It is estimated that total economic activity in Serbia in 2022 grew by 2.3 percent compared to 2021, based on the development of gross domestic product (GDP), while the estimated annual inflation rate is 15,1 percent. The value of construction work in 2022 decreased by 11,8% compared to the previous year. The number of building permits issued has been steadily decreasing in recent months, falling 16% below base level in November.

Ukraine, which has been ravaged by war since late February 2022, is projected to see a 30.4% decline in the country's GDP in 2022. The construction, real estate and economic sectors are under pressure from martial law in the country. According to statistical data, by November 2022, 16 800 apartment buildings and 126 700 private houses had been reduced to ruins due to the war, causing an estimated USD 52,5 billion in damage to Ukraine. Compared to 2021 figures, the construction of new houses halved in the first three quarters. The Ukrainian state is helping homeless citizens with a housing purchase support program.

Germany's GDP grew by 1,8% in 2022. The war in Ukraine, international supply problems, changes in the interest rate environment and inflation are also having a negative impact on the construction in Germany, with cancellations of housing construction becoming more and more prevalent. According to Eurostat data, construction production decreased by 1,5% and the number of building permits issued by 7% in 2022 compared to the previous year.

In Poland, construction was in a difficult situation, inflation and rising prices of building materials clearly dampened home purchases and investor sentiment. The number of building permits issued decreased by 13% compared to 2021. The arrival of labour from East and the import of certain construction materials were also difficult due to the war, all of which have a direct impact on the operation of Polish construction operators. Despite everything, construction output grew by 8% year-on-year compared to baseline.

Overall, construction output in Slovakia stagnated in 2022 compared to the previous year, with the number of building permits issued falling by 16%. The Slovak market has experienced strong oversupply and price competition since the third quarter, with significantly fewer requests for quotations from industry players. They are waiting for the start of the stimulus program promised by the government, which could help the situation. Under the green programme adopted by the government, which is currently in the tender phase, it is planned to allocate EUR 560 million to support the renovation of 30 000 energy-hungry old houses.

According to preliminary data, Croatia has grown by 6% of GDP, but its inflation rate is among the highest among EU Member States. The volume of construction works and the number of permits issued also increased compared to the previous year. Continued stable demand for residential real estate, infrastructure investment (financed by EU funds) and the necessary reconstruction of earthquake-stricken areas strengthen and fuel demand.

Based on EUROSTAT statistics, the table below summarises the percentage development of GDP growth, construction output and the number of housing permits issued by country compared to the previous year

	GDP growth %		Change in construction industry emissions (Compared to the previous year) %		Change in the number of building permits issued (Compared to the previous year) %	
Country	2021	2022	2021	2022	2021	2022
Germany	2,6	1,8	-1,6	-1,5	3,9	-7,1
Croatia	13,1	6,3	9,3	4,7	19,1	12,9
Italy	7	3,7	25,1	12,6	21,9	:
Hungary	7,1	4,6	11,9	3,3	36	20
Poland	6,8	4,9	1,5	8,2	23,9	-12,7
Romania	5,8	4,8	-1	13,3	12,5	-7,4
Slovakia	3	1,7	-1,9	-0,4	20,3	-16,2
North-Macedonia	3,9	2,1	-11,4	-11,9	92,3	-41,4
Serbia	7,5	2,3	16,5	-12,5	17,6	:
EU (27 members)	5,4	3,5	5,5	2,7	16	:

Source: EUROSTAT: EUROSTAT: Building permits - annual data [STS_COBP_A__custom_5562514]; Production in construction - annual data [STS_COPR_A__custom_5561911]; Real GDP growth rate - volume [TEC00115]

OVERVIEW OF SALES BY PRODUCT GROUP

Sales by main product groups (thousands of EUR)	2022	2021	Change %
	(A)	(B)	(A/B-1)
Thermal insulation system	106 626	77 007	38%
Roofing foils and accessories	26 293	29 652	-11%
Dry construction system	18 232	17 969	1%
Heat, sound and water insulation materials	19 214	17 019	13%
Building industry accessories	5 900	5 824	1%
Industrial applications	25 515	44 018	-42%
Total sales revenue	**201 780**	**191 489**	**5%**

Contribution of product groups in percentage to the total sales revenue		
Thermal insulation system	52%	41%
Roofing foils and accessories	13%	15%
Dry construction system	9%	9%
Heat, sound and water insulation materials	10%	9%
Building industry accessories	3%	3%
Industrial applications	13%	23%
Total sales revenue	**100%**	**100%**

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

Group sales increased by 5% to EUR 201 780 in 2022. In particular, due to the thermal insulation product group related to the renovation market, sales revenue in the core business construction segment increased significantly, which compensated for the decline in sales of healthcare products which significantly strengthened the base year.

The thermal insulation system product group continued to account for the largest share (52%) of Group revenue, where the turnover was 38% higher than in the previous year. Within the product group, the turnover of self-manufactured EPS products and fiberglass mesh increased significantly, but the supplementary products (adhesives, profiles) also contributed to the result. Based on regional data, sales of the product group increased in all markets of the Company except Ukraine. Among these, the one and a half times sales performance in Italian, Slovak, Polish and Hungarian markets were the most outstanding.

Sales of roofing folis and accessories decreased by 11% compared to the base of 2021. Within the product group, only sales of roof accessories increased. Further examining the markets, sales in the Croatian, Romanian, Serbian and Slovak markets increased, while sales in the product group decreased or stagnated in the other markets.

In dry construction systems, the Group's turnover stagnated in the year under review compared to the base in 2021. Sales of drywall profiles declined, but sales of drywall sheets brought growth. Sales of the product group decreased in most of the markets, except for the Hungarian, Croatian and Export markets.

In the heat, sound and water insulation materials product group, the Group's sales closed 13% higher than the base in 2021. In addition to sales of glass and rock wool and XPS products, sales of foam film also increased. In terms of markets, sales in Romania and Slovakia stagnated, and with the exception of Poland, Serbia and Ukraine, the Group's turnover increased.

In building industry accessories, the Group's turnover stagnated in 2022 compared to the base. Sales in Poland, Slovakia, Germany and Ukraine were lower than a year earlier, but increased in the Group's other markets.

In the case of the industrial applications product group, sales decreased by 42% compared to 2021, mainly driven by a decrease in sales of healthcare products, including protective clothing to the Hungarian healthcare sector. The turnover of packaging products and non-strategic raw materials trade also decreased.

TURNOVER BY COUNTRY

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

Sales by countries (thousands of EUR)	2022	2021	Change %
	(A)	(B)	(A/B-1)
Hungary	89 601	87 516	2%
Export	18 462	18 088	2%
Romania	16 883	14 603	16%
Germany	14 379	15 201	-5%
Italy	13 580	9 022	51%
Poland	13 495	11 901	13%
Serbia	13 351	11 890	12%
Slovakia	8 101	6 974	16%
Ukraine	7 458	10 446	-29%
Croatia	4 598	3 922	17%
North Macedonia	1 872	1 926	-3%
Total sales revenue	**201 780**	**191 489**	**5%**

Contribution of countries in percentage to the total sales revenue		
Hungary	44%	46%
Export	9%	9%
Romania	8%	8%
Germany	7%	8%
Italy	7%	5%
Poland	7%	6%
Serbia	7%	6%
Slovakia	4%	4%
Ukraine	4%	5%
Croatia	2%	2%
North Macedonia	1%	1%
Total sales revenue	**100%**	**100%**

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

The Group's turnover in the heaviest Hungarian market increased by 2% in 2022 compared to the base year. Thanks to the government support to encourage renovations until the end of the year, the Company's revenue in the construction segment on the Hungarian market increased by 37% overall. Sales in the thermal insulation system product group and heat, sound and water insulation materials increased significantly, while sales revenue increased to a lesser extent in the other construction product groups. At the same time, sales of healthcare products included in the industrial applications product group fell sharply.

Sales in the Export areas increased by 2% year-on-year. The turnover of self-manufactured fiberglass mesh belonging to the thermal insulation system product group and self-manufactured healthcare products included in the industrial applications product group also increased significantly, but dry construction systems, heat, sound and waterproofing materials product groups also performed well compared to the base year 2021. At the same time, sales of roofing foils and accessories decreased significantly compared to the strong base. Masterplast significantly increased its sales revenue in the French, Portuguese and Greek territories, but sales decreased in some target countries – e.g. Czech Republic, Finland, United Kingdom – compared to a year earlier.

In the Romanian market sales increased by 16% overall. In particular, the turnover of own-produced fiberglass mesh belonging to the thermal insulation system product group, as well as roof oils and accessories increased in 2022 compared to the base, but building industry accessories also performed well. Sales revenue stagnated in the case of heat, sound and water insulation materials, while sales decreased compared to base in the dry construction systems product group.

Sales on the German market decreased by 5% in 2022 compared to the corresponding period last year. Sales of own-produced medical raw materials and roofing foils decreased significantly, but sales revenue of the thermal insulation systems product group increased significantly on the German market in the year under review.

Sales in Italy, now a separate market with subsidiary presence from the second quarter of 2022, increased by 51% compared to last year, where the Italian state's tax refund action strongly stimulated insulation demand until the first half of this year. The thermal insulation system product group represents the overwhelming share of sales if the Company on the Italian market.

In the Polish market, Group sales increased by 13% compared to 2021. Sales revenue increased in the thermal insulation system product group due to the sale of own-produced fiberglass mesh products, while sales revenue of other product groups decreased compared to the base year of 2021.

In Serbia, Group sales increased by 12% compared to base in 2022. Sales of mesh edge profiles, fiberglass mesh and EPS increased most in the thermal insulation system product group, but sales of roofing foils and accessories also performed well. Sales for other product groups declined.

As a result of the war situation, turnover in Ukraine was 29% lower than in the base period of 2021. Given that sales activity in war-torn regions is very limited, the loss of sales affected all product groups. At the same time, sales performance continued to develop well in the western regions of the country, as a result of which the lag showed a catching-up trend during the year.

In Slovakia, the Group achieved a 16% increase in turnover in the year under review. Sales revenue increased significantly in the thermal insulation systems and industrial applications product groups, while sales decreased in the product groups dry constructions and building industry accessories.

In Croatia, Group turnover increased by 17% compared to year 2021. Sales of and building industry accessories and industrial applications product groups increased the most. With the exception of dry construction systems, turnover increased in all product groups.

North Macedonia, which has the smallest turnover share, saw a 2% drop in turnover in 2022 compared to baseline. In this market, the heat, sound and water insulation product groups performed best, but building industry accessories also grew well. Sales of the thermal insulation systems increased slightly, and it decreased in the remaining two product groups.

FINANCIAL ANALYSIS

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

Profit or loss statement (thousands of EUR)	31 December 2022	31 December 2021	Change	Change %
	(A)	(B)	(A-B)	(A/B-1)
Sales revenues	201 780	191 489	10 292	5%
Materials and services used	-170 965	-146 994	-23 971	16%
Payments to personnel	-26 977	-21 395	-5 582	26%
Depreciation, amortisation and impairment	-5 463	-4 556	-908	20%
Movements in self-produced inventories	13 231	4 173	9 057	217%
Other operating income (expense)	3 524	-4 442	7 966	-179%
OPERATING PROFIT	**15 130**	**18 275**	**-3 146**	**-17%**
Interest received	1 058	351	707	202%
Interest paid	-2 511	-1 451	-1 060	73%
Other financial (expense) income	3 937	1 136	2 801	247%
Financial loss	**2 484**	**35**	**2 448**	**6982%**
PROFIT FOR THE YEAR	**15 700**	**16 070**	**-370**	**-2%**
EBITDA	20 593	22 831		
EBITDA ratio	10,2%	11,9%		
Earnings per share (EPS) (EUR)	1,05	1,10		
Diluted earnings per share (diluted EPS) (EUR)	1,05	1,10		

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

GROUP RESULTS

The Group's turnover in 2022 was EUR 201 780 which is 5% higher than in the base period. In particular, due to the thermal insulation product group related to the renovation market, sales revenue in the construction segment increased significantly, which compensated for the decline in sales of healthcare products which significantly strengthened the base year.

Both the trade margin amount and the margin rate on turnover decreased in 2022 compared to the base period. The decline in the share of healthcare products and increased manufacturing (typically energy) costs during the year had a negative impact on margins. In the context of the price mechanisms from the second half onwards, the company's previously purchased stocks at higher prices further weakened its trade margin. The Group's trade margin amount increased in most markets in the construction segment and decreased significantly in the healthcare sector.

The output of EPS production in Serbia increased compared to the previous year, the capacity utilization of the mesh edge protection plant was on a base year basis. The output of the Serbian fiberglass mesh factory also increased, where production capacities increased through investments. From the Group's foam plant in Kal, the Company sold its foam production equipment in September, and a new EPS plant is being established at the site. The output of the Aschersleben fleece production unit decreased compared to last year's base. Production activity has increased at the central site in Sárszentmihály, where capacities in the fleece production unit are increasingly reserved for customer orders. In the medical finished product department, product developments are being carried out in order to serve customer needs as widely as possible.

The cost of materials and services – considering the change in the self-manufactured inventories as well – has increased by 10% versus 2021. Due to the increasing manufacturing activity and the price conditions resulting from the above-mentioned industrial and global economic developments, the Group's costs of raw and other materials, energy and fuel increased. Overall, the value of the Company's services used decreased in 2022 compared to the base period, within which maintenance and repair costs increased, while foreign transport costs decreased.

Largely due to the increase in the headcount of the Serbian plant and the increase in wage levels in line with market trends, personnel related expenses increased by 26% in 2022 compared to the base period. As of the end of December 2022, the Group employed 1 499 people, compared to 1 379 at the end of the reference period.

The 20% increase in the amount of depreciation was driven by established new CAPEX investment in Hungarian sites meanwhile the related government support was accounted proportionally in the figures.

On the other operating income line, the Company recorded a profit of EUR 3 524 thousand compared to a loss of EUR 4 442 thousand in the base period. The difference is explained by the removal of deferred income related to the government grants received in line with the depreciation and the write-back of the impairment of sold and used stocks. Despite the war situation in Ukraine, due to the better-than-expected payment behaviour and secure inventory management, the Company has not provisioned further impairments on its Ukrainian receivables and inventories beyond those accounted for in accordance with its policy in the ordinary course of business.

As a result, the Company's EBITDA in 2022 amounted to EUR 20 593 thousand (EBITDA margin of 10,2 %) compared to EUR 22 831 thousand (EBITDA margin of 11,9 %) in the base period, while operating profit amounted to EUR 15 130 thousand in 2022 compared to EUR 18 275 thousand in the base period.

The Company's interest income improved, while the Company's interest expenses increased in 2022 compared to base as a result of bond issuances and borrowing, to finance investments. Interest result represented a loss of 353 thousand euros compared to the base.

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. At the end of the year, the company also had EUR/HUF exchange rate insurance transactions, the revaluations of which were also reflected in the Group's financial results.

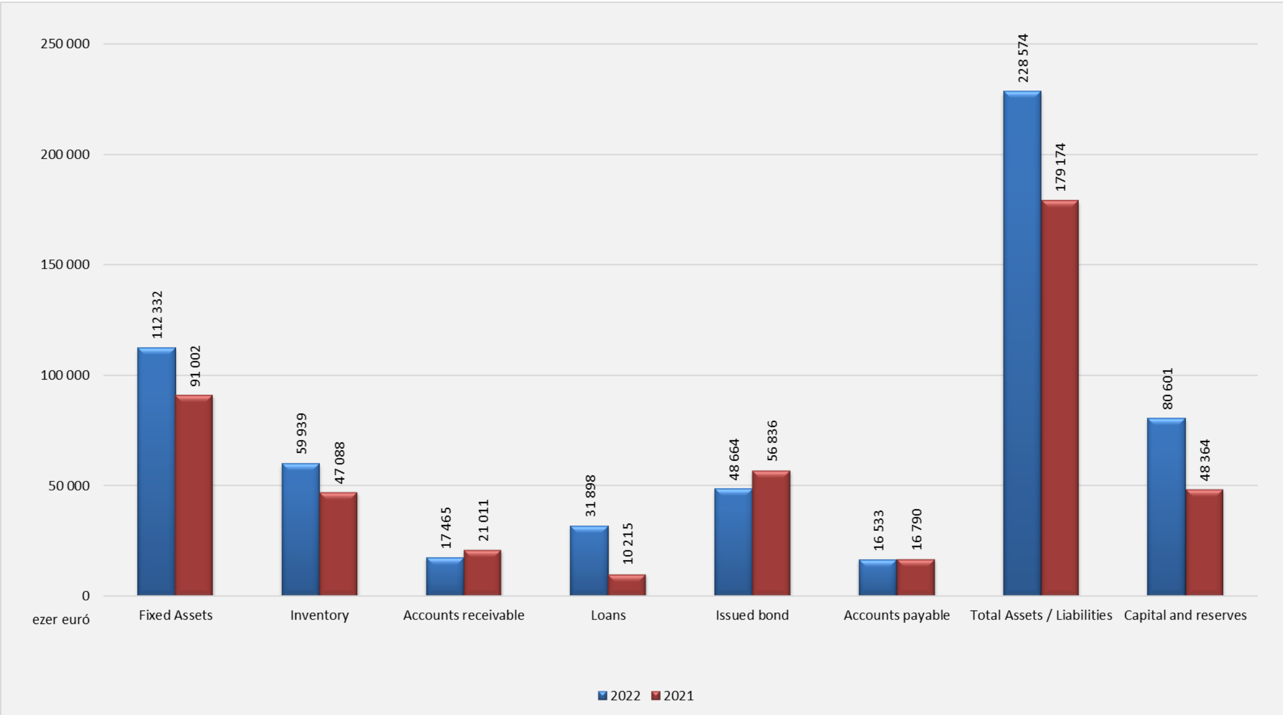
Due to favourable exchange rate effects, a profit of EUR 3 937 thousand was recorded as a result of other financial operations, compared to the profit of EUR 1 136 thousand in the base period.

Taking into account financial results, the Group's profit after tax in 2022 was a profit of EUR 15 700 thousand, compared with a profit of EUR 16 070 thousand in the base period.

THE COMPANY’S FINANCIAL POSITION

On 31st December 2022, the Group's assets amounted to EUR 228 574 thousand, EUR 49 401 thousand higher than at the end of the base period.
The value of fixed assets at the end of December 2022 was EUR 112 332 thousand, EUR 21 330 thousand higher than at the end of the reference period due to the launched investments. The Group spent a total of EUR 27 310 on investments and other asset replacements in the year under review.
The value of inventory built up to ensure a stable supply chain was EUR 59 939 thousand at the end of December 2022, EUR 15 851 thousand higher than the closing stock at the end of the base period. The increase in inventories related to own production and the increase in the volume and price of purchased inventories. The impact of the measures introduced to optimise the level of stocks is expected in the following periods.
Besides higher turnover performance than the base period the Company's trade accounts receivables closed at EUR 17 465 thousand euros at the end of December 2022, overall EUR 3 546 thousand (17%) lower than the base in 2021.
At the end of December 2022, the Group's cash and cash equivalents amounted to EUR 25 882 thousand, which is EUR 10 500 thousand higher than at the end of the base period. In the last quarter, the Company raised capital of HUF 9.22 billion (EUR 22 359 thousand) through stock exchange, mainly to finance its investment plans in mineral wool production.

As a result of the capital increase, the value of the Company's equity at 31 December 2022 was EUR 80 601 thousand, EUR 32 237 thousand higher than a year earlier.
Group's bond liabilities in the balance sheet remained unchanged in nominal terms. The total amount of loans increased by a total of EUR 21 683 thousand due to the low interest rate bank loans drawn to finance higher working capital requirements of increased own production and investments.
The Group's accounts payable closed at EUR 16 533 thousand, compared to EUR 16 790 thousand at the end of of last year. Amount of deferred income– includes grants related to investments not yet recognised in profit or loss – and the balance of other current liabilities did not change significantly.



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

Members of the Board of Directors on 31 December 2022:

Dávid Tibor – Chairman
Balázs Ács – Deputy Chairman
Margaret Dezse – Independent member
Dirk Theuns – Independent member
Bálint Fazekas - Independent member

Audit committee:

Margaret Dezse
Dirk Theuns
Bálint Fazekas

STATEMENT

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

Sárszentmihály, 27 April 2023.

Róbert Nádasi

CEO

MASTERPLAST NYRT.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022
in accordance with International Financial Reporting Standards (IFRS)
(as adopted by the EU)

Sárszentmihály, 27 April 2023.

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1. Consolidated Statement of Financial Position

Item	Note	31 December 2022	31 December 2021
NON-CURRENT ASSETS			
Property, plant and equipment	9,31	109 530 317	89 624 060
Intangible assets	9,31	196 832	151 193
Investments in associates	11,31	2 084 481	553 064
Deferred tax assets	27	395 844	673 888
Other long-term assets	-	125 000	0
Non-current assets		**112 332 474**	**91 002 205**
CURRENT ASSETS			
Inventories	12	59 939 360	47 088 375
Trade receivables	13	17 464 704	21 011 189
Taxes receivable	27	2 325 031	1 926 172
Other current financial assets	26	274 515	74 612
Other current assets	14	10 356 212	2 689 135
Cash and cash equivalents	15	25 882 135	15 381 844
Current assets		**116 241 957**	**88 171 327**
TOTAL ASSETS		**228 574 431**	**179 173 532**
EQUITY			
Share capital	4,33	6 049 289	5 503 939
Reserves	4,33	60 122 809	28 605 647
Redeemed treasury shares	4	-1 951 014	-2 252 298
Parent company’s share of the profit or loss	2,4	15 691 150	15 860 834
Equity attributable to parent company’s shareholders	4	**79 912 234**	**47 718 122**
Non-controlling interests	35	**688 850**	646 123
Equity		**80 601 084**	**48 364 245**
LONG-TERM LIABILITIES			
Long-term loans	16	14 680 082	4 152 415
Liabilities from issued bonds	17	48 663 832	56 835 587
Deferred tax assets	27	751 881	502 356
Deferred income	18	30 158 650	29 923 217
Other long-term liabilities	10,19	386 799	650 857
Long-term liabilities		**94 641 244**	**92 064 432**
CURRENT LIABILITIES			
Short-term loans	16	17 218 410	6 063 072
Short-term liabilities from issued bonds	17	3 744 294	0
Trade payables	21	16 533 308	16 789 726
Short-term financial leasing liabilities	10	250 252	299 158
Other current financial liabilities	17	5 566 386	4 299 706
Taxes payable	27	1 612 834	3 262 781
Current part of deferred income	18	2 784 959	2 784 959
Provisions	20	582 921	567 263
Other current liabilities	22	5 038 739	4 678 190
Current liabilities		**53 332 103**	**38 744 855**
TOTAL LIABILITIES		**147 973 347**	**130 809 287**
EQUITY AND LIABILITIES		**228 574 431**	**179 173 532**

2. Consolidated Statement of Profit or Loss

Profit or loss category	Note	2022	2021
Sales revenues	30	201 780 346	191 488 699
Materials and services used	23	-170 965 354	-146 994 145
Payments to personnel	24	-26 976 927	-21 394 758
Depreciation, amortisation and impairment	9	-5 463 106	-4 555 524
Movements in self-produced inventories	-	13 230 592	4 173 225
Other operating income (expense)	25	3 524 104	-4 442 263
OPERATING PROFIT		**15 129 655**	**18 275 234**
Interest received	-	1 057 695	350 605
Interest paid	-	-2 511 228	-1 451 272
Other financial (expense) income	26	3 937 059	1 135 735
Financial loss		**2 483 526**	**35 068**
Profit or loss attributable to associates	11	325 081	258 632
PROFIT BEFORE TAX		**17 938 262**	**18 568 934**
Income tax	27	-2 238 051	-2 498 569
PROFIT FOR THE YEAR		**15 700 211**	**16 070 365**
Profit attributable to parent company shareholders	4	15 691 150	15 860 834
Profit attributable to non-controlling interests	35	9 061	209 531
Earnings per share (EPS)	28	1,05	1,10
Diluted earnings per share (diluted EPS)	28	1,05	1,10

3. Consolidated Statement of Other Comprehensive Income

Other Comprehensive Income	2022	2021
Profit for the year	15 700 211	16 070 365
Foreign exchange loss on translation*	-2 195 311	-315 974
Comprehensive income related to CCIRS transaction **	-172 612	-1 639 417
Parent company’s share of the Other Comprehensive income of associates*	-37 510	-4 366
Other comprehensive income	**-2 405 433**	**-1 959 757**
Comprehensive income	**13 294 778**	**14 110 608**
Profit attributable to parent company shareholders	13 285 841	13 912 880
Profit attributable to non-controlling interests	8 937	197 728

***** Profit attributable to parent company will not be recognised in profit or loss in future periods, while the share for associates will be.
** Profit attributable to parent company will not be recognised in profit or loss in future periods

4. Consolidated Statement of Changes in Equity

Equity items	Note	Share capital	Treasury shares	Share Premium	Retained earnings	FX translation reserve	Reserves, total	Parent company's share of the profit or loss	Equity attributable to parent company shareholders	Non-controlling interests	Equity, total
1 January 2021	**-**	**5 503 939**	**-138 422**	**8 062 732**	**27 634 477**	**-11 860 594**	**23 836 615**	**5 767 984**	**34 970 116**	**1 899 176**	**36 869 292**
Profit for the year	3	0	0	0	0	0	0	15 860 834	15 860 834	209 531	16 070 365
Comprehensive income related to CCIRS transaction	17	0	0	0	0	-1 639 417	-1 639 417	0	-1 639 417	0	-1 639 417
Dividends to minority shareholders	35	0	0	0	0	0	0	0	0	-617 719	-617 719
MRP share based payment	40	0	-134 455	0	0	0	0	0	-134 455	0	-134 455
Other comprehensive income	4	0	0	0	0	-308 537	-308 537	0	-308 537	-11 803	-320 340
Prior year's profit or loss reclassified	4	0	0	0	5 767 984	0	5 767 984	-5 767 984	0	0	0
Redeemed treasury shares	-	0	-1 979 421	0	0	0	0	0	-1 979 421	0	-1 979 421
Dividends paid	-	0	0	0	-1 715 493	0	-1 715 493	0	-1 715 493	0	-1 715 493
Acquisition of Masterplast Nonwoven GmbH	34	0	0	0	2 791 000	0	2 791 000	0	2 791 000	-833 062	1 957 938
Other	-	0	0	0	-126 505	0	-126 505	0	-126 505	0	-126 505
31 December 2021	**-**	**5 503 939**	**-2 252 298**	**8 062 732**	**34 351 463**	**-13 808 548**	**28 605 647**	**15 860 834**	**47 718 122**	**646 123**	**48 364 245**
1 January 2022	**-**	**5 503 939**	**-2 252 298**	**8 062 732**	**34 351 463**	**-13 808 548**	**28 605 647**	**15 860 834**	**47 718 122**	**646 123**	**48 364 245**
Profit for the year	3	0	0	0	0	0	0	15 691 150	15 691 150	9 061	15 700 211
Capital increase, share issue	33	545 350	0	21 305 135	0	0	21 305 135	0	21 850 485	0	21 850 485
Comprehensive income related to CCIRS transaction	17	0	0	0	0	-172 612	-172 612	0	-172 612	0	-172 612
Dividends to minority shareholders	35	0	0	0	0	0	0	0	0	-45 248	-45 248
MRP share based payment	40	0	-6 299	0	-1 053 408	0	-1 053 408	0	-1 059 707	0	-1 059 707
Other comprehensive income	4	0	0	0	0	-2 232 697	-2 232 697	0	-2 232 697	78 914	-2 153 783
Prior year's profit or loss reclassified	4	0	0	0	15 860 834	0	15 860 834	-15 860 834	0	0	0
Redeemed treasury shares	-	0	307 583	0	0	0	0	0	307 583	0	307 583
Dividends paid	-	0	0	0	-2 118 532	0	-2 118 532	0	-2 118 532	0	-2 118 532
Other	-	0	0	0	0	-71 558	-71 558	0	-71 558	0	-71 558
31 December 2022	**-**	**6 049 289**	**-1 951 014**	**29 367 867**	**47 040 357**	**-16 285 415**	**60 122 809**	**15 691 150**	**79 912 234**	**688 850**	**80 601 084**

* The total number of redeemed treasury shares onwed by the Company on 31.12.2022 is 275 454, the value of which is EUR 2 105 163.

5. Consolidated Statement of Cash Flows

Cash-flow items	31 December 2022	31 December 2021
OPERATING ACTIVITIES		
Profit before tax	17 938 262	18 568 934
Depreciation, amortisation and impairment of tangible assets	5 463 106	4 555 524
Impairment loss	-2 934 264	4 019 645
Inventory shortage, scrapped inventories	1 010 900	745 314
Provisions (released) made	15 658	250 097
(Gains) on the disposal of tangible and intangible assets	-1 321 490	-16 963
Interest paid	2 511 228	1 451 272
Interest received	-1 057 695	-350 605
(Profit) loss from associates	-325 081	-258 632
Unrealised foreign exchange (gain) loss	-2 613 719	-1 354 023
Working capital changes:		
Movements in trade receivables	3 525 890	-4 586 129
Movements in inventories	-10 907 025	-26 439 520
Movements in other current assets	-8 390 839	-2 294 767
Movements in trade payables	-256 418	3 483 459
Movements in other liabilities	-6 528 245	1 708 029
Income tax paid	-2 769 653	-921 161
Net cash flows from operations	**-6 639 385**	**-1 439 526**
INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	-27 310 338	-45 867 343
Proceeds from the disposal of tangible and intangible assets	1 360 787	114 082
Acquisition of subsidiary shares	-2 521 034	-1 500 000
Interest received	1 057 695	350 605
Net cash flows from investing activities	**-27 412 890**	**-46 902 656**
FINANCING ACTIVITIES		
Cash inflow from capital increase, share issue	21 850 485	0
Redeemed treasury shares	-1 120 079	0
Loans taken	22 982 779	2 535 631
Loans repaid	-1 299 710	-2 159 261
Issued bond	0	24 063 787
Subsidies received	3 545 763	8 579 069
Dividends paid	-2 163 780	-2 333 212
Interest paid	-2 511 228	-1 451 272
Net cash flows from financing activities	**41 284 230**	**29 234 742**
Increase (decrease) in cash and cash equivalents	7 231 955	-19 107 440
Cash and cash equivalents at the beginning of the year	15 381 844	33 266 652
Net foreign exchange translation gain or loss	3 268 336	1 222 632
Cash and cash equivalents at the end of the year	**25 882 135**	**15 381 844**

6. General information

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

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

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

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

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

The Group's average number of staff was 1 516 in 2022 (2021: 1 228).

The cost of the Group's external audit for 2022: EUR 169 922 (2021: EUR 145 875).
The fee for audit review services in relation with the capital increase share issuance (in accordance with ISRE 2410) was 58 580 EUR.

Shares:

The parent company's share capital totals HUF 1 685 063 100 (2021: HUF 1 460 127 900). The parent company's share capital is presented in the consolidated annual statements at initial cost in EUR totalling EUR 6 049 289 (2021: EUR 5 503 939).

The share capital comprises of:
16 850 631 registered ordinary shares of HUF 100 face value each (2021: 14 601 279 registered ordinary shares of HUF 100 face value each).

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

The shareholders are as follows:

Shareholders	2022	2021
Dávid Tibor	454 805 700 Ft	454 805 700 Ft
Balázs Ács	387 725 900 Ft	387 725 900 Ft
LPH Kft., SOH Kft.	0 Ft	79 886 900 Ft
Róbert Nádasi	10 562 000 Ft	6 779 900 Ft
Additional minority owners	804 424 100 Ft	497 446 400 Ft
Repurchased shares	27 545 400 Ft	33 483 100 Ft
Total:	**1 685 063 100 Ft**	**1 460 127 900 Ft**
	(6 049 289 EUR)	**(5 503 939 EUR)**

The voting rights are as follows:

Shareholders	2022	2021	-
Dávid Tibor	4 548 057	4 548 057	votes
Balázs Ács	3 877 259	3 877 259	votes
LPH Kft., SOH Kft.	0	798 869	votes
Róbert Nádasi	105 620	67 799	votes
Additional minority owners	8 044 241	4 974 464	votes
Total	**16 575 177**	**14 266 448**	**votes**

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

Board of Directors:

TIBOR Dávid – chairman
ÁCS Balázs – vice chairman
DEZSE Margaret – independent member
DIRK Theuns – independent member
FAZEKAS Bálint – independent member
SINKÓ Ottó – independent member – his appointment ended on 30 April 2022.

Name	Position	Beginning date of membership in the board of directors	End date of membership in the board of directors	Time spent as member of the Board of Directors	Ownership of shares (pieces)
Tibor Dávid	Chairment	3 April 2008	30 April 2023	Approximately 15 years	4 548 057
Ács Balázs	Vice Chairment	3 April 2008	30 April 2023	Approximately 15 years	3 877 259
Dirk Theuns	Mwmber	1 May 2014	30 April 2023	Approximately 9 years	-
Dezse Margaret	Member	1 May 2020	30 April 2023	Approximately 3 years	1 300
Fazekas Bálint	Member	1 May 2022	30 April 2023	Approximately 1 years	1 145

Audit Committee:

DEZSE Margaret
DIRK Theuns
FAZEKAS Bálint

The Group's operations:

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

The Group's products range from high quality, premium category products to budget quality, so called "hobby" category products. Our services are primarily aimed at small and middle-size building material vendors. Beginning from 2020, the Company expanded its activities by selling and producing sanitary textiles (protective clothing) and hygiene products.

The Group's two key activities are:

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

Sale of insulation materials and other building materials:

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

Production of insulation materials and other building materials:

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

The Group's key aim is to retain production of products in its own facilities

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

Product range:

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

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

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

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

7. Accounting policies

7.1. Accounting convention

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

7.2. Changes in the accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2022:

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IFRS 3, IAS16 and IAS 37 Standards in the framework of the 2018-2020 project, issued on 14 May 2020, effective for annual periods beginning on or after 1 January 2022. The amendments primarily clarify the wording of the standards.

New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

- Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2: Disclosure of Accounting policies adjusted the presentation and accounting policies, were issued on 12 February 2021 and is effective for annual periods beginning on or after 1 January 2023

- Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" issued on 12 February 2021 adjusted the definition of accounting estimates and is effective for annual periods beginning on or after 1 January 2023

- IFRS 17 "Insurance Contracts" is effective for annual periods beginning on or after 1 January 2023

- Amendments to IFRS 17 "Insurance Contracts": Initial application of IFRS 17 and IFRS 9- Comparative Information were issued on 9 December 2021 and includes transitional options for comparative information on financial assets presented at the initial application of IFRS 17

- Amendments to IAS 12 "Income Taxes": Deferred Tax related to Assets and Liabilities arising from a Single Transaction were issued on 7 May 2021 and is effective for annual periods beginning on or after 1 January 2023.

Standards and Interpretations issued by IASB but not yet adopted by the EU

- Amendments to IAS 1 "Presentation of Financial Statements": Classification of Liabilities as Current or Non-Current were issued on 23 January 2020 and will be effective for annual periods beginning on or after 1 January 2024

- Amendment to IFRS 16 clarifying the measurement of lease liability in the event of leaseback was issued on 22 September 2022 and will be effective for annual periods beginning on or after 1 January 2024

The abovementioned standards and amendments are not expected to have a significant impact on the consolidated results, financial position and financial statements of the Group.

7.3. Consolidated financial statements

7.3.1 Consolidation of subsidiaries

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

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

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

All the Company's subsidiaries are included in the consolidation. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases
.
The consolidated financial statements have been prepared based on the measurement and reporting principles of IFRS as adopted by the European Union.

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

The following subsidiaries are included in the consolidation:

Company	Incorporated in	Core operations	Tax ID	Ownership (%)		Voting right (%)	
				2022	2021	2022	2021
Masterplast Hungária Kft.	Hungary	Wholesale of construction materials	25562675-2-07	100%	100%	100%	100%
Masterplast International Kft.	Hungary	Wholesale of construction materials	25563243-2-07	100%	100%	100%	100%
Masterplast Medical Kft.	Hungary	Production of medical raw materials and finished products	14025477-4-07	100%	100%	100%	100%
Masterplast Modulhouse Kft.	Hungary	Wholesale of construction materials	25562709-2-07	100%	100%	100%	100%
MasterFoam Kft.	Hungary	Foam sheet production	13297590-4-07	100%	100%	100%	100%
Masterplast YU D.o.o.	Serbia	Wholesale of construction materials EPS and fiberglass production	100838195	100%	100%	100%	100%
Masterplast Sp zoo	Poland	Wholesale of construction materials	PL7772708671	80,04%	80,04%	80,04%	80,04%
Master Plast S.r.o.	Slovakia	Wholesale of construction materials	SK2020213030	100%	100%	100%	100%
Masterplast Romania S.R.L.	Romania	Wholesale of construction materials	R13718003	100%	100%	100%	100%
MasterPlast TOV	Ukraine	Wholesale of construction materials	33438138	80%	80%	80%	80%
Masterplast d.o.o.	Croatia	Wholesale of construction materials	39216004867	100%	100%	100%	100%
Masterplast D.O.O. (1)	North Macedonia	Wholesale of construction materials	4012002113867	100%	90%	100%	90%
MP Green Invest	Ukraine	Asset management	38243479	100%	100%	100%	100%
Masterplast Nonwoven GmbH	Germany	Fleece and multilayer membranes production	DE815873693	100%	100%	100%	100%
Fidelis Bau Kft.	Hungary	Thermobeton production	12790818-2-07	100%	100%	100%	100%
Masterplast Proizvodnja D.o.o.	Serbia	XPS production	112172219	100%	100%	0%	0%
Masterplast Italia Srl. (2)	Italy	Wholesale of construction materials	IT02970280356	51%	0%	51%	0%

(1) With the acquisition of a 10% share of Masterplast D.O.O., previously owned externally, the consolidated ownership of the Company changed from 90% to 100% effective from December 31, 2022

(2) MASTERPLAST ITALIA SRL was established on April 12, 2022 in order to the trade of thermal insulation materials in Italy, with 51% ownership of the Company. The Company has also launched an EPS-based thermal insulation material manufacturing project in MASTERPLAST ITALIA SRL.

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

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

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

7.3.2 Consolidation of associates

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

The Group's associates are:

Company	Incorporated in	Core operations	Tax ID	Ownership (%)		Voting rate (%)	
				2022	2021	2022	2021
MasterProfil Kft.	Magyarország	Profil gyártás	13874656-4-07	20%	20%	20%	20%
T-CELL Kft. (1)	Magyarország	EPS gyártás	24648378-2-09	24%	24%	24%	24%
Master Modul Kft. (2)	Magyarország	Moduláris épületek gyártása	29207079-2-20	25%	25%	25%	25%
MASTERWOOL MW-1 d.o.o. (3)	Szerbia	Kőzetgyapot gyártás	112807408	51%	0%	50%	0%

(1) On 14.09.2022, Masterplast Nyrt. acquired the purchase option for the remaining part of the business, with which it can become the 100% owner of T-CELL Kft. The purchase option is valid from the publication of T-CELL Kft.'s 2022 annual audited report, no later than 31.05.2023. valid for a period of 3 years from

(2) As a result of the transfer of the business part on 15.02.2023, MASTERPLAST Nyrt. no longer has a stake in Master Modul Kft., the activities planned in Master Modul Kft. are carried out by MASTERPLAST Modulhouse Kft.

(3) MASTERWOOL MW-1 d.o.o. to start rockwool production. was established in Serbia, however, investment activities and operations have not yet taken place within the framework of this economic organization, and Masterplast Nyrt has joint control with its co-owner.

7.4. Foreign currency transactions

In view of the substance and circumstances of the underlying economic events, the parent company's functional currency is the Hungarian forint (HUF) and the Group's reporting currency is the euro (EUR). The decision to choose the euro as the reporting currency for consolidated reporting purposes was based on considerations such as the Group's extensive international business relations and the users of the financial statements for whom the use of the EUR as reporting currency facilitates the interpretation of the consolidated financial statements in an international environment.

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

Company	Country	2022	2021
Masterplast Nyrt	Hungary	HUF	HUF
Masterplast Hungária Kft.	Hungary	HUF	HUF
Masterplast International Kft.	Hungary	EUR	EUR
Masterplast Medical Kft. (1)	Hungary	HUF	HUF
Masterplast Modulhouse Kft.	Hungary	HUF	HUF
MasterFoam Kft.	Hungary	HUF	HUF
Masterplast YU D.o.o.	Serbia	RSD	RSD
Masterplast Sp. z.o.o	Poland	PLN	PLN
Master Plast S.r.o.	Slovakia	EUR	EUR
Masterplast Romania S.R.L.	Romania	RON	RON
Masterplast TOV	Ukraine	UAH	UAH
Masterplast d.o.o. (2)	Croatia	HRK	HRK
Masterplast D.O.O.	North Macedonia	MKD	MKD
MP Green Invest	Ukraine	UAH	UAH
Masterplast Nonwoven GmbH	Germany	EUR	EUR
Fidelis Bau Kft.	Hungary	HUF	HUF
Masterplast Proizvodnja D.o.o.	Serbia	RSD	RSD
Masterplast Italia Srl.	Olaszország	EUR	-

(1) Masterplast Medical Kft. functional currency is changed to EUR from 1 January 2022.
(2) The official currency of Masterplast D.o.o. is changed to EUR from January 1, 2023.

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

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

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

None of the Group members operates in a hyperinflatory economy.

7.5. Intangible assets

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

7.6. Property, plant and equipment

Property, plant and equipment are carried at initial cost less any accumulated amortisation and impairment loss. Upon disposal of an asset or decrease otherwise, the cost of the asset is derecognised along with any accumulated depreciation and impairment loss and any gain or loss on the disposal is recognised in profit or loss.

Any post-commissioning costs, such as maintenance and repairs, are expensed as and when incurred against profit or loss.

Land is not depreciated.

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

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

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

The useful lives and the depreciation methods are reviewed at least annually in order to reflect the actual inflows of economic benefits from the assets. The residual values of major assets are determined on the basis of an assessment and estimation by the Technical Director of the Group. The residual values are reviewed annually.

7.7. Impairment of assets

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

7.8. Inventories

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

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

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

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

7.9. Investments and Financial assets

7.9.1 Classification of financial assets

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

- financial assets measured at amortised cost,
- financial assets measured at fair value through other comprehensive income

- financial assets measured at fair value through profit or loss.

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

A financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through profit or loss unless it is measured – in accordance with the above listed requirements - at amortised cost or at fair value through other comprehensive income. However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income

7.9.2 Measurement of financial assets

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

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

7.9.3 Impairment on financial assets

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

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

7.9.4 Loans granted

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

7.9.5 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. The Group applies the simplified impairment approach in accordance with IFRS 9 B5.5.35.

7.9.6 Cash and cash equivalents

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

7.9.7 Investments

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

7.9.8 Derivative financial instruments

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

7.10. Treasury shares

Treasury shares are recognised as a reduction in equity.

7.11. Issued capital and reserves

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

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

7.12. Foreign currency translation reserve

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

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

7.13. Financial liabilities

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

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

- 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

- 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:

    - the amount of the loss allowance determined in accordance with Section 5.5 and
    - 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.

- 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 Group 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:

- 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.

- a group of financial liabilities or financial assets and financial liabilities are 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.

7.14. Trade payables and other liabilities

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

7.15. Provisions

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

The Group makes provisions for:

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

7.16. Employee benefits

The Company applies IAS 19 in accounting for employee benefits. Employee benefits are all forms of consideration given by the Company for services rendered by employees, not only in cash but also benefit in kind.

Classification of employee benefits:
Short-term employee benefits: employee benefits (other than severance payments) that become due in full within twelve months after the end of the period in which the employee renders the related service.
Post-employment benefits: employee benefits (other than severance payments) that are provided under formal or informal arrangements and are payable after termination of employment.
Severance payments: employee benefits that may become payable as a result of a company's decision to terminate an employee's employment before the normal retirement date or as a result of an employee's decision to accept voluntary termination of employment in exchange for those benefits.
The amount of pension contribution is deducted from an employee's gross salary and is forwarded to private pension funds or social security. The Group does not have a corporate pension plan and therefore has no legal or constructive obligation to pay further contributions should the assets of the private pension funds or social security fail to provide sufficient coverage for the retirement benefits the employees have already served in prior periods or in the reporting period.

On December 14, 2016, Maserplast Plc. founded the MASTERPLAST Employee Share Ownership Program ("MRP). Masterpalst Plc. (Founder) has established the MRP organisation to effectively deliver incentive remuneration to company executives (Participants) linked to Masterplast's business objectives.
In accordance with IFRS 2, the Company records the MRP organization as 100% in its books, as it determines the operation of the MRP organization through the remuneration policy.

As the benefit is a share-based payment in an equity instrument, it is measured and accounted for in accordance with IFRS 2.

7.17. Operating profit or loss

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

7.18. Leases

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

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

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

The Group as a lessee:

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

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

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

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

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

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

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

7.19. Dividends

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

7.20. Government grants and assistance

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

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

7.21. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are evaluated based on the fair value of the consideration received, in which the given discounts, rebates and sales taxes and duties are accounted for as revenue-reducing items..

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

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

Revenue is recognized when all five criteria of IFRS 15, Revenue from Contracts with Customers, are met.

7.22. Research and development

Research and development cost are expensed by the Group as and when they incur. For details, refer to Note 38.

7.23. Borrowing costs

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

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

7.24. Income taxes

Current year taxes:

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

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

Deferred taxes:

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

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

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

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

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

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

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

7.25. Earnings per share

Earnings per share is calculated by the Company by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is in line with the earnings per share definition, meanwhile considering the following diluting effect of ordinary shares:

- The profit or loss for the period attributable to holders of ordinary shares is increased by the amount after-tax of dividends and interest recognized in respect of the dilutive potential ordinary shares during the period and it is adjusted for any other changes in income or expense that would have resulted from the conversion of dilutive potential ordinary shares
- The weighted average number of ordinary outstanding shares is increased by the weighted average number of additional ordinary shares that would have been outstanding - assuming the conversion of all dilutive potential ordinary shares
- Diluted earnings per share is determined in view of the weighted average number of ordinary shares with a potential dilutive effect, if any exists.

7.26. Contingencies

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

7.27. Related party transactions

According to the IAS 24, it is required to include disclosure in entity’s financial statement that are necessary to draw attention to the possibility that the financial position and performance of the entity may have been affected by the existence of, and transactions, outstanding balances with, related parties.

7.28. Segment reporting

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

7.29. Statement of Cash Flows

The purpose of the cash flow statement is to provide information about the enterprise's ability to generate cash and cash equivalents and how the enterprise has used them, as part of the financial statements, to support investors' business decisions.
The definition of cash in IAS 7 Statement of Cash Flows includes cash on hand and demand deposits, as well as cash equivalents are investments that are short-term, highly liquid and readily convertible to known amounts of cash and have a negligible risk of changes in value.
The cash flow statement details cash flows for the period by operating, investing and financing activities. The Company prepares its cash flow statement using the indirect method.

8. Significant accounting assumptions and estimates

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

8.1. Sufficient taxable profits for the recognition of deferred tax assets

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

8.2. Impairment of debtors

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

8.3. Cash-generating units

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

8.4. Provisions

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

8.5. Impairment of property, plant and equipment

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

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

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

8.6. CCIRS

Based on hedging effectiveness, the Company applies hedging accounting in accordance with the IFRS 9 standard for the CCIRS transaction. The Company accounts for the effects arising from changes in transaction exchange rates directly in the result, while the changes resulting from yield curves are accounted for in other comprehensive income.

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

2022	Intangible assets	Properties	Machinery, equipment	Assets in construction	Tangible assets	Total
Cost, opening	**765 661**	**36 030 499**	**63 618 924**	**9 106 239**	**108 755 662**	**109 521 323**
Increase	104 019	2 220 421	5 973 387	27 206 319	35 400 127	**35 504 146**
Decrease	-19 795	-176 277	-1 386 896	-8 193 808	-9 756 981	**-9 776 776**
Reclassification	0	0	0	0	0	**0**
Translation gain or loss	-40 516	-561 435	-636 555	-153 901	-1 351 891	**-1 392 407**
Cost, closing	**809 369**	**37 513 208**	**67 568 860**	**27 964 849**	**133 046 917**	**133 856 286**
Accumulated depreciation and impairment, opening	**614 468**	**5 995 052**	**13 120 381**	**16 169**	**19 131 602**	**19 746 070**
Increase	231 355	795 671	4 436 080	0	5 231 751	**5 463 106**
Decrease	-197 448	-8 946	-326 548	0	-335 494	**-532 942**
Reclassification	0	0	0	0	0	**0**
Translation gain or loss	-35 838	-170 865	-337 061	-3 333	-511 259	**-547 097**
Closing accumulated depreciation and impairment	**612 537**	**6 610 912**	**16 892 852**	**12 836**	**23 516 600**	**24 129 137**
Opening net book value	**151 193**	**30 035 447**	**50 498 543**	**9 090 070**	**89 624 060**	**89 775 253**
Closing net book value	**196 832**	**30 902 296**	**50 676 008**	**27 952 013**	**109 530 317**	**109 727 149**

2021	Intangible assets	Properties	Machinery, equipment	Assets in construction	Tangible assets	Total
Cost, opening	**763 318**	**23 456 578**	**31 339 078**	**9 409 743**	**64 205 399**	**64 968 717**
Increase	30 535	12 751 494	33 085 314	0	45 836 808	**45 867 343**
Decrease	-22 661	-37 994	-794 172	-261 844	-1 094 010	**-1 116 671**
Reclassification	0	0	0	0	0	**0**
Translation gain or loss	-5 531	-139 579	-11 296	-41 660	-192 535	**-198 066**
Cost, closing	**765 661**	**36 030 499**	**63 618 924**	**9 106 239**	**108 755 662**	**109 521 323**
Accumulated depreciation and impairment, opening	**586 649**	**5 310 093**	**9 976 655**	**14 392**	**15 301 140**	**15 887 789**
Increase	59 989	735 033	3 760 502	0	4 495 535	**4 555 524**
Decrease	-22 661	-5 584	-623 074	0	-628 658	**-651 319**
Reclassification	0	0	0	0	0	**0**
Translation gain or loss	-9 509	-44 490	6 298	1 777	-36 415	**-45 924**
Closing accumulated depreciation and impairment	**614 468**	**5 995 052**	**13 120 381**	**16 169**	**19 131 602**	**19 746 070**
Opening net book value	**176 669**	**18 146 485**	**21 362 423**	**9 395 351**	**48 904 259**	**49 080 928**
Closing net book value	**151 193**	**30 035 447**	**50 498 543**	**9 090 070**	**89 624 060**	**89 775 253**

Masterplast Group does not have intangible assets with an indefinite useful life. No finance expense was capitalised as part of an increase in costs in 2022 and 2021.

Part of our bank loans were covered by the closing balance of the tangible assets of Masterplast Nyrt., Masterplast Medical Kft., Masterplast Hungária Kft. and Masterplast International Kft. in previous years.

As a result of the re-negotiation of the terms of the bank loans in 2021 the loans are collaterized only by the properties of Masterplast Nyrt that had the following aggregate book value:

Closing balance of the tangible assets	2022	2021
Property book value of Masterplast Plc	5 527 956	4 613 547

The Company decided to stop its investment in Ukraine and to sell previously purchased assets and machinery in the first quarter of fiscal year 2016. 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 in 2020 which has not been revised in 2022 either. In 2022, the Company evacuated its supplies from war zones using the property as a warehouse. The market value of the property based on its updated valuation is UAH 13,5 million in 2022, however the Company decided to keep its book value at 12 million UAH as in the previous year. The difference between cost and book value was deemed immaterial by the Company and was recognized as impairment. The company is currently exploring the possibilities to lease out the property purchased for this project. The property has not been classified as held for sale asset as its sale is not included in the Company's plans.

The value of the Group's investment in the Ukraine was UAH 12 million (EUR 316 thousand) at 31 December 2022 and comprised of the following:

Asset category	Investment value UAH	Investment value EUR
Properties	12 326 964	316 474
Machinery, equipment	0	0
Other	0	0
Total	**12 326 964**	**316 474**

The value of the Group's investment in the Ukraine was UAH 12 million (EUR 388 thousand) at 31 December 2021 and comprised of the following:

Asset category	Investment value UAH	Investment value EUR
Properties	12 000 000	388 065
Machinery, equipment	0	0
Other	0	0
Total	**12 000 000**	**388 065**

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

Fair value less cost to sell:

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

The Company recognized 7 371 180 UAH (189 243 EUR) impairment in its balance sheet for its investment in the Ukraine at the end of 2022 as detailed below:

in UAH:

Asset category	Asset value	Estimated market value	Impairment	Average impairment%
Properties	12 326 964	13 586 000	0	0,0%
Machinery, equipment	3 796 860	0	3 796 860	100,0%
Other	3 609 013	34 693	3 574 320	99,0%
Total	**19 732 837**	13 620 693	7 371 180	37,4%

in EUR:

Asset category	Asset value	Estimated market value	Impairment	Average impairment%
Properties	316 474	348 797	0	0,0%
Machinery, equipment	97 478	0	97 478	100,0%
Other	92 655	891	91 765	99,0%
Total	**506 607**	349 688	189 243	37,4%

The total amount of impairment loss in the balance sheet reduces "*Tangible assets*" and *"Other current assets"* (EUR 238 thousand at the closing rate of 2021).

The Ukrainian investment was presented in the 2021 financials as follows:

The Company recognized 7 796 454 UAH (252 128 EUR) impairment in its balance sheet for its investment in the Ukraine at the end of 2021 as detailed below:

in UAH:

Asset category	Asset value	Estimated market value	Impairment	Average impairment%
Properties	12 326 964	12 100 000	326 964	2,7%
Machinery, equipment	3 776 243	0	3 776 243	100,0%
Other	3 727 940	34 693	3 693 247	99,1%
Total	**19 831 147**	**12 134 693**	**7 796 454**	**39,3%**

in EUR:

Asset category	Asset value	Estimated market value	Impairment	Average impairment%
Properties	398 639	391 300	10 574	2,7%
Machinery, equipment	122 119	0	122 119	100,0%
Other	120 557	1 122	119 435	99,1%
Total	**641 315**	**392 422**	**252 128**	**39,3%**

The total amount of impairment loss in the balance sheet reduces "*Tangible assets*" and *"Other current assets"* (EUR 255 thousand at the closing rate of 2020).

10. Assets purchased under financial lease

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

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

Finance leased assets	2022	2021
Gross value	2 020 027	2 216 140
Accumulated depreciation	1 074 319	946 334
Net value	**945 709**	**1 269 806**

The value and movements of lease liabilities for the end of 2022 were as follows:

Leasing movement table	2022
January 1, 2021	757 140
Growth	65 960
Interest	-46 715
Payments	-236 683
Revaluation of lease liability	-50 764
December 31, 2021	488 938
Short-term lease liabilities	**250 252**
Long-term lease liabilities	**238 686**

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

Lease liabilities	2022	2021
Lease liabilities within 1 year	250 252	299 158
Due in 2-5 years	238 686	457 982
Total lease obligations	**488 938**	**757 140**

The present values of minimum lease payments were as follows:

Minimum lease payments	2022	2021
Lease payments falling due within 1 year	271 118	325 775
Lease payments falling due within 2-5 years	248 231	495 672
Minimum lease payments	**519 350**	**821 447**
Financial expenses	-30 412	-64 307
Present value of minimum lease payments	**488 938**	**757 140**

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

11. Investments in associates

Masterprofil Kft.

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

T-Cell Plasztik Kft.

Masterplast Nyrt. purchased 24% shares in T-Cell Kft. on 3 June 2019. The purchase price of the acquired share was HUF 99 840 thousand (EUR 273 437) which was paid in full. T-Cell Kft.'s key activity is to produce polystyrene in its two factories (Hajdúszoboszló and Zalaegerszeg) in Hungary.

Master Modul Kft.

Master Modul Kft was founded on 12 April 2021 with the Company's 25% participation in it. The new entity is to produce modular buildings and has a subscribed capital of HUF 3 million.

MASTERWOOL MW-1 d.o.o.

MASTERWOOL MW-1 d.o.o. was founded on 27 January 2022 in Serbia in order to produce rockwool. The Company's ownership ratio is 51%, while it voting share is 50% in this entity. On 21 March 2023, MASTERPLAST Plc. purchased the remaining 49% share of MASTERWOOL MW-1 d.o.o. and as a result became its sole owner.

Associated companies are consolidated using the equity method through profit and loss accounts.

Share of the profits of associates	2022
Opening	553 064
Share of the profits of associates	325 081
Growth	1 243 846
Comprehensive income	-37 510
Closing*	**2 084 481**

*Includes no profit or loss from discontinued operations.

Share of the profits of associates	2021
Opening	298 798
Share of the profits of associates	258 632
Growth	0
Comprehensive income	-4 366
Closing*	**553 064**

*Includes no profit or loss from discontinued operations.

12. Inventories

Type of inventory	2022			2021		
	Gross book value	Impairment charge	Net book value	Gross book value	Impairment charge	Net book value
Finished products	7 773 795	0	7 773 795	5 284 636	0	5 284 636
Semi-finished products, WIP	3 817 156	0	3 817 156	2 047 159	0	2 047 159
Raw materials, additives and fuels	8 607 228	0	8 607 228	7 740 263	0	7 740 263
Goods	40 100 296	-359 116	39 741 181	35 806 772	-3 790 455	32 016 317
Total	**60 298 475**	**-359 116**	**59 939 360**	**50 878 830**	**-3 790 455**	**47 088 375**

Recognised and reversed impairment on inventories was the following in 2022

Impairment of inventories 2022	EUR
Opening impairment	3 790 455
Translation difference	-541
Charges	229 409
Reversals	-3 660 207
Closing	**359 116**

Recognised and reversed impairment on inventories was the following in 2021:

Impairment of inventories 2021	EUR
Opening impairment	359 897
Translation difference	96
Charges	3 961 557
Reversals	-531 095
Closing	**3 790 455**

In 2022, based on reviews and valuations performed by the Company's subsidiaries, the amount of impairment recognized at the Group level increased by EUR 3 431 thousand compared to the previous year. The cost of sold inventories (purchased goods and self-produced inventories):

Cost of goods sold	2022	2021
Cost of goods sold	160 488 092	141 926 672

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

Closing balances of inventories	2022	2021
Closing balances of inventories	19 295 032	18 725 791

13. Trade receivables

Debtors	2022	2021
Trade receivables	18 213 085	21 895 895
Impairment of doubtful receivables	-748 381	-884 706
Total	**17 464 704**	**21 011 189**

Average payment term of trade receivables was 42 days in 2022 (40 days in 2021). There is no significant concentration in our trade receivables.

Recognised and reversed impairment on trade receivables was the following in 2022:

Impairment of trade receivables	Opening impairment	Translation difference	Charges	Reversals	Closing
Impairment of trade receivables	884 706	1 552	219 991	-357 868	748 381
Total	**884 706**	**1 552**	**219 991**	**-357 868**	**748 381**

Recognised and reversed impairment on trade receivables was the following in 2021:

Impairment of trade receivables	Opening impairment	Translation difference	Charges	Reversals	Closing
Impairment of trade receivables	828 706	9 144	289 382	-242 526	884 706
Total	**828 706**	**9 144**	**289 382**	**-242 526**	**884 706**

The aging of trade receivables is as follows:

Aged analysis	2022			2021		
	Gross book value	Impairment charge	Net book value	Gross book value	Impairment charge	Net book value
Not yet due	11 875 384		11 875 384	15 318 984	0	15 318 984
Due over 0-60 days	3 759 943		3 759 943	4 051 723	0	4 051 723
Due over 61-90 days	303 697		303 697	1 070 630	0	1 070 630
Due over 91-180 days	475 811	65 762	410 049	702 469	192 418	510 051
Due over 181-360 days	1 113 400	92 154	1 021 246	92 594	32 793	59 801
Due over 360 days	684 850	590 465	94 385	659 495	659 495	0
Total	**18 213 085**	**748 381**	**17 464 704**	**21 895 895**	**884 706**	**21 011 189**

14. Other current assets

Other current assets	2022	2021
Advances paid	7 153 523	521 477
Bills of exchange and cheques receivable	219 285	233 094
Other receivables	1 560 413	1 059 857
Bonus from suppliers	726 322	522 750
Impairment on other receivables	-327 806	-358 932
Accrued income	135 131	33 195
Prepaid expense	389 657	460 892
Provided loans	499 688	216 802
Total	**10 356 212**	**2 689 135**

15. Cash and cash equivalents

Cash and cash equivalents	2022	2021
Cash	42 283	46 050
Bank deposits	25 839 853	15 335 794
Total	**25 882 135**	**15 381 844**

The Group does not have restricted cash or cash-equivalents as at 31 December 2022 or 31 December 2021.

16. Short-term and long-term loans

Short-term and long-term bank loans taken - 2022

Company name	Loan ID	Loan type	Currency of disbursement	Interest (%)	Period of interest settlement	Amount of outstanding loan debt EUR	Repayment Amount of repayment falling due within 1 year	Amount of repayment falling due within 2-5 years	Amount of repayment falling due beyond 5 years	Collaterals
Masterplast YU D.o.o.	00-421-1700025.1	investment loan	RSD	2W REPO + 3,33%	monthly	1 463 392	566 422	896 970	0	promissory note + mortgage + MP NYRT guarantor
Masterplast YU D.o.o.	00-421-0611706.8	investment loan	EUR	3M EURIBOR + 2,10%	monthly	2 692 168	358 956	2 333 212	0	promissory note + mortgage + MP NYRT guarantor
Masterplast YU D.o.o.	00-422-0013391	current asset loan	RSD	3M EURIBOR +2,50%	monthly	1 000 000	1 000 000	0	0	promissory note + mortgage + MP NYRT guarantor
Masterplast YU D.o.o.	00-429-0300071.0	current asset loan	RSD	3M EURIBOR + 2,70%	monthly	1 700 000	1 700 000	0	0	promissory note + mortgage + MP NYRT guarantor
Masterplast Italy	994205096 MPS SACE	investment loan	EUR	6 M EURIBOR + 1,6	monthly	1 450 000	0	800 000	650 000	promissory note + mortgage + MP NYRT guarantor
Masterplast International	TCF-R-80/2022	current asset loan	EUR	1,85% p.a.	monthly	9 999 900	0	9 999 900	0	promissory note + mortgage + MP NYRT guarantor
Masterplast International	R-9/2021	current asset loan	EUR	3M EURIBOR + 1,2%	monthly	10 000 000	10 000 000	0	0	promissory note + mortgage + MP NYRT guarantor
Total investment and working capital loans						**28 305 460**	**13 625 378**	**14 030 082**	**650 000**	
Masterplast Romania	56 (OVD)	overdraft facility	RON	ROBOR 1M + 1%	monthly	3 593 032	3 593 032	0	0	mortgage
Masterplast s.r.o.		overdraft facility	EUR	1,6% p.a. + 1M EURIBOR	monthly	0	0	0	0	mortgage
Total overdraft facilities						**3 593 032**	**3 593 032**	**0**	**0**	
Total loans and credits						**31 898 492**	**17 218 410**	**14 030 082**	**650 000**	

(1) On 31.12.2022, the group-level covenants required by the banks were fulfilled in all cases.

The collateralized loans were used for specific investment projects, for which the financed assets represent the collateral.

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

Short-term and long-term bank loans taken - 2021

Company name	Loan ID	Loan type	Currency of disbursement	Interest (%)	Period of interest settlement	Amount of outstanding loan debt EUR	Repayment Amount of repayment falling due within 1 year	Amount of repayment falling due within 2-5 years	Amount of repayment falling due beyond 5 years	Collaterals	Criteria of enforcement of mortgage
Masterplast YU D.o.o.	00-421-1700025.1	investment loan	RSD	2W REPO + 3,33%	monthly	2 030 535	570 290	1 460 245	0	promissory note + mortgage + MP NYRT guarantor	
Masterplast YU D.o.o.	00-421-0611706.8	investment loan	EUR	3M EURIBOR + 2,10%	monthly	2 692 170	0	2 512 690	179 480	promissory note + mortgage + MP NYRT guarantor	
Masterplast YU D.o.o.	00-422-0013391	current asset loan	RSD	3M EURIBOR +2,50%	monthly	1 000 000	1 000 000	0	0	promissory note + mortgage + MP NYRT guarantor	
Masterplast YU D.o.o.	00-429-0300071.0	current asset loan	RSD	3M EURIBOR + 2,10%	monthly	1 700 000	1 700 000	0	0	promissory note + mortgage + MP NYRT guarantor	
Masterplast YU D.o.o.	00-422-0004844	current asset loan	RSD	3M EURIBOR + 2,10%	monthly	400 000	400 000	0	0	promissory note + mortgage + MP NYRT guarantor	
Total investment and working capital loans						**7 822 705**	**3 670 290**	**3 972 935**	**179 480**		
Masterplast Romania	56 (OVD)	overdraft facility	RON	ROBOR 1M + 1%	monthly	2 058 211	2 058 211	0	0	mortgage	Interest and loan liability
Masterplast s.r.o.		overdraft facility	EUR	1,6% p.a. + 1M EURIBOR	monthly	334 571	334 571	0	0	mortgage	-
Total overdraft facilities						**2 392 782**	**2 392 782**	**0**	**0**		
Total loans and credits						**10 215 487**	**6 063 072**	**3 972 935**	**179 480**		

On December 31, 2021 the required loan covenants were fulfilled in all cases.
The secured loans were drawn for specific development projects and are secured by the financed assets.
The Group's credit exposure is linked to two banks.

17. Liabilities from issued bonds and

17.1. Liabilities from issued bonds

The Group participated in the growth bond programme announced by the MNB in 2019, in 2020 as well as in 2021 under which Masterplast Nyrt. issued bonds with a nominal value of HUF 6 -6 -9 billion (EUR 56.8 million of balance sheet value as at 31 December 2021). 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 proceeds from the bond issued in 2020 and in 2021 have been/will be used in full by the Group to finance its ongoing and future investments.
The Company uses the effective interest rate calculation method for all three bonds, but the impact of this method on the accounts (due to the minimum difference between nominal value and amortised cost) is immaterial.

Name of bond	MASTERPLAST 2026/I HUF	MASTERPLAST 2027/I HUF	MASTERPLAST 2031/I HUF
Date of release	2019.12.06	2020.12.21	2021.08.25
Expiration date	2026.12.06	2027.12.21	2031.08.25
Introduction date	2020.02.18	2021.02.19	2021.10.01
Nominal value (HUF)	50 000 000	50 000 000	50 000 000
Number of units issued	120	120	180
Term (year)	7	7	10
Type of interest	fix	fix	fix
Interest rate	2,00%	2,10%	2,90%
Interest payment date	Annually, 6th December	Annually, 21st December	Annually, 25th August
Repayment of principle	Between 4-7 years amortised in equal instalments	Between 4-7 years amortised in equal instalments	Between 6-10 years amortised in equal instalments

MASTERPLAST 2026/I HUF	HUF		EUR	
	2022	2021	2021	2021
Total nominal value of the bond issued	6 000 000 000	6 000 000 000	14 990 631	16 260 163
Amortized cost	5 994 884 694	5 994 614 130	14 977 851	16 245 628
Real value	4 809 125 440	5 427 017 076	12 015 304	14 707 363
Existing obligation	6 000 000 000	6 000 000 000	14 990 631	16 260 163

MASTERPLAST 2027/I HUF	HUF		EUR	
	2022	2021	2022	2021
Total nominal value of the bond issued	6 000 000 000	6 000 000 000	14 990 631	16 260 163
Amortized cost	5 978 858 122	5 974 683 738	14 937 809	16 191 555
Real value	4 485 308 003	5 293 580 214	11 206 266	14 345 746
Existing obligation	6 000 000 000	6 000 000 000	14 990 631	16 260 163

MASTERPLAST 2031/I HUF	HUF		EUR	
	2022	2021	2022	2021
Total nominal value of the bond issued	9 000 000 000	9 000 000 000	22 485 946	24 390 244
Amortized cost	9 002 609 701	9 003 011 190	22 492 466	24 398 404
Real value	6 885 433 583	9 091 558 651	17 202 832	24 638 370
Existing obligation	9 000 000 000	9 000 000 000	22 485 946	24 390 244

17.2. 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 CCRIS 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 has examined the hedging effectiveness of the CCIRS transaction and considered 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.
On 31.12.2022, the Company's portfolio related to CCIRS transactions had a loss outstanding balance of HUF 2 224 737 618 (EUR 5 558 370). From this amount, the impact recognized in the income statement in the current financial year is HUF 572 074 639 (EUR 1,429,293), the impact recognized in the income statement in previous years is HUF 737 255 538 (EUR 1 829 495), and the total amount recognized as other comprehensive income is HUF 920 407 442 (EUR 2 299 581).

The transaction details are as follows:

	MASTERPLAST 2026/I HUF
Trade day	16 December 2019
Expiration date	7 December 2026
Place of execution	OTC
Party paying fixed interest	Raiffeisen Bank Zrt.
Amount	6 022 801 800 HUF
Fixed interest rate	1,9264% p.a.
Amount of relevant interest	113 184 119 HUF
Party paying fixed interest	Masterplast Nyrt.
Amount	18 306 388 EUR
Fixed interest rate	1,08% p.a.
Amount of relevant interest	196 061 EUR

18. Deferred income

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

Subsidy ID	Description of support	Beneficiary	2022	2021
SZVP-2003-6-03-08-1	Network building at „Master level”	Masterplast Nyrt. Masterplast Medical Kft.	27 463	31 423
GVOP-1.1.2-2004-11-0003/5.0	Cental and Eastern Europe Regional Corporate Headquarters „Master” course, MASTER3AS Centre – Product, Service and Training at „Master” level	Masterplast Nyrt. Masterplast Medical Kft.	192 650	214 918
GOP-1.3.3.09-2010-0013	„Development of new building and wrapping particles at MASTERFOAM Kft in order to strengthen supplier positions”	Masterfoam Kft.	6 321	10 778
GVOP-1.1.1-05/1.-2005-11-0010/5.0	„Development of a factory for foamed foils of Masterfoam Kft. in Kál, Heves county”	Masterfoam Kft.	0	12 953
NGM/34052-6/2017	Corporate Investment Subsidies	Masterfoam Kft.	426 440	502 812
State Subsidy	Glass fabric factory	Masterplast YU D.o.o.	4 512 641	5 238 010
GINOP-2.1.1-15-2016-00767	Development of a new wind and airtight diffusion roof film product with favourable properties at Masterplast Kft.	Masterplast Medical Kft.	49 192	70 401
GOP-1.3.1-11/A-2011-0084	Energy modernization of high-rise buildings and related fire safety compliance at MASTERPLAST Kft.	Masterplast Medical Kft.	27 791	28 396
PM/15207-9/2020	Production of COVID-19-relevant products - Research and development	Masterplast Medical Kft.	17 863 856	19 799 185
PM/2093-10/2021	Extension of the production capacity of personal health protection equipments in Sárszentmihály	Masterplast Medical Kft.	5 238 554	5 616 918
HIPA VNT2020-1-0634	Competitiveness-enhancing subsidy	Masterplast Medical Kft.	682 895	765 333
NTP2020-000356/2	Creation of new production capacity to secure production capacity and markets	Masterplast Proizvodnja D.o.o.	3 553 497	0
PM/326-9/2020	Implementation of efficient diffusion roof film production	Masterplast Medical Kft.	362 309	417 049
Total:			**32 943 609**	**32 708 176**
Short-term part :			2 784 959	**2 784 959**
Long-term part:			**30 158 650**	**29 923 217**

Contingent liabilities and commitments related to deferred income are described in Note 38.

19. Other long-term liabilities

Other long-term liabilities	2022	2021
Long-term part of lease liabilities (Note 11)	238 686	457 982
Other long-term liabilities	148 113	192 875
Total	**386 799**	**650 857**

20. Provisions

2022	Opening balance	Translation difference	Increase	Current year use	Reversed	Closing
For unused holidays	197 519	-2 240	126 508	50 112	2 935	268 740
For bonuses	113 568	15	44 935	122 670	0	35 848
For commissions	68 026	-2 104	46 448	36 025	24 850	51 495
For Warranty obligations	42 800	0	25 000	0	0	67 800
For Other	145 350	237	61 992	48 541	0	159 038
Total	**567 263**	**-4 092**	**304 883**	**257 348**	**27 785**	**582 921**

2021	Opening balance	Translation difference	Increase	Current year use	Reversed	Closing
For unused holidays	109 554	16	152 619	46 855	17 815	197 519
For bonuses	11 867	-226	113 568	11 641	0	113 568
For commissions	49 728	-208	62 979	23 215	21 258	68 026
For Warranty obligations	43 000	0	0	0	200	42 800
Other	103 017	-1 029	99 495	56 133	0	145 350
Total	**317 166**	**-1 447**	**428 661**	**137 844**	**39 273**	**567 263**

21. Trade payables

Ageing of trade payables is as follows:

Creditors	2022	2021
Not yet due	12 513 523	16 281 772
Due over 0-60 days	3 916 074	304 159
Due over 61-90 days	1 003	656
Due over 91-180 days	55 373	5 077
Due over 180 days	47 335	198 062
Total	**16 533 308**	**16 789 726**

22. Other current liabilities

Other current liabilities	2022	2021
Advances received	64 416	115 390
Liabilities to employees	1 253 022	1 219 187
Other current liabilities	692 008	507 473
Bonus to customers	2 156 037	1 657 287
Accrued interest expense	272 479	295 330
Deferred income	5 546	157 483
Accrued expenses	595 231	726 040
Total	**5 038 739**	**4 678 190**

23. Cost of materials and services used

Cost of Materials and Services	2022	2021
Cost of materials	90 175 362	64 255 590
Cost of services	9 418 045	14 577 729
Cost of goods sold	71 493 480	68 280 480
Obtained sconto	-99 636	-117 132
Received bonus	-21 896	-2 521
Total	**170 965 354**	**146 994 145**

24. Personnel related costs

Payments to personnel	2022	2021
Payroll costs	21 404 638	17 111 727
Other payments to personnel	2 120 375	1 339 668
Payroll taxes and social security contribution	3 451 914	2 943 363
Total	**26 976 927**	**21 394 758**

25. Other income and expense

Other income and expenses	2022	2021
Result of fixed asset sales	1 321 490	16 963
Inventory shortage, scrapped	-1 010 900	-745 314
Impairment reversed/(charged) on inventories, debtors and other receivables	3 078 297	-3 793 831
Taxes, duties	-305 581	-196 654
Credit loss	-144 033	-225 813
Income from tenders (release of deferred income)	2 269 240	1 460 322
Provisions reversed/(charged)	-56 975	-168 614
Default interest paid	98 533	-260 803
Other	-1 725 967	-528 519
Total	**3 524 104**	**-4 442 263**

26. Other financial profit or loss and fair value adjustments

Other financial profit or loss	2022	2021
Foreign exchange gain/(loss)	2 669 204	1 322 263
Recognised gain/(loss) on derivatives and fair value adjustments	1 267 855	-186 528
Total	**3 937 059**	**1 135 735**

The Group had the following open derivative transactions (at trading rate) at the end of years 2022 and 2021

Description	Maturity/closing date	Currency	Value	Fair value 2022	Fair value 2021
EUR buy PLN sell future at a rate of 4,606 EUR/PLN (trading rate at 4,6861 EUR/PLN)	26/01/2022	PLN	210 875	0	-784
EUR buy PLN sell future at a rate of 4,606 EUR/PLN (trading rate at 4,7058 EUR/PLN)	26/01/2022	PLN	225 878	0	-1 042
EUR buy PLN sell future at a rate of 4,606 EUR/PLN (trading rate at 4,7004 EUR/PLN)	26/01/2022	PLN	188 016	0	-821
EUR buy PLn sell future at a rate of 4,606 EUR/PLN (trading rate at 4,6996 EUR/PLN)	26/01/2022	PLN	234 980	0	-1 018
EUR buy PLN sell future at a rate of 4,6123 EUR/PLN (trading rate at 4,6999 EUR/PLN)	08/02/2022	PLN	258 495	0	-1 048
EUR buy PLN sell future at a rate 4,6122 EUR/PLN (trading rate at 4,6833 EUR/PLN)	08/02/2022	PLN	280 998	0	-927
EUR buy PLN sell future at a rate of 4,6122 EUR/PLN (trading rate at 4,6813 USD/PLN)	08/02/2022	PLN	234 065	0	-751
EUR buy PLN sell future at a rate of 4,6121 EUR/PLN (trading rate at 4,6395 EUR/PLN)	08/02/2022	PLN	162 383	0	-208
EUR buy PLN sell future at a rate of 4,6122 EUR/PLN (trading rate at 4,6428 EUR/PLN)	08/02/2022	PLN	280 926	0	-300
EUR buy PLN sell future at a rate of 4,6121 EUR/PLN (trading rate at 4,6325 EUR/PLN)	08/02/2022	PLN	185 300	0	-177
EUR buy PLN sell future at a rate of 4,6188 EUR/PLN (trading rate at 4, 6417 EUR/PLN)	22/02/2022	PLN	171 743	0	-184
EUR buy PLN sell future at a rate of 4,6187 EUR/PLN (trading rate at 4,6272 EUR/PLN)	22/02/2022	PLN	138 816	0	-55
EUR buy PLN sell future at a rate of 4,6189 EUR/PLN (trading rate at 4,6689 EUR/PLN)	22/02/2022	PLN	186 756	0	-435
EUR buy PLN sell future at a rate of 4,6188 EUR/PLN (trading rate at 4,6468 EUR/PLN)	22/02/2022	PLN	162 638	0	-213
EUR buy PLN sell future at a rate of 4,6188 EUR/PLN (trading rate at 4,6452 EUR/PLN)	22/02/2022	PLN	167 227	0	-207
EUR buy HUF sell future at a rate of 370,2099 EUR/HUF (trading rate at 370,95 EUR/HUF)	31/03/2022	HUF	1 112 850 000	0	6 017
EUR buy HUF sell future at a rate of 370,2099 EUR/HUF (trading rate at 374,3 EUR/HUF)	31/03/2022	HUF	374 300 000	0	11 084
EUR buy HUF sell future at a rate of 370,2099 EUR/HUF (trading rate at 375,95 EUR/HUF)	31/03/2022	HUF	375 950 000	0	15 556
EUR buy HUF sell future at a rate of 370,2099 EUR/HUF (trading rate at 367,7 EUR/HUF)	31/03/2022	HUF	-1 838 500 000	0	34 010
EUR buy HUF sell future at a rate of 370,2099 EUR/HUF (trading rate at 371,14 EUR/HUF)	31/03/2022	HUF	371 140 000	0	1 977
USD buy EUR sell future at a rate of -1,13486617198498 EUR/USD (trading rate at 1,14009999518878 EUR/USD)	28/02/2022	EUR	1 300 000	0	5 968
EUR buy HUF sell future at a rate of EUR/HUF (trading rate at 446,6 EUR/HUF)	21/07/2023	HUF	444 600 000	37 471	0
EUR buy HUF sell future at a rate of EUR/HUF (trading rate at 451,8 EUR/HUF)	21/07/2023	HUF	225 900 000	27 011	0
EUR buy HUF sell future at a rate of EUR/HUF (trading rate at 459,7 EUR/HUF)	21/07/2023	HUF	229 850 000	36 091	0
EUR buy HUF sell future at a rate of EUR/HUF (trading rate at 461,45 EUR/HUF)	31/07/2023	HUF	230 725 000	36 479	0
EUR buy HUF sell future at a rate of EUR/HUF (trading rate at 463,15 EUR/HUF)	31/07/2023	HUF	231 575 000	46 067	0
EUR buy HUF sell future at a rate of EUR/HUF (trading rate at 470,75 EUR/HUF)	31/08/2023	HUF	235 375 000	42 109	0
EUR buy HUF sell future at a rate of EUR/HUF (trading rate at 477,1 EUR/HUF)	31/08/2023	HUF	238 550 000	49 287	0
EUR/HUF currency swap at a rate of 400,25 EUR/PLN (trading rate at 329 HUF/EUR)	16/12/2026	HUF	6 022 801 800	-5 566 386	-4 291 536
Total				**-5 291 871**	**-4 225 094**
Of which other financial receivables				**274 515**	**74 612**
Of which other financial labilities				**-5 566 386**	**-4 299 706**

In 2022 and 2021 derivative transactions were evaluated by a contractual partner of the Group based on the actual market conditions that prevailed at the balance sheet date.

Fair value hierarchy	2022		2021	
	Level 2	Fair value total	Level 2	Fair value total
Financial assets				
FX derivative transactions	274 515	274 515	74 612	74 612
Financial assets total	**274 515**	**274 515**	**74 612**	**74 612**
Financial liabilities				
FX derivative transactions	5 566 386	5 566 386	4 299 706	4 299 706
Financial liabilities total	**5 566 386**	**5 566 386**	**4 299 706**	**4 299 706**

The Group's financial instruments at book value and fair value were as follows at the end of 2022 and 2021:

Valuation of financial instruments	Book value		Fair value	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Trade receivables	17 464 704	21 011 189	17 464 704	21 011 189
Taxes receivables	2 325 031	1 926 172	2 325 031	1 926 172
Other financial assets	274 515	74 612	274 515	74 612
Cash and cash equivalents	25 882 135	15 381 844	25 882 135	15 381 844
Total	**45 946 385**	**38 393 817**	**45 946 385**	**38 393 817**
Long-term loans	14 680 082	4 152 415	14 680 082	4 152 415
Liabilities from issued bonds	48 663 832	56 835 587	40 424 402	53 691 479
Other long-term liabilities	386 799	650 857	386 799	650 857
Taxes payable	1 612 834	3 262 781	1 612 834	3 262 781
Short-term loans	17 218 410	6 063 072	17 218 410	6 063 072
Trade payables	16 533 308	16 789 726	16 533 308	16 789 726
Short-term finance lease liabilities	250 252	299 158	250 252	299 158
Other financial liabilities	5 566 386	4 299 706	5 566 386	4 299 706
Total	**104 911 903**	**92 353 302**	**96 672 473**	**89 209 194**

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

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

The expected credit loss of financial instruments is based on assumptions, taking into account the extent of losses and the risk of default. To determine the amount of impairment losses, the Group uses its own estimates and assumptions in each case, and also relies on past data and future estimates.

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

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

Undiscounted cash-flow 2022	Payment within 1 year	Payment within 2-5 year	Payment beyond 5 year
Total loans and credits	17 218 410	14 030 082	650 000
Interests of loans and credits	1 212 937	2 149 205	28 158
Total	**18 431 347**	**16 179 287**	**678 158**

Undiscounted cash-flow 2021	Payment within 1 year	Payment within 2-5 year	Payment beyond 5 year
Total loans and credits	6 063 072	3 972 935	179 480
Interests of loans and credits	331 999	686 342	4 796
Total	**6 395 071**	**4 659 277**	**184 276**

27. Taxes

Taxes receivable and taxes payable were as follows:

Taxes receivable and taxes payable	2022	2021
Taxes receivable	2 325 031	1 926 172
Taxes payable	-1 612 834	-3 262 781
Net tax receivable	**712 197**	**-1 336 609**

Income tax expense for the years ended 31 December 2022 and 31 December 2021 includes the following components:

Income tax expense	2022	2021
Income tax expense for the current year	1 965 897	2 117 003
Deferred income tax expense	272 154	381 566
Income tax expense	**2 238 051**	**2 498 569**

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

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

Average tax rate	2022	2021
Average tax rate	13,9%	13,3%

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

Year-end balance of deferred tax	2022	2021
Tangible fixed assets	-603 215	-319 339
Inventories	7 947	509 094
Provisions	85 309	113 765
Receivables	136 261	160 441
Deferred tax adjustments due to consolidation	77 940	0
Other	-60 279	-292 429
Closing deferred tax assets, net	**-356 037**	**171 532**
Of which deferred tax assets	**395 844**	**673 888**
Of which deferred tax (liability)	**-751 881**	**-502 356**

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

Difference between average and calculated tax rate	2022	2021
Profit before tax as per consolidated statement of profit or loss	17 938 262	18 568 934
Actual average tax rate – HQ country	9,0%	9,0%
Income tax payable calculated at actual tax rate of HQ	**1 614 444**	**1 671 204**
Impact of different tax rates – HQ country	875 736	796 007
Actual average tax rate	13,9%	13,3%
Income tax payable calculated at actual tax rate	**2 490 180**	**2 467 211**
Permanent differences	199 659	249 607
Impact of the different tax rates	-750 917	-577 027
Local business tax, reclassification of innovation contribution	-103 970	131 241
Revaluation of deferred tax assets and liabilities	173 524	5 718
Other	-19 092	221 819
Total differences	**-252 129**	**31 358**
Total income tax expenses	**2 238 051**	**2 498 569**
Effective income tax rate	**12,5%**	**13,5%**

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

Losses carried forward not considered in the deferred-tax	2022	2021	Usability
Masterfoam Kft.	296 612	306 577	Can be used for 5 years from generation
Total	**296 612**	**306 577**	

28. Earnings per share

Earnings per share	2022	2021
Profit distributable to shareholders	15 691 150	15 860 834
Weighted average number of shares traded during the year	14 874 208	14 398 805
Earnings per share	**1,05**	**1,10**

Diluted earnings per share	2022	2021
Profit distributable to shareholders	15 691 150	15 860 834
Weighted average number of shares traded during the year	14 874 330	14 399 257
Diluted earnings per share	**1,05**	**1,10***

**As a result of the capital issue performed in 2022, in order to assure comparability, the diluted EPS indicator for 2021 is 1.07, calculated with the weighted average number of shares traded during the year 2022.*

As a result of the dilutive effect of the MRP allowance for 2022 on the average annual share count (as it is expected to increase the weighted average number of shares traded during the year), the average number of shares presented in the diluted EPS calculation has increased minimally. The EPS calculation was not affected by the minimum number of units.

29. Segments

In view of the Group's operations, our production and selling activities are presented as business segments.

Accordingly, the Group divides its activities into two segments: Production and Selling.

The Production segment supplies fibreglass-mesh, plasterboard profiles, plaster profiles, isofoam and EPS to the Selling segment.

The inter-segment transfer prices are based on the actual (purchase) market prices. The results of these operations also include those of the fully consolidated subsidiaries that belong to each segment.

2022	Sales	Production	Unallocated expenses	Inter-segment eliminations	Consolidated
Sales revenues from third parties	201 421 385	0	358 961	0	**201 780 346**
Inter-segment sales revenues		120 226 238	2 272 821	-122 499 059	**0**
Materials and services used	-186 708 984	-105 516 120	-1 239 309	122 499 059	**-170 965 354**
Payments to personnel	-11 543 685	-12 776 545	-2 656 697	0	**-26 976 927**
Depreciation and amortisation	-3 119 980	-1 939 799	-403 327	0	**-5 463 106**
Changes in self- produced inventories	9 845 132	2 330 228	1 055 232	0	**13 230 592**
Other operating income (expenses)	2 566 537	1 574 878	-617 311	0	**3 524 104**
EBITDA	15 580 385	5 838 679	-826 303	0	**20 592 761**
EBITDA %	7,7%	4,9%	-31,4%	0	**10,2%**
OERATING PROFIT/LOSS	12 460 405	3 898 880	-1 229 630	0	**15 129 655**
EBIT %	6,2%	3,2%	-46,7%	0	**7,5%**
Interest income	-584 372	12 633	1 629 434	0	**1 057 695**
Interest expenses	172 343	-691 108	-1 992 463	0	**-2 511 228**
Other income (expenses) of financial transactions	983 718	42 161	2 911 180	0	**3 937 059**
Financial profit/loss	571 689	-636 314	2 548 151	0	**2 483 526**
Share of the profit of associates	0	0	325 081	0	**325 081**
PROFIT/LOSS BEFORE TAX	13 032 094	3 262 566	1 643 602	0	**17 938 262**
Income tax	-2 209 679	57 572	-85 944	0	**-2 238 051**
PROFIT/LOSS FOR THE YEAR	10 822 415	3 320 138	1 557 658	0	**15 700 211**
ASSETS					
Tangible fixed assets	52 800 015	47 506 196	9 224 106	0	109 530 317
Inventories	45 861 245	13 305 332	772 783	0	59 939 360
Debtors	17 093 675	87 622	283 407	0	17 464 704
LIABILITIES					
Long-term loans	9 999 900	4 680 182	0	0	14 680 082
Deferred income	24 224 598	8 498 897	220 114	0	32 943 609
Short-term loans/OVD	18 925 480	-1 707 070	0	0	17 218 410
Creditors	13 111 443	3 052 018	369 847	0	16 533 308

2021	Sales	Production	Unallocated expenses	Inter-segment eliminations	Consolidated
Sales revenues from third parties	191 252 987	0	235 712	0	**191 488 699**
Inter-segment sales revenues		89 635 115	1 893 915	-91 529 030	**0**
Materials and services used	-168 839 033	-68 534 015	-1 150 127	91 529 030	**-146 994 145**
Payments to personnel	-8 317 760	-11 967 191	-1 109 807	0	**-21 394 758**
Depreciation and amortisation	-1 093 124	-3 143 549	-318 851	0	**-4 555 524**
Changes in self- produced inventories	905 406	3 267 819	0	0	**4 173 225**
Other operating income (expenses)	-2 642 508	-1 257 771	-541 984	0	**-4 442 263**
EBITDA	12 359 092	11 143 957	-672 291	0	**22 830 758**
EBITDA %	6,5%	12,4%	-31,6%	0,0%	**11,9%**
OPERATING PROFIT/LOSS	11 265 968	8 000 408	-991 142	0	**18 275 234**
EBIT %	5,9%	8,9%	-46,5%	0,0%	**9,5%**
Interest income	-547 820	3 813	894 612	0	**350 605**
Interest expenses	130 009	-398 329	-1 182 952	0	**-1 451 272**
Other income (expenses) of financial transactions	312 343	-65 439	888 831	0	**1 135 735**
Financial profit/loss	-105 468	-459 955	600 491	0	**35 068**
Share of the profit of associates	0	0	258 632	0	**258 632**
PROFIT/LOSS BEFORE TAX	11 160 500	7 540 453	-132 019	0	**18 568 934**
Income tax	-1 329 124	-770 875	-398 570	0	**-2 498 569**
PROFIT/LOSS FOR THE YEAR	9 831 376	6 769 578	-530 589	0	**16 070 365**
ASSETS					
Tangible fixed assets	15 075 117	68 410 355	6 138 588	0	89 624 060
Inventories	35 896 969	11 185 408	5 998	0	47 088 375
Debtors	20 206 730	699 176	105 283	0	21 011 189
LIABILITIES					
Long-term loans	0	4 152 415	0	0	4 152 415
Deferred income	0	32 461 849	246 327	0	32 708 176
Short-term loans/OVD	2 015 716	4 047 357	0	0	6 063 072
Creditors	14 912 983	1 637 651	239 092	0	16 789 726

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

Sales revenues by countries	2022	2021
Hungary	89 601	87 516
Export	18 462	27 110
Germany	16 883	15 201
Romania	14 379	14 603
Poland	13 580	11 901
Serbia	13 495	11 890
Italy	13 351	0
Ukraine	8 101	10 446
Slovakia	7 458	6 974
Croatia	4 598	3 922
North Macedonia	1 872	1 926
Total	**201 780**	**191 489**

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

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

2022	Total	Properties, machinery and equipment	Intangible assets	Participation in associates	Long-term financial assets
Hungary	**56 095**	53 770	116	2 084	125
Germany	**9 717**	9 679	38	0	0
Romania	**3 200**	3 194	6	0	0
Serbia	**40 094**	40 065	29	0	0
Croatia	**394**	394	0	0	0
Ukraine	**699**	693	6	0	0
Slovakia	**350**	350	0	0	0
Poland	**387**	387	0	0	0
North Macedonia	**307**	305	2	0	0
Italy	**694**	694	0	0	0
Total	**111 937**	**109 531**	**197**	**2 084**	**125**

2021	Total	Properties, machinery and equipment	Intangible assets	Participation in associates	Long-term financial assets
Hungary	**46 768**	46 135	80	553	0
Germany	**8 758**	8 715	43	0	0
Romania	**3 249**	3 244	5	0	0
Serbia	**29 044**	29 031	13	0	0
Croatia	**401**	401	0	0	0
Ukraine	**965**	957	8	0	0
Slovakia	**415**	415	0	0	0
Poland	**407**	407	0	0	0
North Macedonia	**321**	319	2	0	0
Total	**90 328**	**89 624**	**151**	**553**	**0**

32. Related party transactions

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

Services used from related parties

Dávid Tibor owns 100% of Essence Invest Ltd., Tibor Di Transilvania Srl, and together with Balázs Ács they own PrimoInvest Kft. (formerly Fóliatex Kft.) and AMZSAB Kft. Dávid Tibor holds a senior position at Minifoci Kft. and CyBERG Corp Plc. Balázs Ács owns 100% of Firmum Capital Zrt. The Group's customer turnover with these affiliated companies in 2022 and 2021 was EUR 0, its supplier turnover with Minifoci Kft was EUR 0 in 2022 and EUR 9 945 in 2021. In 2022, EUR 87 445 and EUR 40 650 in 2021 were paid as financial sport support to Minifoci Kft.

Key executives of the Group discharge their duties as employees. Short-term allowances paid to them amounted to EUR 2 360 256 in 2022 and EUR EUR 1 503 775 in 2021. No loans were granted to senior officers in 2022 or 2021. The sum total of fees paid to members of the Board of Directors was EUR 20 327 in 2022 and EUR 22 829 in 2021.

33. Issuance of shares

In accordance with the Company's Board Decision No. 1/2022 (10.17.), an increase of the Company’s capital by offering new 2 249 352 pieces of registered, dematerialized ordinary shares to the public - providing the same rights as previously issued ordinary shares - with a nominal value of HUF 100 each, and an issue value of HUF 4 100 each - in return for a cash contribution were carried out and HUF 9 222 343 200 HUF (EUR 22 359 364) were fully paid-in until 20 October 2022. The increased share capital is HUF 1 685 063 100 (EUR 6 049 289), the date of the amended Articles of Incorporation is 20 October 2022.

No capital increase took place in the financial year of 2021.

34. Change of investments in subsidiaries

34.1. Decrease of investments in subsidiaries in 2022:

None

34.2. Decrease in investments in subsidiaries in 2021:

None

34.3. Increase of investments in subsidiaries in 2022:

Masterplast Italia Srl.

MASTERPLAST ITALIA SRL was established on April 12, 2022 for the trade of thermal insulation materials in Italy, with 51% ownership of the Company. The Company has also launched an EPS-based thermal insulation material manufacturing project in MASTERPLAST ITALIA SRL.

MASTER-WOOL MW-1 d.o.o.

MASTERWOOL MW-1 d.o.o. was established in Serbia in order to produce rockwool, however invesments in production facilities and operations have not been started yet. The Company's ownership ratio is 51%, while it voting share is 50% in this entity.

34.4. Increase of investments in subsidiaries in 2021:

Master Modul Kft.
Master Modul Kft was founded on 12 April 2021 with the Company's 25% participation in it. The new entity is to produce modular buildings and has a subscribed capital of HUF 3 million.

Masterplast Proizvodnja DOO
Masterplast Medical Kft. founded Masterplast Proizvodnja DOO, based in Subotica, Serbia, in which a 3,600 square meter plant will be established for the production of XPS-based thermal insulation materials within the framework of a project supported by the Hungarian State, which will have a planned annual capacity of 200,000 cubic meters. In order to develop the right storage capability, the plant will also have a 2,000-square-meter warehouse and an outdoor warehouse of nearly 6,000 square meters, as well as a 400 square meter office building for the workforce and quality control lab. The value of the Project is HUF 5.05 billion, which is financed partly by the Company's own resources partly by the 50 percent non-refundable state subsidy provided under the HEPA program of the Ministry of Foreign Affairs and Trade. Production at the new plant is expected to start in early 2023. The Ministry of Foreign Affairs and Trade concluded the grant contract (NTP 2020-000356/2) with MASTERPLAST Kft. on 25 June 2021 (Masterplast Medical Kft. from 30 July 2021).

Masterplast Nonwoven GmbH
On 20 October 2021, the Company purchased a 50% stake in Masterplast Nonwoven GmbH from BÜMO-Schrauben GmbH - which is wholly owned by Mr. Hartmut Layer; consequently it became the sole owner of this subsidiary. As a result of amending the terms of the buyout option scheduled for 2023, this share was bought by the Company at more favourable terms and earlier than planned for EUR 1.5 million. The transaction was financed from the resources obtained through the Development Bond Program.

The purchase price of the acquired fixed assets was EUR 6.2 million in 2020, but their fair value assessment was still underway by experts contracted by the Company. Though the fair value of the purchased assets could be reliably estimated until the closing of the 2020 annual financial statements, the Company opted to apply Section 45 of IFRS 3 (Business Combination) according to which it had a full year from the date of acquisition to finalize the valuation. The valuation was finalized in 2021 according to which the fair value of the assets increased by EUR 4.3 million.

35. Share of external (minority) owners

Share of external owners	Share rate		Amount of share	
	2022	2021	2022	2021
Masterplast Sp zoo	19,96%	19,96%	331 985	236 655
MasterPlast TOV	20,00%	20,00%	196 949	283 989
Masterplast D.O.O.	10,00%	10,00%	129 497	124 468
Masterplast Italia Srl.	49,00%	0%	30 419	0
MASTERWOOL MW-1 d.o.o.	49,00%	0%	0	0
Total	**-**	**-**	**688 850**	**645 112**

36. Risk management

36.1. Financial risks

Total credit risk

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

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

Interest rate risk

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

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

Interest risk	2022	2021
+ 1% increase in interest rates		
Financial profit/(loss)	2 483 526	35 068
Effect of interest rate increase	-318 985	-102 155
Adjusted financial loss	**2 164 541**	**-67 087**
Profit before tax	17 938 262	18 568 934
Effect of interest rate increase	-318 985	-102 155
Adjusted profit before tax	**17 619 277**	**18 466 779**
+ 1% decrease in interest rates		
Financial profit/(loss)	2 483 526	35 068
Effect of interest rate decrease	318 985	102 155
Adjusted financial loss	**2 802 511**	**137 223**
Profit before tax	17 938 262	18 568 934
Effect of interest rate decrease	318 985	102 155
Adjusted profit before tax	**18 257 247**	**18 671 089**

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

Exchange risk	2022	2021
Appreciation of EUR / HUF, EUR/RSD rates by 3 %		
Financial profit/(loss)	2 483 526	35 068
Effect of exchange rate appreciation	313 458	296 427
Adjusted financial loss	**2 796 984**	**331 495**
Profit before tax	17 938 262	18 568 934
Effect of exchange rate appreciation increase	313 458	296 427
Adjusted profit before tax	**18 251 720**	**18 865 361**
Deprecation of EUR / HUF, EUR/RSD rates by 3 %		
Financial profit/(loss)	2 483 526	35 068
Effect of exchange rate depreciation	-313 458	-296 427
Adjusted financial loss	**2 170 068**	**-261 359**
Profit before tax	17 938 262	18 568 934
Effect of exchange rate depreciation decrease	-313 458	-296 427
Adjusted profit before tax	**17 624 804**	**18 272 507**

36.2. Liquidity risk

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

As at 31 December 2022, the Group had credit lines totalling nearly EUR 49,7 million, including short-term and long-term lines as well as letters of credit and guarantee limits. In addition to the credit lines, the bonds issued under the Development Bond Program with a nominal value of HUF 21 billion (EUR 52.5 million as at 31 December 2022) provide better flexibility for the Group's operations and investment activities, since its former short-term and investment loans with high financing costs were re-financed by long-term funds with more favourable interest rates. The credit options available to the Group provide sufficient solvency and financial flexibility for the implementation of the Group's strategic objectives.

The table below includes financial liabilities of the Group broken down by maturity as at 31 December 2022 and 2021 based on the non-discounted values of contractual payments.

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

2022	Falling due within 1 year	Falling due within 2-5 years	Falling due beyond 5 years	Total
Finance lease liabilities	271 118	248 231	0	519 349
Bank loans	17 218 410	14 030 082	650 000	31 898 492
Liabilities from issued bonds	3 744 294	30 669 056	17 994 776	52 408 126
Trade payables and other liabilities	21 720 160	0	0	21 720 160
Total	**42 953 982**	**44 947 369**	**18 644 776**	**106 546 127**

2021	Falling due within 1 year	Falling due within 2-5 years	Falling due beyond 5 years	Total
Finance lease liabilities	325 775	495 672	0	**821 447**
Bank loans	6 063 072	3 972 935	179 480	**10 215 487**
Liabilities from issued bonds	0	28 389 294	28 446 293	**56 835 587**
Trade payables and other liabilities	21 660 791	0	0	**21 660 791**
Total	**28 049 638**	**32 857 901**	**28 625 773**	**89 533 312**

Non-compliance with the bank loans' covenants would also represent certain risks to the Group's capability to prolonge its loans and credit facilities. The following table presents the required loan covenants and their fulfilments as at 31 December 2022.

Name and calculation of indicator	Required	Met	Required	Met
	2022		2021	
net debt /EBITDA	≤3,25	2,87	≤3,5	2,30

As at 31 December 2022 the Group complied with all requirements of covenants.

36.3. Geographical risk

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

36.4. Country risk

The operations and profitability of the Group are exposed to changes in the political, macro-economic and budgetary environments of the Central-Eastern, South-Eastern and Eastern-European countries. Potential changes in the political and macro-economic environments may have an adverse effect on Group operations and profitability. The impairment of assets related to the political uncertainties in the Ukraine is described in Note 9.

36.5. Foreign currency risk

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

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

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

36.6. Tax risk

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

36.7. Equity risk

- Dividend payment policy: In the event the Group cannot find development and acquisition targets required for its growth, it can pay dividends to shareholders in addition to providing adequate profitability and working capital. The dividend rate is the maximum of 50% of the profit for the year.
- Capital increase: Masterplast increased its capital in 2018, and may decide to do so in the future as well in order to meet its future strategic objectives. With a few exceptions, the Group is not planning to increase the capital of its subsidiaries from shareholder contributions; any increase in equity will be funded from the profits of previous years.
- Optimum capital structure: following the capital increase implemented in 2012, the Group's debt/equity ratio improved significantly and this rate is intended to be maintained in the future in order in order to mitigate its liquidity risk in the face of the unpredictability of financial markets.
- Continuous operations: To ensure the efficiency of its financial operations, the Group makes continuous efforts to prolong the payment terms of transactions and contracts with its suppliers in order to compensate for payment delays by its debtors.

37. Research and development

Changes in R&D costs:

R&D cost	2021	2020
R&D cost	279 543	361 735

Masterplast Medical Ltd. incurred research and developments costs in 2022 and in 2021 to produce COVID-19 relevant goods for which it received a research and development subsidy (PM152079/2020).

38. Contingent liabilities and future commitments

Unclosed tenders and related commitments – 2022

Tender ID	Tender title	Subsidised company	Amount	Method of settlement	Source of funds	Amount to be repaid	Implemented project	Commitments	Fund available until
GOP-1.3.1-11/A-2011-0084	Energetic modernization of high-rise buildings and the development of related fire safety compliance at Masterplast Kft	Masterplast Medical Kft.	106 037	2011.12.09 2012.08.15 2014.07.30	85% from the European Union's European Regional Development Fund, 15% from the central budget of the Republic of Hungary..	106 037	Exists	Preservation of the 2010 workforce for 2 full business years following the completion of the project. Increase in 2010 sales revenue by at least 30%. which the applicant can complete at any time during the 5-year maintenance period.	31.12.2019
GINOP-2.1.1-15-2016-00767	New favorable wind and airtight diffusion roof film product development at Masterplast Ltd.	Masterplast Medical Kft.	137 285	2017.04.18 2018.09.12 2019.08.21	From the European Regional Development Fund of the European Union and from the Central Budget of the Republic of Hungary.	137 285	Exists	Net sales from the procedure/product developed within the framework of the project must reach 30.8%of the subsidy in the 2 consecutive financial years following the completion of the development but by 31.12.2020 at the latest.	31.12.2024
PM/326-9/2020	Implementation of efficient diffusion roof film production	Masterplast Medical Kft.	384 487	2020.12.30	100% local funds	417 049	Exists	Retention of headcount (71,22 people) and continuous increase of salaries in the financial periods 2021-2026.	31.21.2026
VNT2020-1-0634	Subsidy for increasing competitiveness	Masterplast Medical Kft.	705 579	2020.07.23	100% local funds	705 579	Exists	Retention of headcount	30.06.2021
PM/15207-9/2020	Production of COVID-19-relevant products	Masterplast Medical Kft.	18 290 863	2020.12.29	100% local funds	19 839 886	Exists	Retention of headcount (78,3 people) as well as the maintenance of the developped capacities	31.12.2024
PM/15207-9/2020	Production of COVID-19-relevant products, research and development	Masterplast Medical Kft.	459 259	2020.12.29	100% local funds	498 153	Exists	Retention of headcount (78,3 people) as well as the maintenance of the developped capacities	31.12.2025
PM/2093-10/2021	Production capacity developement of personal health protective equipments in Sárszentmihály	Masterplast Medical Kft.	5 178 371	2021.04.21	100% local funds	5 616 918	Exists	Retention of headcount (80,5 people) as well as the maintenance of the developped capacities	31.12.2025
NGM/34052-6/2017	Implementation of significant company development at Mastefroam Ltd.	Masterfoam Kft.	627 117	2018.04.30 2018.10.31	100% local funds	680 227	Exists	A total of 21 new jobs will be created in the 2019 and 2020 financial years, as well as an increase in wage costs compared to the base period (2016).	31.10.2023
05 No. 401-5329/2015-1	Production Development	Masterplast YU D.o.o.	2 000 000	2015. 2016. 2017.	Republic of Serbia	2 000 000	Exists	Retention of headcount (205 people) for financial years 2018-2022	31.12.2022
KK-H-02/2017-I-7-0005	Production Development	Masterplast YU D.o.o.	2 478 470	2018.	Republic of Serbia	2 472 995	Exists	Maintenance of economic activity for 7 years, 105 new employees for an indefinite period, whose average earnings are at least 75% of the average earnings of the home sector Contracts must be signed with 10 new suppliers.	31.12.2024
SZ-H-04/2019-III-1-0002	Production Development	Masterplast YU D.o.o.	3 000 000	2021.	Republic of Hungary through the Prosperitati Foundation	3 000 000	Exists	Maintenance of economic activity for 5 years,	30.06.2027
NTP2020-000356/2	Creation of new production capacity to ensure production capacity and safe supply of markets	Beneficiary: Masterplast Medical Kft..	6 308 047	I Advance payment: 18.01.2022. II. After the acceptance of I. interim settlement, 21.04.2023 (planned date)	Ministry of Foreign Affairs and Trade Sponsor: HEPA Export Development Agency Zrt.	0	Ongoing	You are obliged to maintain the assets acquired in the framework of the tender for 5 years from the date of acceptance of the final report + 30% of the support must be paid as a dividend during maintenance	5 years from the date of acceptance of the report Planned: 31.12.2023

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

Unclosed tenders and related commitments – 2021

Tender ID	Tender title	Subsidised company	Amount	Method of settlement	Source of funds	Amount to be repaid	Implemented project	Commitments	Fund available until
GINOP-2.1.1-15-2016-00767	New favorable wind and airtight diffusion roof film product development at Masterplast Ltd.	Masterplast Medical Kft.	148 911	2017.04.18 2018.09.12 2019.08.21	From the European Regional Development Fund of the European Union and from the Central Budget of the Republic of Hungary.	148 911	Exists	Net sales from the procedure/product developed within the framework of the project must reach 30.8%of the subsidy in the 2 consecutive financial years following the completion of the development but by 31.12.2020 at the latest.	31.12.2024
PM/326-9/2020	Implementation of efficient diffusion roof film production	Masterplast Medical Kft.	417 049	2020.12.30	100% local funds	417 049	Exists	Retention of headcount (71,22 people) and continuous increase of salaries in the financial periods 2021-2026.	31.21.2026
PM/15207-9/2020	Production of COVID-19-relevant products	Masterplast Medical Kft.	19 839 886	2020.12.29	100% local funds	19 839 886	Exists	Retention of headcount (78,3 people) as well as the maintenance of the developped capacities	31.12.2024
PM/15207-9/2020	Production of COVID-19-relevant products, research and development	Masterplast Medical Kft.	498 153	2020.12.29	100% local funds	498 153	Exists	Retention of headcount (78,3 people) as well as the maintenance of the developped capacities	31.12.2025
PM/2093-10/2021	Production capacity developement of personal health protective equipments in Sárszentmihály	Masterplast Medical Kft.	5 616 918	2021.04.21	100% local funds	5 616 918	Exists	Retention of headcount (80,5 people) as well as the maintenance of the developped capacities	31.12.2025
NGM/34052-6/2017	Implementation of significant company development at Mastefroam Ltd.	Masterfoam Kft.	680 227	2018.04.30 2018.10.31	100% local funds	680 227	Exists	A total of 21 new jobs will be created in the 2019 and 2020 financial years, as well as an increase in wage costs compared to the base period (2016).	31.10.2023
05 No. 401-5329/2015-1	Production Development	Masterplast YU D.o.o.	2 000 000	2015. 2016. 2017.	Republic of Serbia	2 000 000	Exists	Retention of headcount (205 people) for financial years 2018-2022	31.12.2022
KK-H-02/2017-I-7-0005	Production Development	Masterplast YU D.o.o.	2 472 995	2018.	Republic of Serbia	2 472 995	Exists	Maintenance of economic activity for 7 years, 105 new employees for an indefinite period, whose average earnings are at least 75% of the average earnings of the home sector Contracts must be signed with 10 new suppliers.	31.12.2024
SZ-H-04/2019-III-1-0002	Production Development	Masterplast YU D.o.o.	3 000 000	2021.	Republic of Hungary through the Prosperitati Foundation	3 000 000	Exists	Maintenance of economic activity for 5 years,	30.06.2027

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

Bank guarantees

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

Company	Type of guarantee	2022	2021
Masterfoam Kft.	Duty	24 984	27 100
Masterfoam Kft.	Tender guarantee	627 117	680 227
Masterplast Romania	Bank guarantee	251 860	251 825
Masterplast Romania	Bank guarantee	80 171	80 160
Masterplast YU D.o.o.	Bank guarantee	2 000 000	2 000 000
Masterplast YU D.o.o.	Bank guarantee	0	330 000
Masterplast YU D.o.o.	Bank guarantee	85 235	2 069 056
Masterpalst International Kft.*	Guarantee	0	13 178 780
Masterplast Proizvodnja DOO Subotica	Promissory Note	6 308 047	6 842 264
Total		**9 377 414**	**25 459 412**

* Framework guarantee is provided by the bank for the Company related to purchases for Far East.

39. Litigations and extrajudicial legal cases involving the Group

An investigation has been extended to the MASTERPLAST Romania Srl. which was launched by the Romanian tax authority to an assumed tax claim in relation with anti-dumping laws on imported products concerning the operations of some of the suppliers of the Romanian subsidiary of the Company, and the investigative authority suspected MASTERPLAST Romania S.R.L. and two executive officials of it. For the upcoming periods of the procedure, as a security for possible future enforcement up to the amount of EUR 2 011 144 (9 951 341 RON), ordered the seizure and banned the alienation of Romanian properties owned by MASTERPLAST Romania S.R.L. This procedure has no influence on the operation and business activities of the MASTERPLAST Romania Srl.

The Company has initiated a legal redress against the decision. The legal redress is under procedure. As the result of the completed tax investigation, the Romanian tax authority determined a VAT liability in the amount of EUR 251 825 (RON 1 246 053) and additionally EUR 80 160 (RON 396 638) as default interest for the inspected period from 01-01-2014 to 31-08-2016. The Company represented a bank guarantee for the tax liabilities.

As part of the transfer price investigation launched at the Romanian subsidiary of the Company, the Romanian Tax Authorities identified a tax deficit of EUR 468 484 (RON 2 318 107) for the financial years 2014-2018. The Company has appealed because of the finding with the assistance of experts thus the proceedings are still ongoing. In order to avoid possible future tax fines, the Company has paid the full amount to the tax authorities in 2020, which is presented in the profit and loss account as "Other operating income (expenses)".

The Company and its subsidiaries had 7 litigation and non-litigation proceedings totalling approximately EUR 1 315 thousand in the 2022 financial year, including the value of the case relating to the Romanian subsidiary mentioned above.

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

Litigations and extrajudicial cases launched by the Group:

The Company and its subsidiaries have approximately 56 legal proceedings in progress launched by the Group with a total approximate value of EUR 605 thousand.

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

40. MASTERPLAST Employee Shared Ownership Program

Masterplast Nyrt. established the MASTERPLAST Employee Shared Ownership Program (“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.

As the benefit is a share based payment in an equity instrument, it is valued and accounted for in accordance with IFRS 2.

In connection with the 2021/2022 programme, MRP participants are employees of Masterplast Nyrt. and its fully owned subsidiaries (Masterplast Medical Kft., Masterplast Hungária 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 share-based 2021-2022 program related to the year 2022 was launched by the Company on April 7, 2021.
The fair value of the option is determined based on the Black Scholes model at the time of grant.
On the balance sheet date, the MRP organization has the total number of shares linked to the MRP benefit, which is shown as the repurchased own shares (reduced by the value of the share-based benefits estimated with high certainty related to the year 2022) in the equity under the "MRP share-based payment" ” line.
The total amount of the benefit was evaluated against the result based on the IFRS 2 standard, and subsequently all transactions related to own shares related to the MRP benefit will be accounted for in equity.

The grant date is the day when the remuneration policy was signed, in this case (April 6, 2021 in relation to the 2022/2022 program). The vesting period is the second year after the start of the program, i.e. 2022.

The share-based payment was calculated with regard to the 2021/2022 program by taking into account the following values:

MRP 2021/2022		
Grant date	-	2021. április 07.
Fair value of share option at grant date	HUF/db	2 620
Shares expected to be called	db	21 072
Expected value of options exercised	EUR	137 935

LTI 2022		LTI 2020	LTI 2021
Grant date	-	2019.06.14	2020. április 23.
Shares in pieces	db	14 850	8 564
Fair value of share option at grant date	HUF/db	616	483
Option price	HUF/db	100	100
Expected value of options exercised	EUR	22 855	10 335

The fulfilment of the KPIs prescribed in the MRP remuneration policy (not related to consolidated EBIT for 2022) was as follows:

KPI name	Fullfillment %
Increase in consolidated profit after tax compared to previous year	97,7%
Increase in consolidated profit after tax compared to strategic plan	95,2%

If the following KPI's are met, the precondition for the benefit is that the sales revenue included in the 2021 consolidated financial statements exceeds 2019.

KPI name	Fullfillment %
Group turnover increase compared to 2020	164,5%
Consolidated EBIT increase compared to previous yeat	82,8%
Masterfoam Kft increase in adjusted pre-tax profit	0%
Export profit center adjusted EBITDA growth over the previous year	107,8%
Masterplast Hungária Kft. profit center adjusted EBITDA growth over the previous year	136,7%
HQ profit center adjusted EBITDA growth over the previous year	144,3%

The expected gross payments in each company are as follows in relation to the 2020/2021 program are as follows:

Subsidiary	2022	2021
Masterplast Nyrt	28 920	95 634
Masterfoam Kft.	0	0
Masterplast International Kft.	6 042	25 239
Masterplast Hungária Kft.	9 524	33 026
Masterplast Medical Kft.	0	20 138
Total	**44 486**	**174 037**

Since the Company and the MRP organization launch 2-year programs, the 2022/2023 remuneration program was launched in 2022. The vesting period is the second year after the start of the program, i.e. 2023, so the start of this program has no effect on the 2022 consolidated financial statements.

41. The Russian – Ukrainian war

As a result of the Russian-Ukrainian war launched in February 2022, the Group temporarily ceased operations in Ukraine then, after securing equipment and resources, successfully continued operations in the non-war-torn areas. The potential impact of this on the Group's profitability is considered marginal due to the territorial positions of the Group's involvement. In the medium and long term, Masterplast - as a manufacturer of building and insulation materials, which has been present in the Ukrainian market for a long time - has the potential to offset its losses during the war by profits of the re-building after the war.Despite of the war situation as a result of the Company's successful maintenance of payment discipline (prepayment) and secure inventory management (evacuated stocks), the Company has not incurred any impairment on its Ukrainian receivables and stocks beyond the value accounted for in the ordinary course of business.

Masterplast has no Russian exposure, either in the procurement of raw materials or on the buyer's side, so the sanctions imposed on Russia and Belarus do not pose a direct threat to the Group. At the same time, indirect effects of the war are causing disruptions to the functioning of supply chains, which means further increases in raw material prices and potential supply difficulties for market actors. In order to alleviate these difficulties the Group works with high level of stocks of raw materials. The level of its strategic stocks and its diversified supplier portfolio ensure business continuity and high service standards.

On the basis of the information currently available, the going concern assumption is appropriate for the Company and its liquidity is secure for the 12 months following the balance sheet date.

42. Subsequent events

Bonuses to the senior management of the parent company and to the executives of the subsidiaries based on their individual performance in the previous financial year have not been paid yet thus they are accounted for as accruals in the 2022 consolidated annual financial statements.

The Company concluded a purchase agreement on 18 January 2023 to acquire 100% share of PIMCO Kft. PIMCO Kft. has an industrial area of 4.3 hectares prepared for factory construction in Szerencs, as well as an advanced glass wool manufacturing development project worth HUF 14.1 billion (EUR 34 978 139), for the implementation of which a 40% non-refundable state grant in the amount of HUF 5 645 billion is provided by HIPA National Investment Promotion Agency Non-Profit Zrt. Due to the favourable conditions of the acquisition, the development project is in a significantly advanced stage. The new plant, with an area of 11,500 square meters, will be able to produce about 20,000 tons of glass wool thermal insulation material per year. The development project will be funded by equity raised in October 2022 to finance production developments.

The Company concluded a strategic cooperation agreement with KÉSZ Holding Zrt. on 31 Januar 2023 for the joint development of a steel frame system of modular buildings manufactured by MASTERPLAST Modulhouse Kft. Based on the strategic cooperation agreement, the joint development and utilization is related to the modular building element manufacturing business of the Company, within the framework of which KÉSZ Holding Zrt. and its affiliated companies designated to participate in the cooperation can support the goals of the Company partly as suppliers of steel structures and partly as buyers of modules manufactured with jointly developed frames. For the success of the cooperation, KÉSZ Holding Zrt. provides decades of experience and capacity in the production of steel structures, while Masterplast provides its thermal insulation material manufacturing knowledge, building energy expertise and know-how achieved in the design and manufacture of modular building elements.

The Company concluded a share transfer agreement on 15 February 2023 for the sale of the shares in Master Modul Kft., representing 25% of Master Modul Kft.'s registered capital, with a nominal value of HUF 750,000 (EUR 1,873). As a result the Company no longer has a share in Master Modul Kft., the activity primarily planned in Master Modul Kft. will be implemented by MASTERPLAST Modulhouse Kft.

On 21.03.2023, MASTERPLAST Nyrt. concluded a business transfer agreement with MASTERWOOL MW-1 d.o.o. for the purchase of 49% of its registered capital. As a result of the transfer of the business part, MAS-TERPLAST Nyrt. became MASTERWOOL MW-1 d.o.o. It becomes its sole member with a 100% share.

On 16.03.2023, the Company entered into a business transfer agreement with MASTERPLAST Italia S.r.l. for the purchase of a share of the business, representing 44.5% of its registered capital, with a nominal value of EUR 89 000. As a result of the transfer of the business part, MASTERPLAST Nyrt. became MASTERPLAST Italia S.r.l. becomes its member with a 95.5% stake.

In connection with the 2022 business year, a approved dividend by the general meeting may be paid, which may be paid after the approval of the general meeting in accordance with the provisions of the effective articles of association of Masterplast Nyrt.

43. Statements for the future

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

Estimates and assumptions are regularly reviewed. Changes to accounting estimates are shown in the period of the estimate change, if the change affects only the given year, or in the change period and subsequent periods, if the change affects both current and future years.

44. Assumption of responsibility

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period when the estimate is revised, if the revision affects only that year, and estimate treated in the period of estimate change and prospectively if the revision affects current and future years.

45. Approval of the consolidated annual financial statements

The consolidated annual financial statements of Masterplast Nyrt. for the year ended 31 December 2022 were approved by the Board of Directors in a resolution dated 27 April 2023 and allowed their publication The consolidated annual financial statements may only be amended by the Annual Meeting of the Shareholders.

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MASTERPLAST

MASTERPLAST PLC.

CONSOLIDATED MANAGEMENT AND BUSINESS REPORT 2022

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/2022 – 31/DEC/2022

Sárszentmihály, 27 April 2023.

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CEO

Contents

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:

- 16 850 635 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	2022	2021
Dávid Tibor	454 805 700 Ft	454 805 700 Ft
Balázs Ács	387 725 900 Ft	387 725 900 Ft
LPH Kft., SOH Kft.	0 Ft	79 886 900 Ft
Róbert Nádasi	10 562 000 Ft	6 779 900 Ft
Additional minority owners	804 424 100 Ft	497 446 400 Ft
Repurchased shares	27 545 400 Ft	33 483 100 Ft
Total:	1 685 063 100 Ft	1 460 127 900 Ft
	(6 049 289 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. In October 2022, it raised a further EUR 22.4 million through public offering of ordinary shares.

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 275 454 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 2022:

- Dávid Tibor – Chairman
- Balázs Ács – Deputy Chairman
- Dezse Margaret – Independent member
- Dirk Theuns – Independent member
- Fazekas Bálint – 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
- Fazekas Bálint

The Audit Committee is responsible for:

- commenting on the annual report drawn up according to the accounting act;
- making recommendations on the identity and remuneration of the Auditor;

- 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;
- 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;
- evaluating the functioning of the financial reporting system and recommending necessary measures;
- assisting the Board of Directors in its work for the sake of adequate control of the financial reporting system;
- supervising and managing internal audit work.

Rules on the appointment and removal of senior officials and amendments to the statutes

The Board of Directors of MASTERPLAST Nyrt. (registered seat: 8143 Sárszentmihály, Árpád u. 1/A.; registered at the Court of Companies of the Székesfehérvár, company registration number: 07-10-001342; hereinafter referred to as the "Company") - is the executive body of the Company. The Board of Directors consists of five members. The members of the Board of Directors are elected by the General Assembly. Members of the Board of Directors hold office on a mandate basis, subject to an agreement with the Company. The Board of Directors acts as a body and may allocate its tasks among its members on a permanent basis or on an ad hoc basis.

The Board of Directors, as the implementing a unified management body, performs the functions of the Board of Directors and the Supervisory Board as defined in the Civil Code. The majority of the members of the Management Board must be independent persons. The members of the Board of Directors are considered to be executive officers.

The President and the Vice-President of the Board of Directors shall be elected by the Board of Directors for a term of office equal to the term of office of the Board of Directors. In the absence of the President of the Board, the Vice-President shall perform his/her duties.

A member of the Board of Directors may be a person only if he fulfils the conditions laid down by the legislation in force and the Statutes, who has been elected by the General Meeting and who has accepted that mandate by written declaration.

A member of the Board of Directors shall be responsible for the management of the Company in his or her own capacity, on the basis of the best interests of the Company.

Membership of the Board of Directors shall terminate at the end of the term of the mandate, by recall by the General Assembly, upon resigning, upon the occurrence of a ground for exclusion specified by law or upon the death of the member.

In the event that a member of the Board of Directors becomes aware of a reason which prevents him/her from continuing in office (e.g. the occurrence of a legal exclusion or conflict of interest, or lack of time due to other commitments), he/she shall immediately inform the President of the Board of Directors thereof or tender his/her resignation.

The General Meeting is the supreme body of the public limited liability company, which consists of all shareholders. Unless otherwise provided for in the Civil Code or these Articles of Association, the General

Meeting shall have exclusive competence to decide - unless otherwise provided by law - on the establishment and amendment of the Articles of Association.

The Board of Directors is competent to amend the name, registered office, permanent establishment, branch, field of activity of the Company (except for the main business) and to amend the Articles of Association in connection with this.

Powers of senior officials

The Board of Directors is competent to decide on the acquisition of own shares under the conditions laid down by law and the Articles of Association, as well as to decide on the transfer and encumbrance of Plc's own shares.

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 Group activities and business model, subsidiaries

With our subsidiaries, we ensure a direct market presence in 10 European countries and through our export partners we are present in most European countries.
We have a dominant position in the building thermal insulation, high roof insulation and dry construction systems markets, and a growing presence in the healthcare industry with our hygiene products.
We ensure our product supply through manufacturing at our production bases with ISO and TÜV certification in Hungary, Serbia and Germany and through strategic manufacturing partnerships.
With our established customer-focused distribution system, with continuous quality control of the products manufactured and distributed, with stable product supply background and with flexible logistics solutions, we provide competitive business services to our partners.
The sound supply chain, the already implemented and ongoing investments in production and development, the strong financial background and last but not least the agile organisational culture provide a solid basis for further and sustainable growth.

Presentation of the activities of the companies belonging to the Masterplast Group

Company name	Activity	Description
Masterplast Romania S.R.L., Romania (100% share of ownership)	Wholesale of construction materials	It has a nationwide network of partners and distributes the Group's full range of products. Its sales activities are regionally organised, with customers served from two company-owned operating points (Oradea and Bucharest), using mostly its own logistics facilities.
Masterplast YU D.o.o., Serbia (100% share of ownership)	Wholesale of construction materials, EPS and fiberglass production	The Group's largest subsidiary, its main activity is to serve the Serbian market, to ensure exports to neighbouring countries (Albania, Bosnia and Herzegovina, Montenegro and Kosovo) and to manufacture EPS insulation material, fiberglass and mesh corner protector profiles. The Serbian market is served from the company's own operational point in Subotica, with a full range of products. The EPS production provides products mainly for the Serbian, Croatian and Hungarian markets, while the target markets for mesh corner protection profile and fiberglass products are mainly European Union countries. The logistics service for sales in Serbia is mostly provided by the company's own fleet.
Masterplast s.r.o., Slovakia (100% share of ownership)	Wholesale of construction materials	It serves its partners in Slovakia with a full range of products from its own headquarters in Diószeg and from a leased operational point in Eperjes, and exports to the southern regions of the Czech Republic near Slovakia.
Masterplast d.o.o., Croatia (100% share of ownership)	Wholesale of construction materials	Serves the Croatian market from Dályok with the full product range of the Group, partly with its own logistics assets.
MasterPlast TOV, Ukraine (80% share of ownership)	Wholesale of construction materials	With a steadily growing number of partners, it serves the Ukrainian market from 5 operational points. The company is headquartered in Uzhhorod and its logistics fleet is owned by the company.

Masterplast Sp. z.o.o., Poland (80,04% share of ownership)	Wholesale of construction materials	In the largest construction market in the region, it sells from a single operational point covering the whole country. The company is headquartered in Rokietnica (near Poznan) and uses partly its own logistics background and external logistics service providers to serve its partners.
Masterfoam Ltd., Hungary (100% share of ownership)	Foil production	Its main activity is polyethylene foam production suitable for use in the construction and packaging industries. Focusing on the insulation industry, ceasing the production of foam foils, the company decided to start the production of EPS insulation material. The installation of the machinery started at the end of 2022 and according to the company's plans, production can start in the second quarter of 2023.
Masterplast Medical Ltd., Hungary (100% share of ownership)	Manufacturing of basic and finished healthcare products	The former name of the company is Masterplast Gyártó és Kereskedelmi Ltd., the date of the modification is 30 July 2021. The healthcare business unit of the Masterplast Group is specialized in the production of healthcare textiles and finished products. At a high level of quality it is able to serve the needs of the healthcare industry with a wide range of single-ply nonwoven fleece materials, as well as multilayer nonwoven textiles combined with film layers and finished products made from these materials. The company also produces single- and multi-layer industrial fleece for other industries (construction, agriculture, automotive, furniture, etc.). State-of-the-art production technology with a high degree of automation ensures consistent high quality.
Masterplast D.O.O., North-Macedonia (100% share of ownership)	Wholesale of construction materials	Serving its customers from a single operational point on its own premise, with its own logistics fleet.
Green MP Invest, Ukrajna (100% share of ownership)	Asset manager	Masterplast Plc decided to start the EPS investment in Ukraine in 2012, which was suspended in 2013 due to the political and market situation, and subsequently decided to stop the investment and sell the assets in 2016. The operation of Green MP Invest has been suspended for an indefinite period and the further exploitation of the company is under evaluation.
Masterplast Hungária Ltd., Hungary (100% share of ownership)	Wholesale of construction materials	It is the subsidiary with the largest turnover in the Group supplying and serving the Hungarian market as its main activity. Through its large network of partners, it has a full commercial coverage of the whole country and distributes the entire product range of the Group. It maintains an adequate stock level to provide a continuous, smooth and cost-effective partner service. The company is located in Sárszentmihály, and avails of its own logistics fleet for the predominant part of its partner services.
Masterplast Modulhouse Ltd. Hungary (100% share of ownership)	Construction of residential and non-residential buildings	In modular construction, building units with a high level of interior completion are manufactured under industrial conditions. The subsidiary aims to become a major player in this rapidly evolving market as a preferred partner for general contractors of modular construction in Hungary. Therefore, a production plant of adequate size and production efficiency has been established in Hungary. Masterplast strives to become a building system manufacturer from a construction materials manufacturer and to offer modular solutions to contractors.

Masterplast International Ltd., Hungary (100% share of ownership)	Wholesale of construction materials	Its main activity is to serve export partners and to provide the subsidiaries of the group with products. The company has sales partners in almost every country in Europe and its product range consists mainly of façade insulation system elements and roofing foils. The partners are typically served by external fleets. Products are supplied to affiliated subsidiaries through this company from its headquarters in Sárszentmihály.
Masterplast Nonwoven GmbH, Germany (100% share of ownership)	Fleece and multilayer membrane production	It is expert in the production of non-woven industrial textiles. It is able to meet the high-quality needs of a wide range of industrial segments by developing single-ply nonwoven fleece raw materials, two- and three-ply nonwovens with adjustable vapour permeable foil coating, and specialised products.
Fidelis Bau Ltd., Hungary (100% share of ownership)	Thermobeton production	The manufacturer of "Thermobeton", a lightweight insulating concrete made from recycled raw materials. Masterplast is the first company in the Hungarian construction industry to launch a circular economy model called "Hungarocell Green Program". The principle of this unique programme is that Masterplast collects the unused off-cuts from the Hungarocell polystyrene and XPS products it supplies, which are processed by Fidelis BAU Ltd. and recycled into thermal insulation material.
Masterplast Italia Srl., Italy (51% share of ownership)	Wholesale of construction materials	With 51% ownership of the company, MASTERPLAST ITALIA SRL was established on 13 April 2022 in Reggio Emilia, Italy. The co-founders of the subsidiary are individuals with extensive experience and business contacts in the local building materials market. The new company is established for the commercialization of thermal insulation materials in Italy. The company is also planning to start production in Italy following the launch of the Italian trading subsidiary. The new polystyrene thermal insulation material production plant will be established in Calerno, in the province of Reggio Emilia, in northern Italy, and could start production as early as 2023.
Masterplast Proizvodnja D.o.o., Serbia (100% share of ownership)	XPS production	The Group's second subsidiary in Serbia, where XPS insulating material production will be implemented as part of a greenfield investment. The investment started in the third quarter of 2021, and the industrial production will start in the second quarter of 2023, after the completion of the test production.
Masterprofil Ltd., Hungary (20% share of ownership)	Profile production	The company performs plasterboard profile manufacturing activities at the Group's site in Kál, supplying products to the subsidiaries of the Group.
T-CELL Plasztik Ltd., Hungary (24% share of ownership)	EPS production	The main activity of T-CELL Plasztik Ltd. is the production of polystyrene, in Hungary it manufactures EPS insulation material in two plants – in Hajdúszoboszló and Zalaegerszeg. Its products are mainly sold on the Hungarian market, where it has a market share of more than 10%.
MASTERWOOL MW-1 d.o.o., Serbia	Mineral wool production	The company was founded to produce mineral wool and is currently inactive.

(51% share of ownership)[1]		

Source: data from the Company's management information system

On April 12, 2022, MASTERPLAST ITALIA SRL was established in Italy for the Italian trade of insulation materials, with a 51% ownership of the Company. The Company has also launched an EPS-based thermal insulation material manufacturing investment project in MASTERPLAST ITALIA SRL.

MASTERWOOL MW-1 d.o.o. was established in Serbia in order to start rock wool production activities, but no investment activity and operation has yet taken place within the framework of this economic organization. On March 21, 2023, MASTERPLAST Plc. signed a share transfer agreement for the purchase of 49% of the registered capital of MASTERWOOL MW-1 d.o.o. As a result of the share transfer, MASTERPLAST Plc. becomes the sole owner of MASTERWOOL MW-1 d.o.o. with a 100% share.

With the acquisition of Masterplast D.O.O.'s previously externally owned 10% share, the consolidated ownership of the Company changed from 90% to 100% with effect from 22nd December 2022.

Plans for expansion

The Company aims to maintain a dynamic growth rate, which is planned to achieve through acquisition-based expansion, greenfield investments and organic development. Geographically, the countries of the European Union and Serbia could be the growth areas. The Company pays particular attention to identifying potential acquisition targets, where it seeks companies with the right market potential, using both internal and external resources. The aim is of the acquisitions to support the Company's development, successful operations and create synergies.

The turnover and profit increase are planned to be achieved in construction, healthcare, modular architecture, and industrial sales markets.

In recent years, the Group has implemented production development investments totalling more than EUR 50 million. It has significantly increased its capacities in the production of fiberglass mesh and diffusion roof foil, with which the Company Group is able to serve the market of premium category products with the highest quality demands. With three more plants to be launched in 2023 – one XPS and two EPS plants – the production capacities of thermal insulation materials will also be videly expanded, thus providing an opportunity for further penetration in Western European markets. In dealing with the energy crisis, the renovation and energy renovation of buildings have gained in value, which ensures an increase in demand for insulation materials. Building on this, Masterplast launched its rock and glass wool production development investments at the end of 2022 following a successful stock exchange capital raising in the value of HUF 9,22 billion. According to the company's vision, by the second half of the decade, Masterplast could be the only manufacturer of thermal insulation materials in the Central and Eastern European region with significant manufacturing and market positions in both plastic and mineral insulation materials.

Market entry in the modular building element manufacturing business is expected in 2023. The modular business and the realisation of the potential of the healthcare division will further increase Masterplast's profitability and, through business diversification, its crisis resilience in the coming years.

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. The Russia-Ukraine war that broke out in February 2022 and the subsequent energy crisis have amplified supply constraints as a result of previous COVID-19 containment measures and further increased prices. These effects boosted industry demand in several markets in the first half of the year through early purchases, and the construction and insulation markets continued to be strengthened by energy efficiency and climate protection goals, as well as government subsidies and programmes. As a result of the above-mentioned developments, high inflation and rising interest rates around the world had a noticeable impact on construction demand from the third quarter. The market for new construction has declined spectacularly at European level, but there has been no decline in the renovation segment aimed at improving the energy efficiency of buildings. The operation of the construction market was significantly affected by the correction in raw material prices in the last quarter. As demand slowed down, prices of raw materials such as plastic, steel and glass fibre also started to fall, which encouraged operators to reduce high stock levels, which were an advantage in previous periods of shortages, resulting in oversupply and price competition.

According to the data of the Central Statistical Office, the volume of construction production in Hungary, which has the largest weight in terms of markets of the Group, increased by 3% year-on-year. Similarly to previous years, the state's home renovation subsidy, which ends at the end of the current year, continued to play a major role in the development of industry demand, and the regulations announced in August changing the reduction in utility charges also fueled the demand for insulation materials. At the same time, Hungary's inflation rate and key interest rate are by far the highest among EU countries, just as the weakening of the forint in 2022 was also outstanding.

According to forecast data, Romania's GDP grew by 4,9% in 2022, which is more favorable compared to expectations reported so far, but the annual inflation rate reached a high level, stopping at 16,4% in December. Construction production grew by 13% in 2022, mostly driven by the non-residential segment. At the same time, the number of building permits decreased by 7% compared to the previous year, according to data from Eurostat. Overall, the Romanian construction market was characterised by high uncertainty and unpredictability due to high prices and an unfavourable economic environment, and the sector also suffered from significant labour shortages during the year.

It is estimated that total economic activity in Serbia in 2022 grew by 2.3 percent compared to 2021, based on the development of gross domestic product (GDP), while the estimated annual inflation rate is 15,1 percent. The value of construction work in 2022 decreased by 11,8% compared to the previous year. The number of building permits issued has been steadily decreasing in recent months, falling 16% below base level in November.

Ukraine, which has been ravaged by war since late February 2022, is projected to see a 30.4% decline in the country's GDP in 2022. The construction, real estate and economic sectors are under pressure from martial law in the country. According to statistical data, by November 2022, 16 800 apartment buildings and 126 700 private houses had been reduced to ruins due to the war, causing an estimated USD 52,5 billion in damage to Ukraine. Compared to 2021 figures, the construction of new houses halved in the first three quarters. The Ukrainian state is helping homeless citizens with a housing purchase support program.

Germany's GDP grew by 1,8% in 2022. The war in Ukraine, international supply problems, changes in the interest rate environment and inflation are also having a negative impact on the construction in Germany, with cancellations of housing construction becoming more and more prevalent. According to Eurostat data, construction production decreased by 1,5% and the number of building permits issued by 7% in 2022 compared to the previous year.

In Poland, construction was in a difficult situation, inflation and rising prices of building materials clearly dampened home purchases and investor sentiment. The number of building permits issued decreased by 13% compared to 2021. The arrival of labour from East and the import of certain construction materials were also difficult due to the war, all of which have a direct impact on the operation of Polish construction operators. Despite everything, construction output grew by 8% year-on-year compared to baseline.

Overall, construction output in Slovakia stagnated in 2022 compared to the previous year, with the number of building permits issued falling by 16%. The Slovak market has experienced strong oversupply and price competition since the third quarter, with significantly fewer requests for quotations from industry players. They are waiting for the start of the stimulus program promised by the government, which could help the situation. Under the green programme adopted by the government, which is currently in the tender phase, it is planned to allocate EUR 560 million to support the renovation of 30 000 energy-hungry old houses.

According to preliminary data, Croatia has grown by 6% of GDP, but its inflation rate is among the highest among EU Member States. The volume of construction works and the number of permits issued also increased compared to the previous year. Continued stable demand for residential real estate, infrastructure investment (financed by EU funds) and the necessary reconstruction of earthquake-stricken areas strengthen and fuel demand.

Based on EUROSTAT statistics, the table below summarises the percentage development of GDP growth, construction output and the number of housing permits issued by country compared to the previous year.

	GDP growth (current prices)%		Change in construction output (compared with previous year)%		Change in the number of building permits issued (compared to previous year)%	
Country	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**
Germany	2,6	1,8	-1,6	-1,5	3,9	-7,1
Croatia	13,1	6,3	9,3	4,7	19,1	12,9
Italy	7	3,7	25,1	12,6	21,9	:
Hungary	7,1	4,6	11,9	3,3	36	20
Poland	6,8	4,9	1,5	8,2	23,9	-12,7
Romania	5,8	4,8	-1	13,3	12,5	-7,4
Slovakia	3	1,7	-1,9	-0,4	20,3	-16,2
North Macedonia	3,9	2,1	-11,4	-11,9	92,3	-41,4
Serbia	7,5	2,3	16,5	-12,5	17,6	:
EU (27 Member States)	5,4	3,5	5,5	2,7	16	:

Source: EUROSTAT Building permits - annual data [STS_COBP_A__custom_5562514]; Production in construction - annual data [STS_COPR_A__custom_5561911]; Real GDP growth rate - volume [TEC00115]

Developments in performance on business operations

Overview of sales by product group

Sales by main product groups (thousands of EUR)	2021	2020	Change %
	(A)	(B)	(A/B-1)
Thermal insulation system	106 626	77 007	38%
Roofing foils and accessories	26 293	29 652	-11%
Dry construction system	18 232	17 969	1%
Heat, sound and water insulation materials	19 214	17 019	13%
Building industry accessories	5 900	5 824	1%
Industrial applications	25 515	44 018	-42%
Total sales revenue	**201 780**	**191 489**	**5%**

Contribution of product groups in percentage to the total sales revenue		
Thermal insulation system	52%	41%
Roofing foils and accessories	13%	15%
Dry construction system	9%	9%
Heat, sound and water insulation materials	10%	9%
Building industry accessories	3%	3%
Industrial applications	13%	23%
Total sales revenue	**100%**	**100%**

Source: data from the Company's management information system

Group sales increased by 5% to EUR 201 780 in 2022. In particular, due to the thermal insulation product group related to the renovation market, sales revenue in the core business construction segment increased significantly, which compensated for the decline in sales of healthcare products which significantly strengthened the base year.

The thermal insulation system product group continued to account for the largest share (52%) of Group revenue, where the turnover was 38% higher than in the previous year. Within the product group, the turnover of self-manufactured EPS products and fiberglass mesh increased significantly, but the supplementary products (adhesives, profiles) also contributed to the result. Based on regional data, sales of the product group increased in all markets of the Company except Ukraine. Among these, the one and a half times sales performance in Italian, Slovak, Polish and Hungarian markets were the most outstanding.

Sales of roofing folis and accessories decreased by 11% compared to the base of 2021. Within the product group, only sales of roof accessories increased. Further examining the markets, sales in the Croatian, Romanian, Serbian and Slovak markets increased, while sales in the product group decreased or stagnated in the other markets.

In dry construction systems, the Group's turnover stagnated in the year under review compared to the base in 2021. Sales of drywall profiles declined, but sales of drywall sheets brought growth. Sales of the product group decreased in most of the markets, except for the Hungarian, Croatian and Export markets.

In the heat, sound and water insulation materials product group, the Group's sales closed 13% higher than the base in 2021. In addition to sales of glass and rock wool and XPS products, sales of foam film also increased. In terms of markets, sales in Romania and Slovakia stagnated, and with the exception of Poland, Serbia and Ukraine, the Group's turnover increased.

In building industry accessories, the Group's turnover stagnated in 2022 compared to the base. Sales in Poland, Slovakia, Germany and Ukraine were lower than a year earlier, but increased in the Group's other markets.

In the case of the industrial applications product group, sales decreased by 42% compared to 2021, mainly driven by a decrease in sales of healthcare products, including protective clothing to the Hungarian healthcare sector. The turnover of packaging products and non-strategic raw materials trade also decreased.

Turnover by country

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

Sales by countries (thousands of EUR)	2022	2021	Change %
	(A)	(B)	(A/B-1)
Hungary	89 601	87 516	2%
Export	18 462	18 088	2%
Romania	16 883	14 603	16%
Germany	14 379	15 201	-5%
Italy	13 580	9 022	51%
Poland	13 495	11 901	13%
Serbia	13 351	11 890	12%
Slovakia	8 101	6 974	16%
Ukraine	7 458	10 446	-29%
Croatia	4 598	3 922	17%
North Macedonia	1 872	1 926	-3%
Total sales revenue	**201 780**	**191 489**	**5%**

Contribution of countries in percentage to the total sales revenue		
Hungary	44%	46%
Export	9%	9%
Romania	8%	8%
Germany	7%	8%
Italy	7%	5%
Poland	7%	6%
Serbia	7%	6%
Slovakia	4%	4%
Ukraine	4%	5%
Croatia	2%	2%
North Macedonia	1%	1%
Total sales revenue	**100%**	**100%**

Source: data from the Company's management information system

The Group's turnover in the heaviest Hungarian market increased by 2% in 2022 compared to the base year. Thanks to the government support to encourage renovations until the end of the year, the Company's revenue in the construction segment on the Hungarian market increased by 37% overall. Sales in the thermal insulation system product group and heat, sound and water insulation materials increased significantly, while sales revenue increased to a lesser extent in the other construction product groups. At the same time, sales of healthcare products included in the industrial applications product group fell sharply.

Sales in the Export areas increased by 2% year-on-year. The turnover of self-manufactured fiberglass mesh belonging to the thermal insulation system product group and self-manufactured healthcare products included in the industrial applications product group also increased significantly, but dry construction systems, heat, sound and waterproofing materials product groups also performed well compared to the base year 2021. At the same time, sales of roofing foils and accessories decreased significantly compared to the strong base. Masterplast significantly increased its sales revenue in the French, Portuguese and Greek territories, but sales decreased in some target countries – e.g. Czech Republic, Finland, United Kingdom – compared to a year earlier.

In the Romanian market sales increased by 16% overall. In particular, the turnover of own-produced fiberglass mesh belonging to the thermal insulation system product group, as well as roof oils and accessories increased in 2022 compared to the base, but building industry accessories also performed well. Sales revenue stagnated in the case of heat, sound and water insulation materials, while sales decreased compared to base in the dry construction systems product group.

Sales on the German market decreased by 5% in 2022 compared to the corresponding period last year. Sales of own-produced medical raw materials and roofing foils decreased significantly, but sales revenue of the thermal insulation systems product group increased significantly on the German market in the year under review.

Sales in Italy, now a separate market with subsidiary presence from the second quarter of 2022, increased by 51% compared to last year, where the Italian state's tax refund action strongly stimulated insulation demand until the first half of this year. The thermal insulation system product group represents the overwhelming share of sales if the Company on the Italian market.

In the Polish market, Group sales increased by 13% compared to 2021. Sales revenue increased in the thermal insulation system product group due to the sale of own-produced fiberglass mesh products, while sales revenue of other product groups decreased compared to the base year of 2021.

In Serbia, Group sales increased by 12% compared to base in 2022. Sales of mesh edge profiles, fiberglass mesh and EPS increased most in the thermal insulation system product group, but sales of roofing foils and accessories also performed well. Sales for other product groups declined.

As a result of the war situation, turnover in Ukraine was 29% lower than in the base period of 2021. Given that sales activity in war-torn regions is very limited, the loss of sales affected all product groups. At the same time, sales performance continued to develop well in the western regions of the country, as a result of which the lag showed a catching-up trend during the year.

In Slovakia, the Group achieved a 16% increase in turnover in the year under review. Sales revenue increased significantly in the thermal insulation systems and industrial applications product groups, while sales decreased in the product groups dry constructions and building industry accessories.

In Croatia, Group turnover increased by 17% compared to year 2021. Sales of and building industry accessories and industrial applications product groups increased the most. With the exception of dry construction systems, turnover increased in all product groups.

North Macedonia, which has the smallest turnover share, saw a 2% drop in turnover in 2022 compared to baseline. In this market, the heat, sound and water insulation product groups performed best, but building industry accessories also grew well. Sales of the thermal insulation systems increased slightly, and it decreased in the remaining two product groups.

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 2022	31 December 2021	Change	Change %
	(A)	(B)	(A-B)	(A/B-1)
Sales revenues	201 780	191 489	10 292	5%
Materials and services used	-170 965	-146 994	-23 971	16%
Payments to personnel	-26 977	-21 395	-5 582	26%
Depreciation, amortisation and impairment	-5 463	-4 556	-908	20%
Movements in self-produced inventories	13 231	4 173	9 057	217%
Other operating income (expense)	3 524	-4 442	7 966	-179%
OPERATING PROFIT	**15 130**	**18 275**	**-3 146**	**-17%**
Interest received	1 058	351	707	202%
Interest paid	-2 511	-1 451	-1 060	73%
Other financial (expense) income	3 937	1 136	2 801	247%
Financial loss	**2 484**	**35**	**2 448**	**6982%**
Profit or loss attributable to associates	325	259	66	26%
PROFIT BEFORE TAX	**17 938**	**18 569**	**-631**	**-3%**
Income tax	-2 238	-2 499	261	-10%
PROFIT FOR THE YEAR	**15 700**	**16 070**	**-370**	**-2%**
EBITDA	20 593	22 831		
EBITDA ratio	10,2%	11,9%		
Earnings per share (EPS) (EUR)	1,05	1,1		
Diluted earnings per share (diluted EPS) (EUR)	1,05	1,1		

Source: consolidated audited report of the Company on 31st of December 2022 and audited report on 31st of December 2021 based on IFRS accounting rules

The Group's turnover in 2022 was EUR 201 780 which is 5% higher than in the base period. In particular, due to the thermal insulation product group related to the renovation market, sales revenue in the construction segment increased significantly, which compensated for the decline in sales of healthcare products which significantly strengthened the base year.

Both the trade margin amount and the margin rate on turnover decreased in 2022 compared to the base period. The decline in the share of healthcare products and increased manufacturing (typically energy) costs during the year had a negative impact on margins. In the context of the price mechanisms from the second half onwards, the company's previously purchased stocks at higher prices further weakened its trade margin. The Group's trade margin amount increased in most markets in the construction segment and decreased significantly in the healthcare sector.

The output of EPS production in Serbia increased compared to the previous year, the capacity utilization of the mesh edge protection plant was on a base year basis. The output of the Serbian fiberglass mesh factory also increased, where production capacities increased through investments. From the Group's foam plant in Kal, the

Company sold its foam production equipment in September, and a new EPS plant is being established at the site. The output of the Aschersleben fleece production unit decreased compared to last year's base. Production activity has increased at the central site in Sárszentmihály, where capacities in the fleece production unit are increasingly reserved for customer orders. In the medical finished product department, product developments are being carried out in order to serve customer needs as widely as possible.

The cost of materials and services – considering the change in the self-manufactured inventories as well – has increased by 10% versus 2021. Due to the increasing manufacturing activity and the price conditions resulting from the above-mentioned industrial and global economic developments, the Group's costs of raw and other materials, energy and fuel increased. Overall, the value of the Company's services used decreased in 2022 compared to the base period, within which maintenance and repair costs increased, while foreign transport costs decreased.

Largely due to the increase in the headcount of the Serbian plant and the increase in wage levels in line with market trends, personnel related expenses increased by 26% in 2022 compared to the base period. As of the end of December 2022, the Group employed 1 499 people, compared to 1 379 at the end of the reference period.

The 20% increase in the amount of depreciation was driven by established new CAPEX investment in Hungarian sites meanwhile the related government support was accounted proportionally in the figures.

On the other operating income line, the Company recorded a profit of EUR 3 524 thousand compared to a loss of EUR 4 442 thousand in the base period. The difference is explained by the removal of deferred income related to the government grants received in line with the depreciation and the write-back of the impairment of sold and used stocks. Despite the war situation in Ukraine, due to the better-than-expected payment behaviour and secure inventory management, the Company has not provisioned further impairments on its Ukrainian receivables and inventories beyond those accounted for in accordance with its policy in the ordinary course of business.

As a result, the Company's EBITDA in 2022 amounted to EUR 20 593 thousand (EBITDA margin of 10,2 %) compared to EUR 22 831 thousand (EBITDA margin of 11,9 %) in the base period, while operating profit amounted to EUR 15 130 thousand in 2022 compared to EUR 18 275 thousand in the base period.

The Company's interest income improved, while the Company's interest expenses increased in 2022 compared to base as a result of bond issuances and borrowing, to finance investments. Interest result represented a loss of 353 thousand euros compared to the base.

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. At the end of the year, the company also had EUR/HUF exchange rate insurance transactions, the revaluations of which were also reflected in the Group's financial results.

Due to favourable exchange rate effects, a profit of EUR 3 937 thousand was recorded as a result of other financial operations, compared to the profit of EUR 1 136 thousand in the base period.

Taking into account financial results, the Group's profit after tax in 2022 was a profit of EUR 15 700 thousand, compared with a profit of EUR 16 070 thousand in the base period.

The Company's financial position

Balance sheet (thousands of EUR)	31 December 2022	31 December 2021	Change	Change %
	(A)	(B)	(A-B)	(A/B-1)
NON-CURRENT ASSETS				
Property, plant and equipment	109 530	89 624	19 906	22%
Intangible assets	197	151	46	30%
Investments in associates	2 084	553	1 531	277%
Deferred tax assets	396	674	-278	-41%
Other long-term financial assets	125	0	125	
Non-current assets	**112 332**	**91 002**	**21 330**	**23%**
CURRENT ASSETS				
Inventories	59 939	47 088	12 851	27%
Trade receivables	17 465	21 011	-3 546	-17%
Taxes receivable	2 325	1 926	399	21%
Other current financial assets	275	75	200	268%
Other current assets	10 356	2 689	7 667	285%
Cash and cash equivalents	25 882	15 382	10 500	68%
Current assets	**116 242**	**88 171**	**28 071**	**32%**
TOTAL ASSETS	**228 574**	**179 174**	**49 401**	**28%**
EQUITY				
Share capital	6 049	5 504	545	10%
Reserves	60 123	28 606	31 517	110%
Redeemed treasury shares	-1 951	-2 252	301	-13%
Parent company's share of the profit or loss	15 691	15 861	-170	-1%
Equity attributable to parent company's shareholders	**79 912**	**47 718**	**32 194**	**67%**
Non-controlling interests	689	646	43	7%
Equity	**80 601**	**48 364**	**32 237**	**67%**
LONG-TERM LIABILITIES				
Long-term loans	14 680	4 152	10 528	254%
Liabilities from issued bonds	48 664	56 836	-8 172	-14%
Deferred tax assets	752	502	250	50%
Deferred income	30 159	29 923	235	1%
Other long-term liabilities	387	651	-264	-41%
Long-term liabilities	**94 641**	**92 064**	**2 577**	**3%**
CURRENT LIABILITIES				
Short-term loans	17 218	6 063	11 155	184%
Short-term liabilities from issued bonds	3 744	0	3 744	
Trade payables	16 533	16 790	-256	-2%
Short-term financial leasing liabilities	250	299	-49	-16%
Other current financial liabilities	5 566	4 300	1 267	29%
Taxes payable	1 613	3 263	-1 650	-51%
Current part of deferred income	2 785	2 785	0	0%
Provisions	583	567	16	3%
Other current liabilities	5 039	4 678	361	8%
Current liabilities	**53 332**	**38 745**	**14 587**	**38%**
TOTAL LIABILITIES	**147 973**	**130 809**	**17 164**	**13%**
EQUITY AND LIABILITIES	**228 574**	**179 174**	**49 401**	**28%**

Source: consolidated audited report of the Company on 31st of December 2022 and audited report on 31st of December 2021 based on IFRS accounting rules

On 31st December 2022, the Group's assets amounted to EUR 228 574 thousand, EUR 49 401 thousand higher than at the end of the base period.

The value of fixed assets at the end of December 2022 was EUR 112 332 thousand, EUR 21 330 thousand higher than at the end of the reference period due to the launched investments. The Group spent a total of EUR 27 310 on investments and other asset replacements in the year under review.

The value of inventory built up to ensure a stable supply chain was EUR 59 939 thousand at the end of December 2022, EUR 15 851 thousand higher than the closing stock at the end of the base period. The increase in inventories related to own production and the increase in the volume and price of purchased inventories. The impact of the measures introduced to optimise the level of stocks is expected in the following periods.

Besides higher turnover performance than the base period the Company's trade accounts receivables closed at EUR 17 465 thousand euros at the end of December 2022, overall EUR 3 546 thousand (17%) lower than the base in 2021.

At the end of December 2022, the Group's cash and cash equivalents amounted to EUR 25 882 thousand, which is EUR 10 500 thousand higher than at the end of the base period. In the last quarter, the Company raised capital of HUF 9.22 billion (EUR 22 359 thousand) through stock exchange, mainly to finance its investment plans in mineral wool production.

As a result of the capital increase, the value of the Company's equity at 31 December 2022 was EUR 80 601 thousand, EUR 32 237 thousand higher than a year earlier.

Group's bond liabilities in the balance sheet remained unchanged in nominal terms. The total amount of loans increased by a total of EUR 21 683 thousand due to the low interest rate bank loans drawn to finance higher working capital requirements of increased own production and investments.

The Group's accounts payable closed at EUR 16 533 thousand, compared to EUR 16 790 thousand at the end of of last year. Amount of deferred income– includes grants related to investments not yet recognised in profit or loss – and the balance of other current liabilities did not change significantly.

Financial and other management indicators

Financial and other management indicator		2022	2021
Current ratio		2,18	2,28
Interest coverage ratio		8,2	15,7
Accounts receivable turnover ratio	days	31	40
Accounts payable turnover ratio	days	35	41
Inventory turnover rate	days	107	89
EBITDA ratio	%	10,2	11,9
Debt ratio	%	65	73

Source: data from the Company's management information system

Research and development activities

Masterplast's innovation work is the sum total of technical, organizational, management and commercial operations aimed at improving the efficiency and profitability of economic activity, as a result of which a new or substantially modified product is created and a new product is introduced to the market. This activity at Masterplast mainly focuses on experimental development (even technology), which aims at the design and production of new products, processes and services, but also includes the production of prototypes that are not sold and the testing of alternative raw materials that do not result in a new product.

The most significant result of the development activity of EPS production is that in 2022 CAM CERTIFICATE was obtained at all three production sites, which proves the use of 10% of the recycled secondary raw material (essential for customers in Italy). Stacking packaging solution (cargo standing on legs fixed by hot-melt adhesive system and packed together) was developed and introduced, which is mainly important and new service for Hungarian customers. As a result of this development, the time required for loading and unloading transport vehicles has been reduced, less manpower is required, so the implementation of the development is cost-effective for both the company and the customers. In addition, several alternative EPS materials were tested during the year, which, although not involved in the development of a new product, aimed at improving cost-effectiveness and quality. As a result of pilot production, the list of qualified suppliers and raw materials has been expanded, which contributes to the future flexibility of the company and to increasing the security of supply.

In 2022, the main focus in fiberglass mesh production was to increase efficiency and maximize emissions. As a result, several new machines were brought into production. European machines have been purchased, the use of which can reach the fiberglass mesh markets with higher quality requirements. These developments increase not only the quantity, but also the quality level, meaning that the grade emission has decreased significantly. In the second half of the year, a new technology was introduced in mesh edge protector production, which also raises the quality of the finished product to a higher level, while making production much more cost-effective. At the beginning of 2022, a self-developed production tracking program was introduced, which helps to record production data and results in a more efficient, transparent and environmentally friendly operation.

Masterplast Medical has successfully developed an extensive non-woven textile portfolio covering the entire healthcare segment in 2022. The developments carried out in the product portfolio ensure the replacement of textile products for public and private healthcare institutions, thus significantly reducing nosocomial infections and increasing the comfort of patients and healthcare workers. With normal fleece and unique material (Linopore) (normal, waterproof, reinforced - moving) bed linen and sheet sets are available for all applications and size assortments, the two types, three-size incontinence inserts, the patient and doctor/nurse clothing range serve both outpatient and inpatient care. The company's priority goal is continuously sustainable production, according to which the waste generated during the production of finished products is already 100% recycled. Future developments will focus on complete product recycling, which will enhance future competitiveness.

Last year, the nonwoven division, the semi-finished products division of Masterplast Nonwoven GmbH and Masterplast Medical, finalized the new roofing foil product line and started its introduction to subsidiary markets. At the same time, special roofing foils have been developed that provide heat, wind and UV resistance that exceeds current industry standards. In addition, several new combinations of raw materials have been successfully tested, which increase production efficiency and lead to further optimization of cost of ownership. At both production sites, progress has been made in zero waste production, meaning that almost all production by-products are now recycled and regranulate is reused. In addition to the above, new laminating rollers with engraved thermal bonding have also been designed, with the help of which the performance of finished products with a higher unit weight can be further increased.

In the field of modular architecture, Masterplast Modulhouse Kft. started the development work in 2022, in the case of which the goal is to create a steel 3D modular building system. Masterplast's modular construction system will enable above 95% completion in plant, minimizing on-site work. It is characterized by high-quality production, which is based on serial production with type designs. In 2022, the development was aimed at the design of the steel frame structure, its corrosion protection, slabs and building block kit with many practical test series. At the end of the year, the first pilot building, a 5-module office unit, was delivered and installed. The next task of the development process is the qualification of the construction system, the preparation of type designs and the preparation of 2-3 pilot projects. It is expected that the conservative construction industry will start to change, in the future factory pre-production of buildings will gain in value, the highest level of which is represented by 3D modular construction, in which Masterplast plays a pioneering role in the region and intends to become a dominant player in the dynamic ally developing market.

Environmental protection

The Company is committed to innovations in support of the environment and strive to take responsibility for solving the ever pressing environmental problems.

Accordingly, both in operational and strategic decision making and in commercial policy, the Company gives priority to compliance with environmental regulations and legislation, and to the use of environmentally sound new technologies wherever possible.

All of these are of great importance not only in the development of Masterplast's energy-efficient construction product structure, our sourcing and development of manufacturing technology, but also in the daily work of our employees. We expect all our employees to work in an environmentally responsible manner, bearing in mind the necessary – sufficient use of energy, the proper management of waste generated and the long-term impact of any activity on the environment.

The Group's operational area, sales, logistics and manufacturing units are not classified as hazardous technologies for the environment, they are not high-risk activities. Nevertheless, as responsible enterprises, the members of the Group comply with the relevant environmental regulations and strive to think and act in a forward-looking manner in a number of areas, without significantly increasing costs. At our sites, we carry out conscious waste management through selective waste collection and in-house recycling.

The year 2022 gained great momentum in the life of the Group from an environmental point of view with the permanent presence of environmental engineer at the site. Thanks to environmental awareness-raising, the members and employees of the Company take even more responsibility for the sustainability of the environment and are committed to environmental protection. In connection with this, the organization has introduced a number of integrated environmental goals.

The reduction of waste and pollutant emissions and specific energy consumption are among the Company's goals. Waste management is systematic, continuous. It collects its waste separately according to HAK code at the site. In 2022, selective waste collection has also started inside office buildings. By using the recycling machine, it can recycle significant residual fleece material, as with the help of the machine it produces granules from the fleece again, which can be used during production, thus reducing waste generation. Furthermore, in 2022 it successfully continued its circular economy through the operation of the polystyrene collection system (Styrofoam Green Program), for which it received the For a Sustainable Future Award in 2022 in the Business Solution – Circular Economy category.

In 2022, noise emission measurements were carried out at the site, which is constantly being monitored. Based on the comparison of the test results and the relevant limit values, it can be concluded that the amount of noise emitted meets the prescribed requirements, therefore the noise emission rating at the site of the Group is appropriate, below the limit value.

At the Sárszentmihaly site, there are 9 air pollutant point sources in the Masterplast Medical area. These are measured by an accredited laboratory at intervals specified by law, and the Company sends its results to the authority. Based on the measurements, no limit value has been exceeded, the environmental load caused by the operation of the stationary air pollutant point source P1-P9 is minimal and complies with environmental regulations. In the course of its activities at the central site, it strives to apply the most efficient procedures that can be implemented under the given technical and economic conditions, and to use the most environmentally friendly, material- and energy-saving technologies based on the principle of best available techniques. The equipment for the new point sources complies with the best available techniques. The efficient operation of the systems is ensured by regular inspections and maintenance.

Another goal for 2022 was to introduce the Environmental Management System at the Sárszentmihály site. This has been successfully fulfilled the Company. Uses incoming raw materials and energy sparingly and places great emphasis on minimising waste, noise, wastewater and other emissions.

The Company participates in several programs related to environmental protection, trying to incorporate good practices into the operation of the Group. Masterplast has joined the KÖVET Association (Association for Sustainable Economy) and wishes to actively participate in the programs organized by this organization.

Energy crisis and insulation

In Hungary, 80 % of the building stock is weakly insulated or not insulated at all, and there is no alternative to local or regional production of insulation material. The energy crisis, changes in the price of household energy and uncertainties about the future of the energy market are encouraging people to reduce their energy consumption in some way. According to a representative survey jointly conducted by GKI and Masterplast in December 2022, every eighth family plans to modernize their home to save energy (insulation, replacement of windows and doors, installation of a new heating solution) in the next year. The energy crisis has therefore confirmed that there is a massive need for insulation materials and their production in the region and that demand for insulation products is expected to remain strong even in a weaker market environment.
Insulation is an important step towards more efficient and lower energy consumption, as it means the best savings.
Masterplast offers a remedy tailored right for this situation. With the correct application of façade insulation materials, over their lifetime, one can save ~150-200 times the energy used for input/preparation.

Energy consumption

Many of our subsidiaries are certified to the ISO 50001 standard. The standard provides guidance to continuously improve the energy performance of our Group, including energy efficiency, energy security, use and consumption. We also aim to reduce our energy consumption and thus our energy costs, while also reducing greenhouse gas emissions.
Masterplast uses energy in various forms, most of it as electricity in its production process. Energy is used in the commercial service in the form of fuel for the operation of the company's own fleet of vehicles. The first pilot solar panel installation with a capacity of ~ 30 000 kWh was launched in 2022.
What energy savings concern, in 2022, sub-meters were installed at the larger consumers as a pilot project, so energy saving variables are calculated from these data.

Waste management

The Masterplast Group carries out manufacturing activities in more than 10 locations in 4 countries. These production sites generate nearly 100% of the total amount of waste within the Group. As a responsible company, in the framework of our comprehensive waste management programme, we strive to recycle the waste generated at each site in the same production process. If this is not possible, we collaborate with professional companies to recycle or treat the waste.
We monitor the waste generated at group level and constantly endeavour to collect waste separately, by type. We place great emphasis on reducing its generation keeping in mind the principle of prevention. We pay attention to the recovery and disposal of the waste we produce in the nearest suitable and authorized facility.

At Group level, we strive to consider the life cycle of the products we manufacture and to plan product life cycle, reusability and disposal.

In our environmental training, we express our expectation to all our employees to generate as little waste as possible in their daily activities, to be committed to collecting waste by type and to fully comply with our guidelines.

The type and quantity of materials used in the manufacture of our products is an indication of the company's dependence on natural resources and the indirect impact of their exploitation. At the same time, Masterplast is continuously introducing measures to contribute to the conservation of resources through recycling, reuse and recovery.

95% of the waste generated in our manufacturing process can be recycled or reused. Under the Hungarocell Green Program, we collect and recycle the cutting scrap of insulation materials (EPS and XPS) we sell.

In the healthcare sector, the raw material for single-use healthcare products is fossil, but this is the desirable and currently unavoidable way to make cleaning of sheets and protective clothing with chemicals or at 90 degrees Celsius possible and to further reduce infections.

To handle the residual material generated beside the raw material, we have installed a recycling extrusion line to recycle 100% of the clean PE foam waste into our own production process to create a full value finished product.

Our waste management suppliers operate with the necessary authorizations. The management of waste handed over to them is checked during on-site visits. Our records of hazardous and non-hazardous waste are kept in accordance with legal requirements, so that we can accurately track the quantities of waste. All types of waste are managed off-site.

Data on waste is collected in compliance with legal requirements.

Owing to the growth of our company, the volume of waste generated has changed significantly compared to the previous year, due to new investments. As shown in the table, a significant part of our waste is non-hazardous waste, most of which can be recycled.

Hazardous and non-hazardous waste generated on site that we cannot recycle, in all cases and without exception, is handed over for collection to our contracted partners with the appropriate licences.

Short-term plans

The adverse macro environment, rising inflation and rising interest rates have put the construction sector on the path to recession. The higher cost of financing will discourage investment, so a further slowdown in the market for new buildings is expected. At the same time, the outlook in the renovation segment is positive. In tackling the energy crisis, building renovation and energy renovation have gained in value, and EU and EU members' governments have projected robust building energy support programmes in Europe. This could ensure an increase in demand for insulation materials amid a deteriorating economic environment and recession.

Although the construction recession may result in a period of subdued performance for the Company in the short term, operating in a crisis-resistant industry will ensure the achievement of its growth goals in the medium to long term. In response to the changed market conditions, the Company focused on optimizing inventory levels, increasing operational and production efficiency, and conscious energy management, while continuing to implement its intensive investment strategy that underpins the growth path.

In the thermal insulation materials market, the effects of previous investments may be felt already from 2023, and with the fruition of Hungarian and Italian EPS and Serbian XPS production developments, it will be possible to gain further ground in Western European markets as well. In line with the growth and investment strategy, the Company acquired a call option for the remaining share of the currently part-owned EPS plant units in Zalaegerszeg and Hajdúszoboszló in the third quarter of 2022, which will enable it to become the 100% owner of T-CELL Kft. The call option is valid for a period of 3 years from the publication of the 2022 annual audited financial statements of T-CELL Kft., no later than 31 May 2023.

In October 2022, Masterplast carried out a successful stock exchange capital raising worth HUF 9.22 billion with the aim of using the fresh funds primarily to finance mineral wool production developments. The company's mineral wool production development departments have now entered the implementation phase in both targeted product segments. The rock wool investment project launched with the strategic agreement on joint establishment of factories concluded with Market Zrt. in December 2022. Regarding glass wool segment, in 2023 January with and acquisition the Company became the owner of an advanced phase glass wool investment project worth HUF 14,1 billion, financed with 40% state development grant, in the Szerencs area of Hungary.

The modular business is expected to enter the market in 2023. In preparation for this, the first modular office building was successfully installed in the last quarter of the year under review, and in January 2023 the Company signed a strategic cooperation agreement with KÉSZ Holding Zrt. Within the framework of this cooperation, KÉSZ Holding Zrt., with decades of experience in steel structure manufacturing, will support the Company's objectives partly as a developer and supplier of steel structures and partly as a buyer of modules made with the jointly developed frame.

Masterplast has secured assets and resources in Ukraine and is currently operating a subsidiary in non-war-torn areas. In the medium to long term, Masterplast, as a long-standing producer of building materials and insulation materials on the Ukrainian market, has business potential in rebuilding Ukraine to offset lost earnings during the war.

The stable supply chain, the manufacturing and development investments already made and underway, the strong financial backing and the agile organisational culture provide a solid basis for the Company's further and sustainable growth.

The Company's long-term strategy

At the end of 2019, the Group developed its vision for 2030. According to the vision, the Company sets milestone at the end of each year, until the end of the next strategic period and then updates the main directions.

The Company has set out two main directions in its vision, as follows:

- As a dominant environmentally conscious European manufacturer, we will contribute to energy efficient buildings.
- As a healthcare manufacturer, we serve a healthy society with modern hygiene products and solutions.

The Company aims to maintain a dynamic growth rate, which it plans to achieve through acquisition-focused expansion, greenfield investments and organic development. Geographically, the countries of the European Union and Serbia could provide growing opportunities. The Company pays particular attention to identifying potential acquisition targets, where it seeks companies with the right market potential, using both internal and external resources. The aim is of the acquisitions to support the Company's development, successful operations and create synergies.

The turnover and profit increase are planned to be achieved in construction, healthcare, modular architecture, and industrial sales markets.

In the construction sector, the Company expects positive trends in the construction insulation markets in the coming period, both for new builds and second-hand properties. These trends are supported by tightening energy regulations and rising energy costs, while public incentives could also have a positive impact on demand. The Masterplast Group's distributor subsidiaries serve building materials retailers, purchasing companies and DIY chains. The structure of the building materials trading sector varies from country to country, and therefore each market requires a specific sales policy to ensure the highest market share and profitability. Markets without a subsidiary are served through export departments, which the Company presents as export sales. The aim is to have strong local strategic partners representing Masterplast's products in the respective market. The development of export activities will ensure the strengthening of the market position of fiberglass mesh and roofing membranes and the increase of the market share in these segments in the countries of the European Union. A broad product range and a developing manufacturing base will ensure increasing competitiveness. The main value propositions for partners are security of supply, stable quality, product certifications and value for money.

Within the construction sector, Company’s development focuses on the insulation industry. In this area, the Company plans to expand its manufacturing portfolio related to product areas where it a significant market share in sales is controlled by the Company, but does not have its own production. In the future, the Company plans to produce thermal insulation materials that will also play a role in future construction technologies. The role of recyclability in the insulation industry is planned to be enhanced. The Company currently collects and recycles its insulation material (EPS and XPS) cuttings under the Hungarocell Green Programme. In the future, the Company plans to develop insulation systems to expand its green product portfolio, which will allow for the long-term degradation, collection and recycling of insulation materials. The Group also intends to further develop its manufacturing and sales capabilities to meet the growing future energy expectations of the market and regulators. The Company is also reorganising its manufacturing and business processes, with a focus on reducing waste and harmful emissions, specific energy consumption and the use of an increasing share of renewable energy sources. Automation and robotisation will become an important aspect of future investments and developments in production and sales. Effective use of multi-legged, wide-range supplier relationships will ensure that growing manufacturing and sales requirements are smoothly satisfied.

As a new participant, the Company aims to develop and scale up its healthcare business, both in terms of raw materials and finished products. The Company plans to rapidly ramp up the output of hygiene textile raw materials in Hungary. Finished product portfolio of protective clothing, sheets and sanitary incontinence products are planned to satisfy domestic and international demand. The aim is to establish an effective market presence by acquiring extensive market and product knowledge and to build up the distribution chain in the short-term future. The favourable geographical location of the production units will help to identify potential partners, markets and maximise business opportunities. The Company plans to expand its turnover through sales of its own Masterplast Medical branded products and through supplier partnerships. Masterplast's priority is to find solutions for the recovery and recycling of healthcare products.

The rise of modular construction is supported by a shortage of skilled workers, rising labour costs and the need for predictability. The customer demand is also increasingly open to non-traditional building solutions, the functionality, sustainability and recyclability of the buildings will be the key value factors for the new generation, and not the type of building materials and the method of construction. Modular construction results the industrial production of building units with a high apportion of finished construction steps. The benefits of modular construction are mainly seen in high-volume production, where the use of standard designs and solutions reduces unit design costs, optimises production processes through factory production and improves procurement by the usage of standard materials. The Company's aim is to become a major player in this rapidly developing market as a preferred partner for general contractors of modular architecture in Hungary.

The Company is continuously reviewing its portfolio of products suitable for industrial production. It is focusing on leveraging its manufacturing expertise to develop and manufacture products for other industries. The non-woven textile products of the Aschersleben plant, which has been integrated into the group through the acquisition, are suitable for the filtration, furniture, clothing, packaging and agro-industry. Fiberglass mesh can be used to make composite materials, fabrics to reinforce plastic products can be used in the automotive and marine industries, and composite materials for the construction industry can be used in facade cladding systems and building panels.

Within the framework of the Company's organizational and human strategy, Masterplast stated that a company is only capable of achieving success if it has ability to change and adapts rapidly and has increased agility. The goal is to increase the density of talent in key positions, to employ the most talented, motivated employees with outstanding performance for the given jobs. Creating a more lovable, flexible workplace, strengthening your employee brand, and increasing ability to engage and retain.

As part of its digitalisation and online strategy, the Company focuses on supporting web-based sales and plans to transform and digitalise its business processes to enable faster, more efficient and less human intervention.

The Company pays particular attention to ensuring that all elements of the corporate culture are communicated, known and accepted by all employees of the Masterplast Group. The aim of senior management is to reinforce this culture through authentic, exemplary behaviour and the continuous involvement of colleagues.

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 2022, the Group had a EUR 48,7 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

  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 raised capital in 2022. The Company may provide further funding for the implementation of its future strategic plans in the form of capital increases in the future. 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 2022, 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.

Labour force management

The group-level human resources management and strategic objectives of Masterplast are responsive to the changes in our fast-evolving world. According to our philosophy, we can be successful if our ability to change and adapt speeds up and our agility increases. Expanding our management team with international experience and developing the organization's capacity for integration is therefore key to achieving our strategic goals. Another key human resource management commitment is to identify the potential of our employees, to recognize and retain the performance of talented employees who are of high importance to the company, and to motivate them continuously, even by further development of their skills and competences. Ensuring a sustained inflow of young people is necessary for the competitiveness of the organization.

The aim is to increase the talent density in key positions, and to recruit the most gifted, talented, motivated and high performing employees for the jobs in question. To broaden our employee base, we intend to expand our cooperation with secondary and higher education institutions, building on professional internships and traineeship programmes.

Our objective is to create a more lovable, flexible workplace and to strengthen our employee brand, making it more attractive and retaining. We pay particular attention to create and maintain an appealing working schedule and environment, developing our employees and providing them with opportunities for professional self-realization.

The achievement of the above group-wide objectives is fully supported by the internal organizational development manager of Masterplast, as well. The key to the success of the corporate strategy is its extensive communication, understanding and advocacy, which fosters employee engagement.

In our programmes and HR campaigns, sustainability-related topics and events are consciously included.

Equal Opportunities Guidelines

In accordance with the Masterplast Equal Opportunities Guidelines, particular attention is paid to the diversity of cultural and social environments and of employees also varying from country to country. It places great emphasis on non-discrimination and ensuring equal opportunities and equal treatment.

Respect for human rights

Our Group respects fundamental human rights. Each of our employees is obliged to accept the Code of Ethics and renew it annually.

Overview of premises

Masterplast Plc's site in Sárszentmihaly was expanded with an additional construction industrial area in 2022. The area is registered under eight separate topographical numbers in the database of the Land Office. The properties with an average area of 10 300 m2 each have been taken out of cultivation and annexed to the inner area. According to the HÉSZ, they belong to other Industrial Building Zone GIP 1. The total area of 85 852 m2 has been fenced off and is in the process of being attached to the central site No. 104/12. A 4 500 m2 truck parking lot and a 2500 m2 paved car parking lot have been created on the new property. In the area of the parking lot, Masterplast Modulhouse Kft.'s first office building built of modular elements was handed over, equipped with the most modern building automation devices. The floor area of the office building is 102 58 m2. At the Central Site, the 1279 m2 warehouse hall opened on two longitudinal sides was built. We have obtained a legally binding occupancy permit for the building. In 2022, two warehouses in Sárszentmihály were transformed and completely renovated. Taking into account the guidelines of energy management during the renovation, keeping sustainability in mind, thermal insulation with PIR sandwich panels, heating system with energy-saving thermofans with heat pumps, and lighting with LED technology. The building stock of the Company has not changed.

The Group's own sites have 445 thousand m2 plots, nearly 6 thousand m2 offices, 28 thousand m2 production halls, 66 thousand m2 warehouses, 112 thousand m2 parking lots and roads.

The buildings, utilities and paved areas of the sites are constantly maintained and upgraded.

The ISO 9001:2015 quality management system standard, the ISO 14001:2015 Environmental Management System Standard was introduced at the site earlier in Masterplast Plc, Masterplast Hungária Kft., Masterplast International Kft. and Masterplast Medical Kft. and ISO 50001:2019 Energy Management System standard, which were successfully renewed in 2022. In addition, the ISO 45001:2018 Occupational Health and Safety (OH&S) Management System has been implemented at all our central subsidiaries.

In Masterplast Modulhouse Kft., we successfully introduced the German TÜV. certification, the full integrated ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and 50001:2019 Management System standards, facilitating the regulated operation of the production unit.

Management and structural subsequent events

In 2022, the Company has paid special attention to further strengthening the organizational culture. Organization-wide workshops and trainings continued for deepening Masterplast corporate values and supporting the fulfillment and consolidation of an operating culture relies on empowerment. In order to implement the company's strategy, strengthen operational workflow and empowerment, the executive management is going to be restructured in 2023. A well-defined divisions will be established among the members of the top management, and Masterplast will be able to make a big step forward in operational excellence in 2023 by managing the priority areas of the Company's operation (sales, manufacturing, operational and finance operation).

Subsequent transactions affecting the Company's organization are introduced in the "Subsequent Events” section.

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.

The company's giving practices focus on programmes that support children's well-being and help them to lead fulfilling lives. In addition, children's awareness is important to Masterplast, which is why it supports programmes in which schools organise or develop special programmes, such as tree planting or bird rescue programmes, to encourage sustainable development and environmental conservation. The Group is also keen to support initiatives to educate local communities about healthy sports and to promote healthy lifestyles.

The Group attaches great importance to participating not only as an employer in the economic and social life of its local community, but also as a supporter of foundations and associations that take on a social role. Masterplast has been a supporter of the Hungarian Children's Rescue Foundation since 2015, and from 2020 it has become the main supporter. The Company will support the work of the Foundation with targeted financial donations, extensive marketing support and professional and product support for the construction works of the Foundation.

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! 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.

The company's core business of improving the energy efficiency of buildings is closely linked to the achievement of climate protection goals and the creation of a sustainable future. For Masterplast, it is of utmost importance to transfer green thinking into construction practice, which is why in 2020 it launched the "Hungarocell Green Program" initiative, the first in the Hungarian construction industry to implement a circular economy model. The aim of the programme is to ensure that the residues generated by the use of the insulation materials sold by the company do not generate environmentally harmful waste, but are recycled and reused as insulation materials, reducing the energy demand and carbon footprint of buildings throughout their life cycle.

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/.

Corporate governance statement

The market for shares of MASTERPLAST Plc. is the Budapest Stock Exchange (BSE), accordingly the Company observes the corporate governance principles established in Hungary and the related mandatory legal requirements.

MASTERPLAST Plc. controls the Masterplast Group. The Group consists of the parent company Masterplast Plc., as well as the 16 companies belonging to the scope of consolidation and four associated companies. The Company places great emphasis on the implementation of responsible corporate governance recommendations and guidelines, taking into account the organization and capabilities of the group of companies formed by the Company and its subsidiaries. The Company's management, under the guidance of the Board of Directors, continuously develops its operational and control practices.

The corporate governance practices of MASTERPLAST Plc. are in line with the requirements of the Budapest Stock Exchange and the current capital market regulations. In addition, the Company regularly reviews its principles in order to comply with the constantly evolving international best practices in this field as well.

Masterplast attaches great importance to sustainability, energy efficiency and environmental protection both in its internal processes and in the production and development of its products.

The bodies of MASTERPLAST Plc. are: General Meeting, Board of Directors, Audit Committee, Management and CEO.

The Supreme Body of the Company is the General Meeting, which contains every Shareholders. The General Meeting, as the main decision-making body of the Company, enables its shareholders to make decisions, decide on corporate governance measures and exercise their control rights in matters of major importance for their operations. The rules of the calling and the procedure of the General Meetings, as well as the conditions of shareholders’ rights and obligations, and the method of exercising the shareholders’ rights are regulated in detail by the Articles of Association of the Company, which can be read on the webpage of the Company and the webpage of the Budapest Stock Exchange.

The managing body of the Company is the Board of Directors which has 5 members. The responsibilities of the Board of Directors shall include decisions that are related to the governance of a legal person, and are beyond the competence of the General Meeting, and such decisions which are delegated to the power of the Board of Directors by the Articles of Association and the legal rules. The rules of procedure, scope of authority and responsibilities of the Board of Directors are regulated in detail by the Section VIII. of the Articles of Association and the Rules of Procedure of the Board of Directors which can be read on the webpage of the Company. The Company's Board of Directors continuously monitors the company's operations, receives continuous information about the operation of the company from the Management and the CEO.

The operational activity of the Company is led by the Chief Executive Officer who elected by the Board of Directors and works as an employee. Over the CEO the employer’s rights are exercised by the Board of Directors. The employers' rights over the Company's employees are exercised by the CEO, with the exception of the President and the Vice-president. Over the President and the Vice-president - with the exception of their election and recall – the employers' rights exercised by the Board of Directors.

The 5-member Board of Directors is the executive body of Masterplast Nyrt. Its scope of authority and responsibilities are detailed in the Rules of Procedure of the Board of Directors, which can be read on the Company's website. The independent members of the Board of Directors do not participate in the daily activities of the work organization of the Company. The President and Vice-president of the Board of Directors of MASTERPLAST Nyrt. are elected by the Board of Directors for the same period as the members of the Board of Directors.

Members of the Board of Directors of the Company until April 30, 2022:

- President David Tibor (non-independent)
- Mr Balázs Ács Vice-President (non-independent)
- Dirk Theuns (independent)
- Margaret Elizabeth Dezse (independent)
- Ottó Sinkó (independent)

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Members of the Board of Directors of the Company as of May 1, 2022:

- President David Tibor (non-independent)
- Mr Balázs Ács Vice-President (non-independent)
- Dirk Theuns (independent)
- Margaret Elizabeth Dezse (independent)
- Bálint Fazekas (independent)

Masterplast Nyrt. has a 3-member Audit Committee, the members are elected by the General Meeting from among the independent members of the Board of Directors for the same period as their membership of the Board of Directors. The Audit Committee elects its chairman from among its members and makes its decisions by simple majority. In the year of 2022 Margaret Elizabeth Dezse held this position.

Members of the Audit Committee until April 30, 2022:

- President Margaret Elizabeth Dezse (Independent)
- Dirk Theuns (independent)
- Ottó Sinkó (independent)

Members of the Audit Committee from May 1, 2022:

- President Margaret Elizabeth (Independent)
- Dirk Theuns (independent)
- Bálint Fazekas (independent)

The presentation of the members of the Board of Directors and the Audit Committee can be viewed on the Company's website.

Masterplast Group is managed by the management of Masterplast Plc. within the framework of the Articles of Association, resolutions of the General Meeting and Board of Directors, as well as the Rules of Organization and Operation of Masterplast Plc. The division of tasks and responsibilities of management members related to certain corporate governance areas is included in the Organizational and Operational Regulations of Masterplast Plc. The professional careers and presentations of the members of the Management can be viewed on the website of the Company.

Members of the Management:

- President David Tibor
- Balázs Ács Vice-President
- Róbert Nádasi CEO

All matters that are not referred by law or the Articles of Association to the exclusive competence of the General Meeting or the Board of Directors shall be vested in the management.

The Chief Executive Officer is managing and controlling the daily work and work organization of the company, and ensures the conditions necessary for the company's activities, within the framework defined by the legislation, resolutions of the General Meeting and the Board of Directors. The CEO is not a member of the Board of Directors, he attends as a regular invited participant on the Board of Directors' meeting. Employer rights are exercised by the CEO over the Company's employees. His professional career and introduction can be read on the webpage of the Company.

In 2022, the Board of Directors held 6 meetings with 100% participation and 1 meeting with 80% participation. The presence took place in person or by electronic means of public communication.

There is no Supervisory Board at the Company.

The Audit Committee held 2 meetings with 100% attendance and 1 meeting with 66.66% participation in 2022. The presence took place in person or by electronic means of public communication.

The Board of Directors shall function as a body and take decisions. When the Company went public, it defined its own operations in a rules of procedure, which were last updated in March 2019 to maintain best practice.

The order of business shall include:

-the tasks and powers of the Management Board,

-the main duties of the Chairman and Vice-Chairman of the Board of Directors,

-the schedule and preparation of Board meetings, decision-making system, control over the implementation of decisions, rules on conflicts of interest.

In order to increase its operational efficiency, taking into account the size, structure and efficiency of the Company and the professional basis of decisions, the Board of Directors does not operate committees, the relevant functions are performed by the members of the Board of Directors without a formal body.

In 2022, the Board of Directors did not make any decision contrary to the recommendation of the Audit Committee.

There is no Supervisory Board at the Company.

The tasks and powers of the Audit Committee were performed on the basis of Act V of 2013 on the Civil Code and the Company's Articles of Association. The Rules of Procedure of the Audit Committee can be viewed on the Company's website.

The Audit Committee is responsible for assisting the Board of Directors in auditing the financial reporting system, selecting the auditor and cooperating with the auditor.

Members of the Audit Committee shall not receive any remuneration beyond their Board of Directors' fees.

Members of the Board of Directors and the Audit Committee have the necessary expertise, background and experience related to the current subject. The introduction of the members can be viewed on the website of the Company.

The operation of the internal audit started at the Company in 2008. The purpose of its operation is to assess various risks inherent in current and future business activities, to check the action plans for the identified shortcomings.

The main task of internal audit is to control the regular, efficient and reliable operation of the parent company and all subsidiaries, and to continuously review and evaluate internal control systems. With its recommendations, the internal audit supports the timely correction and prevention of deficiencies, irregularities, errors and incorrect actions.

The internal control function of the Company is performed by Katalin Csemák, internal auditor. It reports on the results of its investigations to the Audit Committee and to the management of the Company.

Audits are carried out on the basis of an internal audit plan for the current year, approved by the Audit Committee with the agreement of the CEO.

The audit of 2022 was carried out by the auditor of the Company, MAZARS Accounting and Consulting Limited Liability Company (1139 Budapest, Fiashen utca 4-8. 2nd floor, Cg. 01-09-078412, chamber registration number: 000220), personally responsible auditor's registration number: 007145.

MASTERPLAST Plc. pays special attention to defining the disclosure rules related to its stock exchange presence, thereby complying with the applicable legislation, the public's expectations regarding information and compliance with the principle of transparency. The disclosure rules and the operation of the system are determined by internal regulations.

The Company, as the issuer of shares admitted to trading on the Budapest Stock Exchange on a regulated market, qualifies as a public-interest issuer. The exact contact details of the Company (postal address, telephone number, fax number, e-mail address) are displayed on the Company's website (www.masterplastgroup.com).

In its disclosures, the Company acts in accordance with the applicable legislation and stock exchange rules. The Company is required to disclose regulated information. Regulated information: systematic and extraordinary information, acquisitions and inside information.

The Company, as the issuer of shares classified in the Premium category of the Budapest Stock Exchange, makes its disclosures in Hungarian and English.

The Company regularly informs the public about the main data of its assets, income situation and operation. The Company shall inform the Supervisory Authority at the time of publication and shall ensure that the individual information remains publicly available for at least ten years.

The official channels of communication with shareholders are regular information: the annual report, the half-yearly

report and quarterly results, as well as extraordinary briefings. In addition, shareholders are informed about the business, results and strategy at the Annual General Meeting and the Annual Investor Investor

Meeting. The company always pays special attention to comply with best practice

provide a wide range of information to the capital market.

The means of communication to be used for the publication of public announcements are:

- BSE website via the KIBINFO client system (www.bet.hu),
- the information storage system (www.kozzetetelek.mnb.hu) operated by the Supervisory Authority,
- editorial staff of at least one media outlet with a website accessible to investors,
- the Company's website (www.masterplastgroup.com).

In order to strengthen the position of shareholders and ensure that corporate and investor decisions serve the long-term stability of companies (Directive 2017/828 of the European Parliament and of the Council of 17 May 2017 (SRD 2)), KELER Zrt. launched its new system (so-called Directive 2) on 3 September 2020. CAPS system), in which the Company is obliged to record certain corporate events.

MASTERPLAST Plc. is committed to fair trading of publicly traded securities. In order to ensure this, the Company has prepared its insider dealing guidelines in the form of internal regulations, which it regularly educates its employees and stakeholders.

Stakeholders are expected to:

- not to acquire or dispose of, directly or indirectly, for his own account or for the account of a third party, shares or other financial instruments in possession of inside information, to withdraw or amend, to instruct or instruct any other person to do so, to induce third parties to do so, and not to advise or accept decisions relating to those financial instruments;
- not to divulge inside information unless they have written authorisation to do so;
- even within the Company's employees, they should be careful about sharing inside information, disclosing information only with permission and to the extent necessary for work, and protecting inside information from accidental disclosure.

The General Meeting is the supreme body of the Company and consists of all shareholders.

The General Meeting, which is the main control of the operation of the Company, is prepared according to a schedule established for this purpose, in strict compliance with deadlines, ensuring that all necessary information is available in time for making decisions. The Board of Directors shall formulate its position on each planned agenda item in order to help inform shareholder decisions.

The Company shall publish the proposals and proposals for resolutions on the agenda of the General Meeting electronically no later than the 21st day prior to the General Meeting on the Company's website (www.masterplastgroup.com) and on further announcement surfaces (www.bet.hu; www.kozzetetelek.mnb.hu) pursuant to Section 14.1 of the Articles of Association.

Otherwise, the General Meeting shall be governed by Chapter VII of the Company's Articles of Association. The rules related to the convening and conduct of the General Meeting, the rights and obligations of shareholders and the method of exercising shareholder rights are detailed in the Company's Articles of Association, which can be viewed on the websites of the Company and the Budapest Stock Exchange.

Masterplast Employee Shared Ownership Program

Masterplast Nyrt. established the MASTERPLAST Employee Shared Ownership Program on 14 December 2016. The MRP organization is based in: 1013 Budapest, Pauler utca 11.

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 2021 were the employees of Masterplast Nyrt. and of by 100% controlled Masterplast Medical 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 Company concluded a purchase agreement on 18 January 2023 to acquire 100% share of PIMCO Kft. PIMCO Kft. has an industrial area of 4.3 hectares prepared for factory construction in Szerencs, as well as an advanced glass wool manufacturing development project worth HUF 14.1 billion (EUR 34 978 139), for the implementation of which a 40% non-refundable state grant in the amount of HUF 5 645 billion is provided by HIPA National Investment Promotion Agency Non-Profit Zrt. Due to the favourable conditions of the acquisition, the development project is in a significantly advanced stage. The new plant, with an area of 11 500 square meters, will be able to produce about 20,000 tons of glass wool thermal insulation material per year. The development project will be funded by equity raised in October 2022 to finance production developments.

The Company concluded a strategic cooperation agreement with KÉSZ Holding Zrt. on 31 January 2023 for the joint development of a steel frame system of modular buildings manufactured by MASTERPLAST Modulhouse Kft. Based on the strategic cooperation agreement, the joint development and utilization is related to the modular building element manufacturing business of the Company, within the framework of which KÉSZ Holding Zrt. and its affiliated companies designated to participate in the cooperation can support the goals of the Company partly as suppliers of steel structures and partly as buyers of modules manufactured with jointly developed frames. For the success of the cooperation, KÉSZ Holding Zrt. provides decades of experience and capacity in the production of steel structures, while Masterplast provides its thermal insulation material manufacturing knowledge, building energy expertise and know-how achieved in the design and manufacture of modular building elements.

The Company concluded a share transfer agreement on 15 February 2023 for the sale of the shares in Master Modul Kft., representing 25% of Master Modul Kft.'s registered capital, with a nominal value of HUF 750 000 (EUR 1 873). As a result the Company no longer has a share in Master Modul Kft., the activity primarily planned in Master Modul Kft. will be implemented by MASTERPLAST Modulhouse Kft.

On March 21, 2023, MASTERPLAST Plc. signed a share transfer agreement for the purchase of 49% of the registered capital of MASTERWOOL MW-1 d.o.o. As a result of the share transfer, MASTERPLAST Plc. becomes the sole owner of MASTERWOOL MW-1 d.o.o. with a 100% share.

On March 16, 2023, the Company entered into a share transfer agreement for the purchase of shares in MASTERPLAST Italia S.r.l., representing 44.5% of the registered capital of MASTERPLAST Italia S.r.l. with a nominal value of EUR 89 000. As a result of the share transfer, MASTERPLAST Plc. becomes a 95.5% shareholder of MASTERPLAST Italia S.r.l.

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

The year started strongly for Masterplast, despite the Russia-Ukraine war and the global energy crisis, favorable industry trends prevailed in the construction industry in the first half of the year, but with inflation and interest rates soaring around the world, the industry deteriorated significantly by the third quarter. On a year-on-year basis, the Company's revenue grew by 5% to over EUR 200 million, driven by strong performance in the construction segment, which compensated the decline in sales of healthcare products. The decline in the share of healthcare products and increased manufacturing (typically energy) costs led to a decrease in gross margin, but the company's annual EBITDA still exceeded EUR 20 million (EUR 20 592 thousand, 10.2% EBITDA margin). Favourable currency movements for the Company improved the Group's financial results. As a result, the EUR 15 700 thousand annual profit after tax was only 2% below the record profitability base previous year. In the financial year, the Company raised capital for HUF 9.2 billion (EUR 22 359 thousand) in order to implement its investment plans. Although the recession in the construction industry resulted in a more moderate period of performance for the Company in the short, operating in an energy-conscious and thus crisis-resistant thermal insulation industry supports the achievement of growth goals in the medium and long term.

MASTERPLAST