



MASTERPLAST PLC.
CONSOLIDATED MANAGEMENT AND BUSINESS
REPORT 2021.

MASTERPLAST PUBLIC LIMITED COMPANY

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/2021 – 31/DEC/2021

Sárszentmihály, 28 April 2022.



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CEO

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Introduction

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

Ownership

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

Distribution of shareholder equity:

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

Shares are issued in the form of dematerialised shares.

ISIN identification number: HU0000093943

Owner's name	2021	2020
Dávid Tibor	454 805 700 Ft	454 805 700 Ft
Balázs Ács	387 725 900 Ft	387 725 900 Ft
OTP Alapkezelő	0 Ft	93 676 200 Ft
LPH Kft., SOH Kft.	79 886 900 Ft	79 886 900 Ft
Róbert Nádasi	6 779 900 Ft	3 386 400 Ft
Additional minority owners	497 446 400 Ft	416 626 400 Ft
Repurchased shares	33 483 100 Ft	24 020 400 Ft
Total:	1 460 127 900 Ft	1 460 127 900 Ft
	(5 503 939 EUR)	(5 503 939 EUR)

Source: data from the Company's management information system

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

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

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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 334 831 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 2021:

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

Audit Committee

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

Members of the Audit Committee:

- Dezse Margaret
- Dirk Theuns
- Sinkó Ottó

The Audit Committee is responsible for:

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

General Meeting

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

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Subsidiaries

On 31 December 2021, the Masterplast Group is present on the region's construction industry market through several active subsidiaries in 9 countries and indirect participation through its subsidiaries.

Company name	Place of registration	Date of foundation
Master Plast S.r.o.	Slovakia	1999
Masterplast Romania S.R.L.	Romania	2001
Masterplast YU D.o.o.	Serbia	2002
Masterplast d.o.o.	Croatia	2002
MasterFoam Kft.	Hungary	2004
MasterPlast TOV	Ukraine	2005
Masterplast Sp zoo	Poland	2005
Masterplast Medical Kft.*	Hungary	2007
Green MP Invest	Ukraine	2012
Masterplast Hungária Kft.	Hungary	2016
Masterplast Modulhouse Kft.**	Hungary	2016
Masterplast International Kft.	Hungary	2016
Masterplast Nonwoven GmbH	Germany	2020
Fidelis Bau Kft.	Hungary	2002
<i>Indirect relationship:</i>		
Masterplast D.O.O.	North Macedonia	2002
Masterplast Proizvodnja D.o.o.	Szerbia	2021.
<i>The Group's affiliated undertaking:</i>		
Masterprofil Kft.	Hungary	2006
T-CELL Plasztik Kft.	Hungary	2013
Master Modul Kft.	Hungary	2021

Source: data from the Company's management information system

*Previous name Masterplast Gyártó és Kereskedelmi Kft, changed company name 30.07.2021.

**Previous name Mastermesh Kft., changed company name 03.11.2021, changed main activity 11.11.2021.

Master Modul Kft. was established on 12.04.2021 with 25% ownership of the Masterplast Plc. The new company was established in order to produce modular buildings with a share capital of HUF 3 million.

MASTERPLAST Kft. (later known Masterplast Medical Kft.) established the Subotica based Masterplast Proizvodnja D.o.o., the project (supported by Hungarian State) consist of XPS production on 3,600 square-meter plant with 200 thousand cubic meters planned capacity. The plant is going to be associated with the construction of a 2,000-square-meter warehouse and a nearly 6,000-square-meter outdoor warehouse on order to have a storage facility of the right size, as well as a 400-square-foot office building for the workforce and quality control

lab. The value of the Project is HUF 5.05 billion, which is going to be financed by the Company from its own resources and from a 50% 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 agreement with MASTERPLAST Kft. On 25 June 2021.

Company has acquired a 50% business share in Masterplast Nonwoven GmbH from BÜMO-Schrauben GmbH, which is wholly owned by Hartmut Layer, on 20 October 2021, by which the Subsidiary has become 100% owned by the Company. The sale and purchase of the business share took place earlier than originally planned, by modifying the terms of the call option scheduled for 2023, on more favourable terms for the Company. The financing of the transaction is covered by the Company from the funds involved within the framework of the Growth Bond Program.

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 2021, the Group completed investments in production developments worth more than EUR 40 million. At the company's headquarters, new plants for the production of healthcare textiles and finished healthcare products, new logistics units were inaugurated to increase service efficiency, and the third phase of the fiberglass mesh production development in Subotica will be completed in early 2022, supporting further expansion already in 2022. The project will expand the fiberglass mesh production capacity, modernise the existing weaving and coating machinery, create a modern warehouse logistic base and a finishing department. The Group will be able to serve the market for premium products of the highest quality due to the machinery, predominantly based on German technology, and the renewed production, logistics and assembly services. The project is expected to increase the Group's fiberglass mesh production to 150 million square-meter per year, making Masterplast Group the second largest fiberglass mesh producer in Europe and the third largest in the world. The previously announced development of XPS insulation material production in Subotica is on track, with the EUR14 million investment in the plant scheduled to start production in 2023. The new plant with a floor area of 3,600 square metres will be built at the production base in Subotica, with a planned annual capacity of 200,000 cubic meters. The plant will also include the construction of a 2,000 square meter warehouse and a nearly 6,000 square meters open-air warehouse to provide adequate storage capacity.

Furthermore, Masterplast is entering the most promising and most likely fastest growing construction segment of the decade, modular architecture, as a manufacturer, responding to the challenges of the construction

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industry and consumer demand. The investments is planned to be financed by the Company's increased profitability, successful bond issues and government subsidies.

The Company intends to expand its activities through acquisitions and greenfield investments. As a result of this intention, MASTERPLAST ITALIA SRL is established on 12 April 2022 in Barco, Italy with a 51% share in capital of Masterplast Group. 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 trading of thermal insulation materials in Italy with a share capital of EUR 200 000. The establishment of the new subsidiary will enable Masterplast to increase its presence in Italy, which has already been a major export market for the Company, besides the new subsidiary creates the opportunity of offering a wider range of products, a higher level of service and a wider geographical coverage to its existing and new Italian partners. The Italian market is currently Europe's fastest growing market for thermal insulation materials. The Company is also considering the development of production capacities and is exploring the possibilities.

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.

European climate protection targets, tightening energy regulations and rising energy prices have had a positive impact on industry demand, and in several countries public subsidies are encouraging insulation and renovation works. Although the coronavirus and the resulting measures have not fundamentally affected the construction industry, the economic environment, which has recovered with the easing of restrictions, has also reinforced positive trends in the industry. At the same time, the shortage of raw materials and the related price increases since the beginning of 2021 have had a significant impact on the business in the Company's markets. Strategic inventory levels, own production capacity, the quality of supplier relationships, and appropriate pricing were key to success in this commodity-scarce market.

On the most significant Hungarian market, according to the data of the KSH the construction output grew by 13% year-on-year. Government subsidies (family support home creation program, housing renovation support) continued to play a key role in the favourable development of industry demand relevant to the Company, which will be complemented in 2022 by a further incentive, namely the personal income tax rebate program for families raising children. Accordingly, the Company's growth expectations for next year are particularly positive.

In Romania, construction output showed a positive trend during the year, mainly due to an increase in residential construction. The state supported the industry with tax breaks and a sector-specific raised minimum wage, while it also helps with real estate purchases through low interest rates and state guarantees. Demand forecasts for 2022 remain positive, despite the government's prospect of cutting state subsidies.

In Serbia the GDP grew in 2021, while industrial production declined slightly. At the same time, the value of construction work and the number of building permits issued in the construction industry increased compared to the previous year.

In Ukraine, the trend is improving. GDP has been on a slight upward trend since the second half of the year, and construction output has also expanded since the third quarter, thanks to residential works. The retail sector is supported by the state through the government programs "Affordable Mortgage" and "Large Construction".

In Germany, economic output growth was subdued compared to last year's base as a result of the coronavirus restrictions imposed, and construction investment also declined. Global shortages of raw materials and rising energy prices posed challenges to construction market players, improves the outlook that the industry appears to be in a favourable position among the new government's priorities.

In Poland, construction output remained below the performance of a year earlier, but the residential segment saw a significant increase in the number of constructions and permits issued in 2021. Rising raw material prices and labour prices, as well as labour shortages, make it significantly more difficult for industry players to operate in the Polish market.

Construction output in Slovakia increased slightly, although it was below the pre-pandemic performance. Hectic price changes and a shortage of goods at European level are having a negative effect on the market. The outlook for the Company and the industry will be improved by the Slovak government's Green House Program signed at the end of the year, which will have an impact on the volume of insulation work from the second half of 2022.

In Croatia, the construction sector has expanded compared to the same period last year, with both the value of construction work and the number of building permits issued rising. Croatia has also been affected by the developments due to the shortage of raw materials, which have challenged the Company in this market by resulting in strong price competition.

Demand for construction in Northern Macedonia in 2021 was positive, with the number of building permits issued and the estimated total value of construction works increasing compared to last year.

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

Percentage change in the number of construction permits 2018 - 2021:

Country	2018	2019	2020	2021
Croatia	-6,0	30,8	-8,2	19,1
Hungary	-3,2	-3,7	-38,1	35,0
Poland	3,3	4,6	3,2	23,9
Romania	2,6	-0,4	-2,9	24,1
Slovakia	6,8	-5,4	-2,8	5,8
Serbia	9,4	29,1	7,4	17,6
Germany	1,9	3,2	2,4	3,9

Source: EUROSTAT: Building permits percentage change

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Developments in performance on business operations

Overview of sales by product group

Sales by main product groups (thousands of EUR)	2020	2019	Change %
	(A)	(B)	(A/B-1)
Thermal insulation system	77 008	54 110	42%
Roofing foils and accessories	29 652	20 177	47%
Dry construction system	17 969	12 351	45%
Heat, sound and water insulation materials	17 019	13 397	27%
Building industry accessories	5 824	5 499	6%
Industrial applications	44 018	17 140	157%
Total sales revenue	191 489	122 673	56%

Contribution of product groups in percentage to the total sales revenue		
Thermal insulation system	41%	45%
Roofing foils and accessories	15%	16%
Dry construction system	9%	10%
Heat, sound and water insulation materials	9%	11%
Building industry accessories	3%	4%
Industrial applications	23%	14%
Total sales revenue	100%	100%

Source: data from the Company's management information system

On an annual level, the Group's sales revenue grew by 56% to EUR 191 489 thousand.

Within the Group's sales revenues, thermal insulation system primarily accounted for the largest share (41%) and saw an overall 42% increase in year-on-year terms. Within the product group, sales of own-produced EPS products and fiberglass mesh increased significantly, but also the sales of the accessories of the product group (adhesives, profiles) contributed to the growth. Based on the regional data, the sales of the product group increased in all the Company's markets, except Croatia. Of these, the twice as high sales performance to the export countries, the one and a half times sales performance in the Hungarian and Slovakian markets were the most outstanding.

Sales of roofing foils and accessories increased by 47% compared to the 2020 base. Turnover of own-produced diffusion roofing foils increased to one and a half times, to which the sales from the German production unit Masterplast Nonwoven GmbH contributing significantly. Looking at the markets further, sales of the product group declined slightly in the Croatian and Slovakian markets, while in almost all other markets sales increased significantly.

The Group's dry construction systems grew by 45% in the year compared to the 2020 base. The strong growth was mainly due to sales of drywall profiles, but sales of drywalls also increased. The Group's sales increased significantly in almost all markets, with the only decline in Ukraine.

In the heat, sound and water insulation materials product group, Group sales closed 27% higher than the 2020 base. In addition to sales of glass and rock wool and XPS products, sales of foam products also showed an increase. The product group also performed well in terms of markets, with Group sales up in all sales territories except North Macedonia and Romania.

In the building industry accessories market, the Group's turnover increased by 6% in 2021 compared to the base. Turnover increased in the Export, Polish, Hungarian, Romanian and Croatian regions, while sales in North Macedonia, Serbia, Slovakia and Ukraine were down year-on-year.

In the industrial applications product group, sales more than doubled compared to the 2020 base, driven mainly by sales of the German factory's healthcare products and sales of protective clothing to the Hungarian healthcare sector. Turnover of packaging products and non-strategic commodities also increased.

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)	2020	2019	Change %
	(A)	(B)	(A/B-1)
Hungary	87 516	47 252	85%
Export	27 110	16 249	67%
Germany	15 201	8 858	72%
Romania	14 603	13 741	6%
Poland	11 901	8 310	43%
Serbia	11 890	9 625	24%
Ukraine	10 446	8 416	24%
Slovakia	6 974	5 066	38%
Croatia	3 922	3 644	8%
North Macedonia	1 926	1 513	27%
Total sales revenue	191 489	122 673	56%

Contribution of countries in percentage to the total sales revenue		
Hungary	46%	39%
Export	14%	13%
Germany	8%	7%
Romania	8%	11%
Poland	6%	7%
Serbia	6%	8%
Ukraine	5%	7%
Slovakia	4%	4%
Croatia	2%	3%
North Macedonia	1%	1%
Total sales revenue	100%	100%

Source: data from the Company's management information system

The Group's turnover in the largest Hungarian market grew by 85% in 2021 compared to the base year. The Company achieved strong growth in the construction product groups. The government incentives for home building and renovation had a positive impact on demand, but the increase also reflected the impact of higher finished product prices as a result of the situation in the raw materials market. Looking at the product groups, only building accessories grew more modestly, while the other product groups saw strong annual revenue growth of more than 30% compared to the base period. Notable among these was EPS sales, where the increase was

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very high. Entry into the finished healthcare products market also played a role in the strong growth of Hungarian sales.

In the Export areas, turnover increased by 67% year-on-year. Sales of own-produced fiberglass mesh - part of the thermal insulation systems product group - and diffusion roofing foils in the roofing foils and accessories, grew the most, but drywall systems and sales of non-strategic materials - shown under industrial applications - also performed well. Sales increased in all product groups. In terms of markets, turnover also increased in most of them. Masterplast performed strongly in Italy, the Czech Republic and Latvia, with declines in the Netherlands and Canada.

In the German market, sales increased by 72% compared to last year, where Masterplast has been selling directly in the country since the second half of 2020. Thanks to the new production company, sales have increased significantly in the product groups of roofing foils and accessories, as well as healthcare textiles for industrial applications. The Company is also present in the German market with its other product groups, whose sales also increased compared to the base period.

The Group's Romanian market grew by 6% overall. In particular, sales of own-manufactured fiberglass mesh products in the thermal insulation systems product group and also own-produced diffusion roofing foils included in the roofing foils and accessories, grew in 2021 compared to the base year, but the dry construction system and building industry accessories product groups also performed well. Sales in the other product groups decreased.

In Serbia, Group sales grew by 24% in 2021 compared to the base. Sales of fiberglass mesh and EPS in the thermal insulation systems product group increased the most, but the dry construction systems product group also performed well. The only decline in the Serbian market was in building accessories.

In the Polish market, the Group's sales increased by 43% compared to the 2020 base. Sales increased the most in the thermal insulation systems product group due to the sale of self-manufactured fiberglass products, but sales of diffusion roofing foil and dry construction systems also expanded significantly. In all product groups, the Company's sales in the Polish market increased.

In Ukraine, the Group's turnover in 2021 was 24% up on the previous year. With the exception of the dry construction system and building industry accessories product groups, all groups' turnover increased compared to last year. Sales of roofing foils and accessories jumped the most compared to the base, driven by both diffusion and conventional roofing foils.

The Group achieved a 38% increase in turnover in Slovakia in the year under review. There was a significant increase in sales in the product groups of thermal insulation systems, dry construction systems and Heat, sound and water insulation materials, while sales declined in the other product groups.

In Croatia, Group turnover increased by 8% compared to 2020. Drywall profiles, which are part of the drywall system productgroup, delivered the best performance, while the largest product group, thermal insulation system, showed a slight decline, due to the net result of the decline in EPS sales and an increase in glass fabric sales. Sales of the roofing folis product group also declined slightly, while sales in the other product groups increased.

In North Macedonia, which has the lowest share of Group turnover, sales grew by 27% in 2021 compared to the base. Again, the dry construction systems product group performed best in this market also, but roofing foils and thermal insulation system also grew nicely. Sales in the remaining two product groups declined.

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 2021	31 December 2020	Change	Change %
	(A)	(B)	(A-B)	(A/B-1)
Sales revenues	191 489	122 673	68 816	56%
Materials and services used	-146 994	-95 790	-51 204	53%
Payments to personnel	-21 395	-16 197	-5 198	32%
Depreciation, amortisation and impairment	-4 556	-2 873	-1 682	59%
Movements in self-produced inventories	4 173	970	3 203	330%
Other operating income (expense)	-4 442	-580	-3 863	666%
OPERATING PROFIT	18 275	8 203	10 072	123%
Interest received	351	388	-38	-10%
Interest paid	-1 451	-922	-529	57%
Other financial (expense) income	1 136	-334	1 470	-440%
Financial loss	35	-868	903	-104%
Profit or loss attributable to associates	259	8	250	3125%
PROFIT BEFORE TAX	18 569	7 344	11 225	153%
Income tax	-2 499	-905	-1 594	176%
PROFIT FOR THE YEAR	16 070	6 439	9 631	150%
EBITDA	22 831	11 076		
EBITDA ratio	11,9%	9,0%		
Earnings per share (EPS) (EUR)	1,10	0,40		

Source: consolidated audited report of the Company on 31st of December 2021 and audited report on 31st of December 2020 based on IFRS accounting rules

The consolidated annual turnover for the year 2021 amounted to EUR 191 489 thousand, which corresponds to an increase of 56% compared with the value of the reference period. The turnover of the construction segment increased significantly, while sales of healthcare segment –medical textiles from the German plant and the protective clothes sold in Hungary - contributed also significantly to the growth.

The increase in turnover is matched by an increase in the trade margin in 2021 compared to the base period. This is partly due to a solid performance from sales of traditional products, where, in addition to more efficient production, the rise in purchase prices was adequately reflected in selling prices. On the other hand, the higher profit generation capacity of the healthcare segment contributed strongly to the margin expansion and the development of the margin rate. The Group's trade margin mass increased in all markets and the margin rate on turnover improved also in most of them.

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The Company successfully managed raw material supply disruptions in all their factories, ensuring continuity of production. Emissions from the mesh edge profile, fiberglass mesh and EPS factories in Subotica increased in 2021 compared to the base year, while output from the Kal foam plant also reached a higher level than a year earlier. The German fleece unit operated at high capacity-utilisation in 2021. The Group's production efficiency improved and its manufacturing result increased, mainly due to the increase in output in Subotica, which had a positive impact on the cost of sales. The fleece production unit, the largest investment of the Group was handed over in 2021, where recipe development and the trial production of the entire planned product range took place in the second half of the year. Similar development and trial production works have also started in the healthcare end-product manufacturing part and incontinence plant, which was handed over at the end of September.

Due to rising manufacturing output and activity, as well as the increase in sales, the Group's manufacturing raw material and other material costs increased, but also energy costs, fuel and external transport costs, maintenance and repair costs increased in 2021 compared to the base period. The cost of materials and services – considering the change in the self-manufactured inventories as well – has increased by 51% versus the turnover expansion with 56%.

As a result of the operation of the Aschersleben plant and the new production units at the central site, and due to the increase in salaries the personnel expenses of the Company increased in the year compared to the base by 32%. The Group had 1 379 employees at the end of 2021 opposed to the staff level of 1 109 people of the base period.

Mainly related to the operation of the new Germany subsidiary and to the new production units at the central site there was an increase in the amount of depreciation.

Other operating expenses increased compared to the profit of the base period, due to the impairment of inventories.

As a result of all of the above factors, the Group's EBITDA was EUR 22 831 thousand (11,9% EBITDA ratio) in 2021 compared with the EUR 11 076 thousand (9,0% EBITDA ratio) in the reference period. The net income of its business activities came to EUR 18 275 thousand in 2021 compared with EUR 8 203 thousand in the reference period.

The change in the interest result already includes the interest expenses on the favourable bonds issued in 2021, the interest result was a loss of EUR 567 thousand 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.

Due to favourable exchange rate effects, a profit of EUR 1 136 thousand was recorded as a result of other financial operations, compared to a loss of EUR 334 thousand in the base period.

Also considering the financial results, the Group's profit after tax came to EUR 16 070 thousand in 2021 as opposed to the EUR 6 439 thousand profit in the reference period.

The Company's financial position

Balance sheet (thousands of EUR)	31 December 2021	31 December 2020	Change	Change %
	(A)	(B)	(A-B)	(A/B-1)
NON-CURRENT ASSETS				
Property, plant and equipment	89 624	48 904	40 720	83%
Intangible assets	151	177	-25	-14%
Goodwill	0	4 291	-4 291	-100%
Investments in associates	553	299	254	85%
Deferred tax assets	674	754	-80	-11%
Non-current assets	91 002	54 425	36 578	67%
CURRENT ASSETS				
Inventories	47 088	25 084	22 004	88%
Trade receivables	21 011	16 755	4 256	25%
Taxes receivable	1 926	619	1 308	211%
Other current financial assets	75	13	62	474%
Other current assets	2 689	1 764	926	52%
Cash and cash equivalents	15 382	33 267	-17 885	-54%
Current assets	88 171	77 501	10 671	14%
TOTAL ASSETS	179 174	131 925	47 248	36%
EQUITY				
Share capital	5 504	5 504	0	0%
Reserves	28 606	23 837	4 769	20%
Redeemed treasury shares	-2 252	-138	-2 114	1527%
Parent company's share of the profit or loss	15 861	5 768	10 093	175%
Equity attributable to parent company's shareholders	47 718	34 970	12 748	36%
Non-controlling interests	646	1899	-1253	-66%
Equity	48 364	36 869	11 495	31%
LONG-TERM LIABILITIES				
Long-term loans	4 152	3 926	227	6%
Liabilities from issued bonds	56 836	32 772	24 064	73%
Deferred tax assets	502	338	164	49%
Deferred income	29 923	3 362	26 561	790%
Other long-term liabilities	651	4 599	-3 948	-86%
Long-term liabilities	92 064	44 996	47 068	105%
CURRENT LIABILITIES				
Short-term loans	6 063	5 914	150	3%
Trade payables	16 790	13 306	3 483	26%
Short-term financial leasing liabilities	299	269	30	11%
Other current financial liabilities	4 300	2 480	1 820	73%
Taxes payable	3 263	2 497	766	31%
Current part of deferred income	2 785	450	2 335	519%
Provisions	567	317	250	79%
Other current liabilities	4 678	24 828	-20 150	-81%
Current liabilities	38 745	50 060	-11 315	-23%
TOTAL LIABILITIES	130 809	95 056	35 753	38%
EQUITY AND LIABILITIES	179 174	131 925	47 248	36%

Source: consolidated audited report of the Company on 31st of December 2021 and audited report on 31st of December 2020 based on IFRS accounting rules

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As of 31 December 2021, the Group's assets were worth EUR 179 173 thousand meaning an increase of EUR 47 248 thousand over the closing value of the reference period.

As of the end of December, the value of fixed assets was EUR 91 002 thousand which was EUR 36 578 thousand higher than the closing value of assets on the cut-off date of the reference period. The Corporate Group spent a total of EUR 45 867 thousand for investments and for the replacement of other assets in the reporting year.

Mainly due to the inventories related to own production and the increase in the price of purchased inventories, the inventory level at the end of December 2021 was EUR 47 088 thousand, which is EUR 22 004 thousand higher than the closing inventory level of the base period.

The Company's accounts receivable increased in line with the quarterly sales growth, closed at EUR 21 011 thousand at the end of December 2021, which is EUR 4 256 thousand higher than a year earlier.

As a result of the investments made, higher inventory stock levels and the purchase of share, the cash and cash equivalent balance decreased by EUR 17 885 thousand, to EUR 15 382 thousand compared to base year.

Under the Growth Bond Programme bond issue of HUF 12 billion nominal value in previous years and of HUF 9 billion nominal value in the third quarter of 2021 increased the Group's bond liabilities in the balance sheet. This has provided the Company with stable funding for its ongoing and future investments.

The Group's trade receivables closed at EUR 16 790 thousand, compared to EUR 13 306 thousand at the end of last year. The value of deferred income increased by EUR 28 896 thousand compared to the base period due to grants related to investments not yet recognized in the income statement. The balance of other current liabilities decreased by EUR 20 150 thousand, due to grants received for investments in progress.

On 20th October 2021 the Company acquired the remaining 50% of Masterplast Nonwoven GmbH, the transaction made the subsidiary company 100% owned by the Group. The acquisition of remaining ownership took place earlier than originally planned and modified favourably the terms of purchase option scheduled for 2023. The balance of other long-term liabilities on the balance sheet decreased in line with the transaction.

Financial and other management indicators

Financial and other management indicator		2021	2020
Current ratio		2,28	1,55
Interest coverage ratio		15,7	12,0
Accounts receivable turnover ratio	days	40	49
Accounts payable turnover ratio	days	41	44
Inventory turnover rate	days	89	71
EBITDA ratio	%	11,9	6,8
Debt ratio	%	73	60

Source: data from the Company's management information system

Research and development activities

In 2021, developments within the Company continues to focus on the production of its own building materials, with a particular focus on roofing foils and fiberglass mesh, and on the production of healthcare products, launched during the year.

In the roof foils product area, the development started in the previous year continued, building on the technological capabilities of Masterplast Nonwoven GmbH in Germany, which joined the Group. The Company has been working on the development of a roofing foil product range, where it can take advantage of the production technology with an end product with excellent value for money, high heat and aging resistance properties for its traditional customers and future large customers - e.g. at tile factories.

The main focus in the glass fibre product area, in addition to improving production efficiency, has been to broaden the supplier base by developing new recipes and products. In addition to increasing efficiency, quality indicators have been further improved.

Due to the pandemic, there was a significant demand for protective overalls developed, certified and manufactured by Masterplast, including the special raw material of Masterplast Nonwoven GmbH. During the year, several types of protective overalls were developed and certified by the Company for different protection grades. In the second half of 2021, the production of healthcare fleece products was launched in Sárszentmihály, and in the last quarter of the year, the Group added its own tailoring and sewing capacity and the production of special incontinence sheets. As a result of these investments and developments, the Group has significantly expanded its healthcare manufacturing capacity and product portfolio. All this gives Masterplast the opportunity to expand its presence in the healthcare sector beyond just Covid-19 devices.

The developments have been carried out using in-house resources and with the professional support of suppliers. The Group intends to continue the development work related to manufacturing and strategic products in the coming years.

Environmental protection

The Corporate group's operating area, sales, logistics and production facilities is not considered as environmentally hazardous technologies or key risk operations. That said, as a responsible corporation, the

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Company complies with the applicable environmental protection requirements, and strives to think and operate of the curve in numerous areas without substantially increasing its costs.

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

In 2021, Masterplast successfully continued the Green Hungarocell Program in Hungary, which means the organization and operation of the polystyrene collection system in accordance with the circular management unique in the building materials industry. Masterplast collects the cuttings of the polystyrene products it supplies during construction and finishing through its Ökopont partner network and recycles 100% of them, reusing them to produce thermal insulation material - thus significantly reducing the amount of waste on site.

In both its logistic and production operations, pay close attention to energy consumption, which is both an economic aspect and reduces CO2 emissions. In terms of transportation capacity, in 2021 the replacement and modernisation of fleet and internal logistic assets continued.

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

Short-term plans

In 2021, new plants for the production of healthcare textiles and finished healthcare products, with tailoring, sewing and specialised incontinence sheet production capacity, were established at the company's headquarters. As a result of these investments and improvements, the Group has significantly expanded its healthcare manufacturing capacity and product portfolio. All this gives Masterplast the opportunity to expand its presence in the healthcare sector beyond just Covid-19. In short term, the Company's objective is to rapidly ramp up its healthcare business and to build up its distribution chain I short term by selling Masterplast Medical branded products.

The Company's short-term tasks include the construction, testing and integration of manufacturing machinery in Subotica. The third phase of the fiberglass mesh manufacturing development will be completed in early 2022, supporting further market expansion during following year. The previously announced XPS insulation material production development in Subotica is on track, with the EUR 14 million investment in the plant scheduled to start production in 2023.

In response to the challenges of the construction industry and consumer demand, Masterplast is entering the most promising and likely fastest growing construction segment of the decade, modular architecture, as a manufacturer. The modular house business is planned to enter the initial investment phase in 2022, with the aim of designing and licensing building structures and establishing manufacturing capacity.

The European Union is providing significant government funding for building energy renovation programmes to meet climate change targets, which have become even more important since the outbreak of the war between Russia and Ukraine. The REPowerEU package measures - adopted in response to the war - handles the renovation of Europe's building stock as high priority, alongside the provision of alternative sources of gas and investment in renewable resources. Meanwhile, increased prices are likely to have a negative impact on the new housing

market in the upcoming years, the Group expects the renovation market to reach higher levels than previously estimated in the company's markets, which have already been performing well in the past, thanks to renovation subsidies and other incentives. Currently, Italy has the fastest growing insulation market in Europe, booming market at the end of 2021, resulted by the super-bonus state scheme. In order to provide its existing and new Italian partners with a wider range of products, higher quality services and to cover extended markets, new subsidiary was established in April 2022, with a 51% share in capital of Masterplast Group. The development of the sales and supporting function organisation has started. The Company is also considering the development of production capacities and ongoing search for opportunities. Management's ambition is to make Italy the second strongest subsidiary of Masterplast Group, following Hungarian operation by 2023.

Stable supply chain, investments in manufacturing and development already provided a strong financial background and, last but not least, an agile organisational culture ensures a solid basis for the Company's further and sustainable growth. According to the medium-term profit forecast published in January 2022, Masterplast set target of achieving another level in its profitability, with a turnover of more than €300 million and profit after tax of €26 million in 2024.

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, on the one hand, and by positive demand effects from government incentives, on the other. 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

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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 Company currently manufactures foam foil products for packaging applications. 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.

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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 2021, the Group had a EUR 56,8 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 did not raise capital in 2020 but may secure funding by raising capital in the future to implement its future strategic plans. The Group, with the exception of individual cases, does not plan to raise capital for its subsidiaries with shareholder approval, and funds increases in equity from the profit of previous years.

- Optimal capital structure

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

- Maintaining operability

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

Ethical norms

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

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

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

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

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Overview of premises

In 2021, the largest construction project in the history of Masterplast was completed at the company's site in Sárszentmihály. On the 22 169 m² GIP 1 zoned property, which was annexed to the site in the previous year, a 5 144,3 m² manufacturing unit specialising in the production of healthcare textiles and finished products, and a 2 390 m² warehouse were built. In addition, a 2 500 m² warehouse was built. In October 2021, the Company obtained a valid occupancy permit for the buildings. The Company's building stock in Kal has not changed.

The Group owns 360 thousand m² of land, nearly 6 thousand m² of offices, 28 thousand m² of production halls, 64 thousand m² of warehouses and 104 thousand m² of parking and roads.

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

The ISO 9001:2015 quality management system standard and the ISO 14001:2015 environmental management system standards have been implemented at the site. ISO 50001:2011 Energy Management System Standard was successfully renewed in 2021.

Management and structural subsequent events

As a consequence of the Russian-Ukrainian war that broke out in February 2022, the Company temporarily shut down its operations in Ukraine. Through direct involvement, the Company is paying special attention to its Ukrainian subsidiary and to helping people affected by the war, providing support to help employees and their families find safety, while also trying to protect the Company's assets in the best way possible. In response to the refugee crisis, the Company has organised solidarity actions in the form of relief consignments of its own products, consisting of foam mattresses for temporary sleeping accommodation and sanitary products to maintain hygiene.

On 12 April 2022, MASTERPLAST ITALIA SRL was established in Italy, with 51% ownership by the Company, for the trade of thermal insulation materials in Italy. The co-founders of the subsidiary are individuals with extensive experience and business contacts in the local building materials market. The development of the sales and support organisation has started. The Company has entrusted this to Illés Jancsó, who is the managing director of MASTERPLAST International Kft., the Company's export arm (including the Italian market) and also the head of the health care business. He has considerable management and business experience.

In 2022, the Company will focus on strengthening the Masterplast organisational culture. It has organised workshops throughout the organisation, with the aim of deepening corporate values, and has introduced traditional events to this end.

Integration programmes continue for training colleagues arriving in new factories.

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! [Közösségi Értékteremtő Program – Együtt Székesfehérvárért!] aims to come up with solutions that create lasting value for the local community as a joint effort between the business world and the municipal government. Masterplast provides product and expert support for the program's projects and its employee team contributes with voluntary work.

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

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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/.

Equal opportunity and diversity

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

Masterplast Employee Shared Ownership Program

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

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

The Participants of the MRP in 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

As a consequence of the Russian-Ukrainian war that broke out in February 2022, the Company temporarily shut down its operations in Ukraine. The potential impact of this on the Group's profitability is considered to be marginal, given the proportion of the territory involved. In the medium term, for Masterplast as a long-established producer of building materials and insulation materials in the Ukrainian market, the business potential in the reconstruction of Ukraine could compensate for the loss of income during the war.

War also has a significant impact on the wider operating environment. Masterplast has no Russian exposure, either on the raw material sourcing or on the customer side, so the sanctions on Russia do not pose a direct threat to the Group. At the same time, the indirect effects of the war are causing disruptions in supply chains, leading to further increases in raw material prices and supply difficulties for economic operators. The company is working with high stocks of raw materials to mitigate these difficulties. Its strategic inventory and diversified supplier portfolio ensure business continuity and maintain high service levels. Further increases in energy prices and high inflation will have a significant impact on operating costs. Increased prices are likely to have a negative impact on the new housing market in the coming years, but the Group expects the renovation market to be even more buoyant than previously expected. The REPowerEU package of measures adopted by the EU in response to the Russia-Ukraine war to help the EU become less dependent on Russian fossil fuels prioritises the renovation of Europe's building stock alongside the provision of alternative gas sources and investment in renewables.

Against this background and based on the information currently available, the Group's business continuity is assured and its liquidity is stable for the 12 months following the balance sheet date.

On April 12, 2022, MASTERPLAST ITALIA SRL was established with 51% of the Company's shares in Barco (Bibbiano, Reggio Emilia, Via Nazario Sauro 58/A CAP 42021), Italy. The co-founders of the subsidiary are individuals with extensive experience and business contacts in the local building materials market. The new company was set up for the distribution of thermal insulation materials in Italy with a share capital of EUR 200 000. The establishment of the new subsidiary will enable Masterplast to increase its presence in the Italian market, which is already an important export market for the Company, to a new level. The Italian market is currently the fastest growing market for insulation materials in Europe

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

Favourable construction demand, raw material supply constraints and price rises characterised the market in 2021, where Masterplast, leveraging its stable supply chain, efficient inventory policy and strong market position, achieved an outstanding result. Sales increased by 56% compared to last year's base, driven by price and volume growth in core business sales and sales of protective clothing in Hungary. The Group's trade margin also increased, thanks to a solid performance in the construction segment and higher profitability in the sale of medical protective clothing. The profitability of the subsidiaries, the capacity utilisation of the company's production units and production efficiency also improved. Taking into account the change in inventories, the cost of materials and services increased by 51% compared to a 56% increase in sales. The operation of the Aschersleben plant and the new production units at the headquarters site led to an increase in personnel costs and depreciation.

As a result, EBITDA doubled to more than EUR 22 million, while profit after tax of EUR 16 million was almost 2.5 times the base year performance and earnings per share (EPS) rose to EUR 1,10. Positive industry trends, Masterplast's strong market and economic position, stable supply chain, manufacturing background and investments provide a solid business base to achieve the Company's published strategic sales and earnings forecasts.

MASTERPLAST

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