MASTERPLAST PLC.
CONSOLIDATED ANNUAL REPORT
2023.

MASTERPLAST

PUBLIC LIMITED COMPANY

ANNUAL REPORT 2023

MESSAGE FROM THE PRESIDENT TO SHAREHOLDERS

Welcome to our shareholders!

We are behind a year full of challenges and trials. Over the past year, we have had to face a sudden and dramatic deterioration in all market factors, the impact of which has inevitably been reflected in the company's negative results. Today, however, I look to the future with optimism, because I see the value-creating work and progress that we have made and achieved during this period of forced consolidation. We have had to take many decisions that no business leader would relish, but they have all guided us towards a successful future for the company and, in the meantime, we have worked steadily towards our long-term goals.

The impact of record-high inflation and the resulting interest rate environment has been very negative, causing the European construction and building materials market to collapse over the past year. The negative demand shock was a cold shower for supply chains just recovering from the post-Covid rollercoaster. Previously, in a period of shortages of raw materials, high stock levels were a competitive advantage, even at higher prices. The sharp turnaround in the market then also affected the price of raw materials, and the higher price of stocks suddenly became a heavy burden, crushing market players, but they had to operate at a loss for a period to maintain their positions. Quick adaptation and decisive action to deal with the situation were necessary, and we decided to implement comprehensive efficiency improvement measures to ensure that we can continue to operate profitably in a tighter market environment.

Of course, we have not lost sight of our long-term goals, as the outlook for the industry remains very promising and, if possible, even stronger. The EU's decision-making mechanisms are functioning, and although slower than previously expected, energy policy regulations are very definitively drawing the main trends. Today, there are explicit and accepted targets for reducing the energy consumption of the European Union's building stock, which initially aims for a 16 percent reduction. This is in fact a huge number, which cannot be achieved without the insulation of buildings. I previously said that the decade of insulation is ahead of us, but now it can also be stated that the process of energy modernization of buildings will be much larger in scale and will continue for several decades. Our strategic manufacturing and technology development projects will therefore be kept in focus and implemented.

Masterplast strives to set an example and lead the industry in creating sustainability. Green thinking is now present in all corners of the company's operations and strongly influences our decisions and use of resources. It is now evident in many small, everyday projects and in an increasing number of major projects in the life of Masterplast. This includes the energy efficiency of our production, where our objective is to ensure that as much of our energy needs as possible come from renewable sources, as well as the achievement of paper-free offices through digitalisation, the complete recycling of waste from production, selective waste collection, the elimination of single-use plastics, and the continuation of our unique - now certified and multi-award-winning - circular economy system, the Hungarocell Green Programme, and the broadening of our collection activities.

Once again, I thank our shareholders for their confidence in our vision and the viability of our vision. In the coming year, Masterplast will return to profitability on its own resources and we are confident that we will deliver a positive surprise. And in the next economic cycle we will be a much stronger manufacturer in the market, with a wide product portfolio that will enable us to take another step forward. Finally, I would like to express my gratitude towards my team, whose dedicated work ensures that Masterplast develops into the defining insulation material manufacturer in the Central-Eastern European region and an indispensable player in the building materials industry.

Tibor Dávid
the Chairman of the Board of Directors

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 8 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 2023, 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.	North-Macedonia	100%	100%
MP Green Invest	Ukraine	100%	100%
Masterplast Nonwoven GmbH	Germany	100%	100%
Fidelis Bau Kft.	Hungary	100%	100%
Masterplast Proizvodnja D.o.o.	Serbia	100%	100%
Masterplast Italia Srl.	Italy	98,7%	98,7%
MASTERWOOL MW-1 d.o.o.	Serbia	100%	100%
The Group’s affiliated undertaking:			
Masterprofil Kft.	Hungary	20%	20%
T-CELL Plasztik Kft.	Hungary	24%	24%
MIP Zrt.	Hungary	50%	50%
PIMCO Kft.	Hungary	50%	50%

As a result of the record-high inflation and the unfavourable interest rate environment, the construction industry market demand showed a significant decline in 2023, as a result of that the Company's sales revenue decreased by 28%. In the sharp competition the company was able to sell its own production stock - that was produced from the former more expensive raw materials – with an extremely strong margin reduction, and the production capacities' lower utilisation also resulted in loss-making operations. In response to the changed market conditions, the Company focused on reducing the operating costs, optimizing the production and inventory levels, and more economical energy cost management. The Company transformed and made the operation of the management more efficient, revised its processes and carried out significant personnel optimization in both the production and the distributing segment. All these measures moderated and stopped the loss making of the EBITDA during the year moderate. The optimized organization now enables the Company to operate efficiently even in a more moderate industry environment. The Group's EBITDA loss for the current year was EUR 6 128 thousand, the PAT due to the unfavorable exchange rate movements closed at a loss of EUR 15 610 thousand

With the measures on the table to meet the EU energy policy objectives (REPowerEU plan; "Fit for 55%" package of measures), the Company's medium-term business outlook in the insulation market remains positive. Relying on these factors, the Company – with intention to maintain its current production capacities - continues to implement the intensive investment strategy that lays the foundation for the growth path, including the elements of stone and glass wool production projects launched together with co-investors. The forecasts estimate a positive turnaround in the construction sector for 2025, so the timing of the new investments seems proper.

SUMMARY

- The global energy crisis, increasing inflation and the deterioration of the interest rate environment had a strong impact on the construction industry in the Company's markets. The market for new constructions and the renovation segment both declined spectacularly at the European level, which was reinforced by the expiration of the subsidized building renovation programs and the delay in the start of new programs, that resulted in a wait-and-see attitude pf the market. As a result of all, a sharp competition ruined the construction industry, and prices have dropped significantly.
- The Group's annual turnover in 2023 was EUR 145 204 thousand, 28% lower than in the base period. Thanks in particular to wait-and-see attitude of the market the Sales of the thermal insulation systems product group (with a total share of 54%) decreased by 26%. The turnover in the other product groups of the Company also fell: the roofing foils and accessories by 6%, the of the dry construction systems by 35%, the thermal, sound and waterproofing materials by 32%, the of building industry accessories by 22%, the industrial applications product group by 51% compared to the base.
- In the most important Hungarian market the Sales fell by 40%, in the export markets by 16%, in Romania by 22%, in Serbia by 23%, in Germany by 33%, in the Italian market by 44%, in Slovakia by 26% and in North Macedonia by 23% compared to the base. The turnover in the Polish market stagnated, while there was an increase in Croatia by 19% and the Ukrainian market (13%) which is still operating in a war situation.
- Due to the lower sales revenue and the effect of the previously purchased more expensive raw materials, the gross margin was significantly below the base period value.
- In accordance with the demand trends, the output was below the base year in the majority of the company's production plants, including the EPS and fiberglass production plants in Serbia. Due to the lower capacity utilization, the Company reduced the number of the employees by more than 210 people in the production plants in Serbia this year. The output of the diffusion roof foil production in Sárszentmihály slightly increased, in the case of medical products, due to the low demand, only small series productions were carried out. In the last quarter, the Group's new EPS production line was launched, adjusted to market demand in a one-shift work schedule. The trial production period has also ended in the Company's newest XPS factory in Sabatka and the new EPS factories in Italy, where the production will start in the first quarter of 2024 in line with market demands.

- The glass wool factory investment in Szerencs, which will be realized with a 50%-50% share in the framework of strategic cooperation with Selena FM S.A., is progressing according to plans, the production can start in the first half of 2025. The investment plans for the stone wool factory in Halmajugra, which will also be realized together with the professional co-investor, Market Építő Zrt., are also in the final stage, the production can predictably start from the second half of 2025.
- Taking into account the change in the stocks of own production, the Company's material and used service costs were overall 22% below the base level.
- Despite previous wage increases and thanks to headcount optimization steps, the Company's personnel expenses decreased by 10% compared to the base period. At the end of December 2023, the Group employed 1 138 people, compared to the previous period's 1 499.
- In terms of other operating results, the Company recorded EUR 3 677 thousand other operating loss compared to a profit of EUR 3 524 thousand in the previous year, largely as a result of the inventory provision at the end of the year
- The Group's depreciation increased by 18% due to the already finalized production development investments. In connection with the investments at the Hungarian and Serbian sites, the received subsidies are accounted in proportion of the depreciation of the assets.
- As a result of all, the Company's EBITDA in 2023 was a loss of EUR 6,128 thousand (-4.2% EBITDA share) compared to the value of EUR 20,593 thousand (10.2% EBITDA share) in the base period, while the result of the Operating profit was a loss of EUR 12 549 thousand in 2023, compared to the profit of EUR 15 130 thousand in the base period.
- The Company's interest losses and incomes increased in 2023 compared to the base. A total Financial loss of EUR 2 503 thousand was recorded as a result of the unfavorable exchange rate effects, compared to a profit of EUR 3 937 thousand in the base period.
- Taking the financial results into account, the Group's PAT result in 2023 was a loss of EUR 15 610 thousand, compared to a profit of EUR 15 700 thousand in the base period.
- Due to the finalized and ongoing investments, the value of the Fixed assets at the end of December 2023 was EUR 138 373 thousand, which is EUR 26 040 thousand higher than the closing value of the base period.
- The Stock at the end of December 2023 was EUR 34 291 thousand, which - as a result of the measures introduced to optimize the stock level - is 43% lower than the closing value of 2022. The Company intends to operate with a lower inventory level in the following periods as well.
- The Company's accounts receivable - due to the 28% lower turnover compared the base period - closed by EUR 4 606 thousand lower value, on EUR 12 858 thousand the end of December 2023.
- The Group's cash balance was EUR 18 210 thousand at the end of December 2023, which is EUR 7 672 thousand lower than the balance at the end of the base period.
- By the beginning of 2024, the Company's credit lines were extended. These, as well as the available funds, ensure the stable operation and growth of the Company.

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 persistence of an unfavourable macroeconomic environment (high inflation and interest rates worldwide) due to recent events such as the Russian-Ukrainian war, the epidemic measures and the energy crisis has led to a decline in demand for construction at European level, both in the new construction market and in the renovation segment. The market has been characterised by a wait-and-see attitude due to the earlier expiry of building renovation subsidy programmes and the delay in launching new programmes. There are no procurement difficulties and price transparency is good. This has resulted in a highly competitive construction industry where prices have fallen significantly.

in Hungary, which has the largest weight in terms of markets, compared to last year's base period, which was boosted by home renovation subsidies, there was a slowdown in public investment, as well as a sharp slowdown in private investment in property development and residential work. In addition to the loss of demand, the significant fall in sales prices further erode market participants' revenues. According to the assessment of the National Union of Building Contractors (ÉVOSZ), based on a survey of 150 building materials trading enterprises, the construction industry was being forced to take serious decisions, such as laying off skilled workers, closing shifts or even closing factories. Almost all actors expect something from the state: the residentials are looking forward to new subsidies, projected in family housing and energy investments, while entrepreneurs are waiting a reduction in the bank base rate and investment incentive tenders. The goverment has repeatedly hinted that large-scale renovation programmes would be launched if the EU funds expected for Hungary arrived, but these have not yet been forthcoming in 2023.

In Romania in 2023, construction output in the residential and non-residential segments of the construction sector decreased, as well as the number of building permits issued. The decline in real estate activity has been largely driven by the increase in bank interest rates and the contraction of financing opportunities. In this market also construction firms have typically tried to adapt to the situation by making redundancies, while in other cases it is the labour shortage that has made the situation difficult for market players. The larger companies focused on public investment, this sector remained the most stable in the year under review.

In Poland, economic performance is estimated to have stagnated compared to the previous year. In construction, data on production and housing starts show a decline. The introduction by the government of a fixed-rate housing loan subsidy has started, which has significantly boosted demand, but has not been accompanied by an increase in the number of housing projects, which has led to a rise in new house prices.

The German economy is estimated to have declined by 0,3% on annual basis, with the construction sector lagging significantly behind in terms of housing starts. The price correction (decline) continued even in the fourth quarter. The German chancellor earlier announced a 14-point crisis plan to address the country's housing shortage, which includes, among other things, tax breaks related to construction and support for families building or buying homes.

The number of building permits and construction output in Serbia have been on the rise recently. Serbia has decided to amend the Law on Planning and Construction. The Law on Planning and Construction, which has entered into force in August this year, will bring modern solutions for sustainable and energy-efficient construction and the digitalisation of the construction industry. It will also speed up the procedures for issuing building permits and make the process of issuing permits more transparent in order to protect citizens and builders.

In Slovakia, too, the construction sector faced fierce competition, with a shortage of skilled labour. However, private sector orders have shown some growth and the launch of the renovation incentive programme in the fourth quarter should stimulate the market from the coming quarters. The sector could also be helped by the new construction law, which will come into force from 2024 and will significantly reduce the administrative burden around permitting processes.

In Ukraine, despite the war in the country, GDP is on an upward trend (estimated at +5%) and economic activity is continuing in the non-combat zones. In 2023, the real estate market showed a boost in all segments. After a two-thirds downturn since the start of the full-scale Russian invasion, Ukrainians have returned to the idea of buying their own property. Interest in buying a home in Ukraine has reached 70% of pre-war levels. A substantial amount of money has been earmarked for new construction and reconstruction under a governmental renovation programme. The government's eReconstruction and programme, which was launched in May 2023, has already received more than 62 000 applications for financial assistance for damaged properties by mid-December 2023, of which 26 500 applicants have received payments for home reconstruction. The shortage of skilled workers in the construction sector is a challenge, as many are on the front line defending Ukraine's territories.

The table below summarises the year-on-year evolution of GDP growth, construction output and the number of housing permits issued by country, based on EUROSTAT statistics.

	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	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**
Germany	1,8	-0,3	-1,5	-1,1	-7,1	-31,1
Croatia	6,3	2,8	4,7	4,8	12,9	0
Italy	3,7	0,9	12,6	-0,1	:	:
Hungary	4,6	-0,9	3,3	-5,1	20	:
Poland	4,9	0,2	8,2	5,3	-12,7	-19,4
Romania	4,8	2,1	13,3	16,2	-7,4	-24,8
Slovakia	1,7	1,1	-0,4	0,5	-16,2	-11,9
North Macedonia	2,1	1	-11,9	-2	-41,4	12,6
Serbia	2,3	2,5	-12,5	11,6	:	:
EU (27 Member States)	3,5	0,4	2,7	1,4	:	:

Source: EUROSTAT: Building permits - annual data [sts_cobp_a__custom_10518203]; Production in construction - annual data Production in construction - annual data [sts_copr_a__custom_10518416; Real GDP growth rate - volume [tec00115__custom_10526288]

OVERVIEW OF SALES BY PRODUCT GROUP

Sales by main product groups (thousands of EUR)	2023	2022	Change %
	(A)	(B)	(A/B-1)
Thermal insulation system	78 416	106 626	-26%
Roofing foils and accessories	24 765	26 293	-6%
Dry construction system	11 913	18 232	-35%
Heat, sound and water insulation materials	13 057	19 214	-32%
Building industry accessories	4 598	5 900	-22%
Industrial applications	12 455	25 515	-51%
Total sales revenue	**145 204**	**201 780**	**-28%**

Contribution of product groups in percentage to the total sales revenue		
Thermal insulation system	54%	52%
Roofing foils and accessories	17%	13%
Dry construction system	8%	9%
Heat, sound and water insulation materials	9%	10%
Building industry accessories	3%	3%
Industrial applications	9%	13%
Total sales revenue	**100%**	**100%**

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

Group turnover in 2023 decreased by 28% to 145 204 thousand.

The thermal insulation system product group continued to account for the largest share (54%) of Group revenue, where the turnover was 26% lower than in the previous year. Within the product group, sales of own-produced EPS products and fiberglass mesh decreased significantly, but sales of the ancillary products (adhesives, profiles) remained stagnant. On a regional basis, sales of the product group increased in Ukraine and Poland, while sales decreased in the Company's other markets.

Sales of roofing foils and accessories decreased slightly by 6% compared to the 2022 base, where own production capacity allowed access to new markets/partners, partially offsetting the impact of the industry recession in this product group. Looking at the markets, sales increased in the export, Serbian, and Ukrainian regions, while declining in the other markets.

The Group's turnover in the dry construction system business was down 35% in the year under review compared to the 2022 base. Sales of both drywall profiles and sheets decreased. In terms of markets, the Group's sales decreased overall.

The Group's sales in the heat, sound and water insulation materials product group closed 32% lower than the 2022 base. In addition to sales of glass and rock wool and XPS products, sales of foam foil also declined. By market, sales in Serbia increased, while Group sales decreased in the other markets.

The Group's turnover in the building industry accessories market decreased by 22% in 2023 compared to the base. Sales increased in Poland, Germany and Ukraine, but were down year-on-year in the Group's other markets.

For the industrial applications product group, sales fell by 51% compared to the 2022 base. Sales of health-care products, as well as packaging products and non-strategic commodity trade reported here, also fell.

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)	2023	2022	Change %
	(A)	(B)	(A/B-1)
Hungary	54 094	89 601	-40%
Export	15 484	18 462	-16%
Romania	13 209	16 883	-22%
Poland	13 547	13 495	0%
Serbia	10 253	13 351	-23%
Ukraine	8 415	7 458	13%
Germany	9 644	14 379	-33%
Italy	7 625	13 580	-44%
Slovakia	6 030	8 101	-26%
Croatia	5 466	4 598	19%
North Macedonia	1 437	1 872	-23%
Total sales revenue	**145 204**	**201 780**	**-28%**

Contribution of countries in percentage to the total sales revenue		
Hungary	37%	44%
Export	11%	9%
Romania	9%	8%
Poland	9%	7%
Serbia	7%	7%
Ukraine	6%	4%
Germany	7%	7%
Italy	5%	7%
Slovakia	4%	4%
Croatia	4%	2%
North Macedonia	1%	1%
Total sales revenue	**100%**	**100%**

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

In the Group's largest Hungarian market, total sales declined by 40% in 2023 compared to the base year. All product groups experienced a decline in sales. In the Hungarian market, high interest rates are not favourable for renovation and construction works, and instead of the home renovation subsidy, which ended at the end of last year, no new ones have been launched yet. It can be said that the effect of the market's wait-and-see attitude on sales results is more robust in the Hungarian market, and the much lower level of prices is also significantly affecting year-on-year performance.

In the Export areas, turnover fell by 16% year-on-year. Sales of roofing foils and accessories with own production capacity increased, while other products experienced a decline. Masterplast's sales increased significantly in the French market, but also in several other countries, while in some target countries, such as the UK and Greece, sales were down compared to a year earlier.

The Group's Romanian market, also a heavyweight, saw a 22% decline in turnover overall. Sales of the industrial applications product group increased, while sales of the fiberglass mesh in thermal insulation systems, building industry accessories and roofing foils decreased in 2023 compared to the base year.

Sales in the German market decreased by 33% in 2023 compared to last year, due to the decline of sales of the own-produced healthcare product raw material and roofing foils, but sales of thermal insulation group was also below the base.

Sales decreased by 44% in Italy compared to last year, where the Italian state's tax refund action linked to insulation strongly stimulated demand in the base year. The thermal insulation system product group represents the overwhelming share of sales on the Italian market.

In the Polish market, sales stagnated compared to the 2022 base. Sales revenue increased in the thermal insulation system product group due to the sale of own-produced fiberglass mesh products, and also in the building industry product group, while sales revenue in the other product groups decreased compared to the base year of 2022.

In Serbia in 2023, Group sales decreased by 23% compared to the base. Sales of roofing membranes and roofing elements were the main contributors to the increase, but the thermal, sound and waterproofing materials product group also performed well. Sales of the other product groups declined.

In Ukraine, turnover in the war situation increased by 13% compared to the 2022 base year which was also effected by war conditions. Sales of the roof foils and accessories product group in particular increased significantly, but sales of the thermal insulation group also increased compared to the base year.

In Slovakia, turnover fell by 26% in the year under review. Sales declined in the product groups of thermal insulation systems, industrial applications, dry construction systems and building industry accessories.

In Croatia, Group turnover increased by 19% compared to 2022. Sales increased in the roofing foils and accessories and industrial applications product groups. The turnover of the other product groups decreased.

Northern Macedonia, with the lowest share of turnover, saw a 23% drop in sales in 2023 compared to the base. In this market, the turnover of the product group roofing foils and accessories decreased slightly compared to the base year, while the turnover of the other product groups decreased significantly.

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 2023	31 December 2022	Change	Change %
	(A)	(B)	(A-B)	(A/B-1)
Sales revenues	145 204	201 780	-56 577	-28%
Materials and services used	-121 437	-170 965	49 528	-29%
Payments to personnel	-24 350	-26 977	2 627	-10%
Depreciation, amortisation and impairment	-6 421	-5 463	-958	18%
Movements in self-produced inventories	-1 867	13 231	-15 098	-114%
Other operating income (expense)	-3 677	3 524	-7 201	-204%
OPERATING PROFIT	**-12 549**	**15 130**	**-27 679**	**-183%**
Interest received	1 263	1 058	206	19%
Interest paid	-3 290	-2 511	-779	31%
Other financial (expense) income	-2 503	3 937	-6 440	-164%
Financial loss	**-4 529**	**2 484**	**-7 013**	**-282%**
Profit or loss attributable to associates	460	325	135	41,4%
PROFIT BEFORE TAX	**-16 619**	**17 938**	**-34 557**	**-192,6%**
Income tax	1 008	-2 238	3 247	-145,1%
PROFIT FOR THE YEAR	**-15 610**	**15 700**	**-31 311**	**-199%**
EBITDA	-6 128	20 593		
EBITDA ratio	*-4,2%*	*10,2%*		
Earnings per share (EPS) (EUR)	*-0,95*	*1,05*		
Diluted earnings per share (diluted EPS) (EUR)	*-0,95*	*1,05*		

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

GROUP RESULTS

The Group's annual turnover in 2023 was EUR 145 204 thousand, 28% lower than in the base period. The performance was affected by both the general decline in construction market demand and a fall in prices.

•Due to the lower sales revenue and the effect of the previously purchased more expensive raw materials, the gross margin was significantly below the base period value.

In accordance with the demand trends, the output was below the base year in the majority of the company's production plants, including the EPS and fiberglass production plants in Serbia. Due to the lower capacity utilization, the Company reduced the number of the employees by more than 210 people in the production plants in Serbia this year. The output of the diffusion roof foil production in Sárszentmihály slightly increased, in the case of medical products, due to the low demand, only small series productions were carried out. In the last quarter, the Group's new EPS production line was launched, adjusted to market demand in a one-shift work schedule. The trial production period has also ended in the Company's newest XPS factory in Sabatka and the new EPS factories in Italy, where the production will start in the first quarter of 2024 in line with market demands.

Taking into account the change in the stocks of own production, the Company's material and used service costs were overall 22% below the base level. The Group's costs of raw and other materials, energy and fuel costs decreased. Overall, the value of the Company's cost of services also decreased in 2023 compared to the base period.

Despite previous wage increases and thanks to headcount optimization steps, the Company's personnel expenses decreased by 10% compared to the base period. At the end of December 2023, the Group employed 1 138 people, compared to the previous period’s 1 499.

The Group's depreciation increased by 18% due to the already finalized production development investments. In connection with the investments at the Hungarian and Serbian sites, the received subsidies are accounted in proportion of the depreciation of the assets.

In terms of other operating results, the Company recorded EUR 3 677 thousand other operating loss compared to a profit of EUR 3 524 thousand in the previous year, largely as a result of the inventory provision at the end of the year.

As a result of all, the Company's EBITDA in 2023 was a loss of EUR 6,128 thousand (-4.2% EBITDA share) compared to the value of EUR 20 593 thousand (10.2% EBITDA share) in the base period, while the result of the Operating profit was a loss of EUR 12 549 thousand in 2023, compared to the profit of EUR 15 130 thousand in the base period.

The Company's interest losses and incomes increased in 2023 compared to the base. A total Financial loss of EUR 2 503 thousand was recorded as a result of the unfavorable exchange rate effects, compared to a profit of EUR 3 937 thousand in the base period.

The other financial related incomes and expenditures mainly represent the exchange rate related profits/losses. As the Company mainly realises its purchases in 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.

Taking the financial results into account, the Group's PAT result in 2023 was a loss of EUR 15 610 thousand, compared to a profit of EUR 15 700 thousand in the base.

THE COMPANY’S FINANCIAL POSITION

Due to the finalized and ongoing investments, the value of the Fixed assets at the end of December 2023 was EUR 138 373 thousand, which is EUR 26 040 thousand higher than the closing value of the base period.

The Stock at the end of December 2023 was EUR 34 291 thousand, which - as a result of the measures introduced to optimize the stock level - is 43% lower than the closing value of 2022. The Company intends to operate with a lower inventory level in the following periods as well.

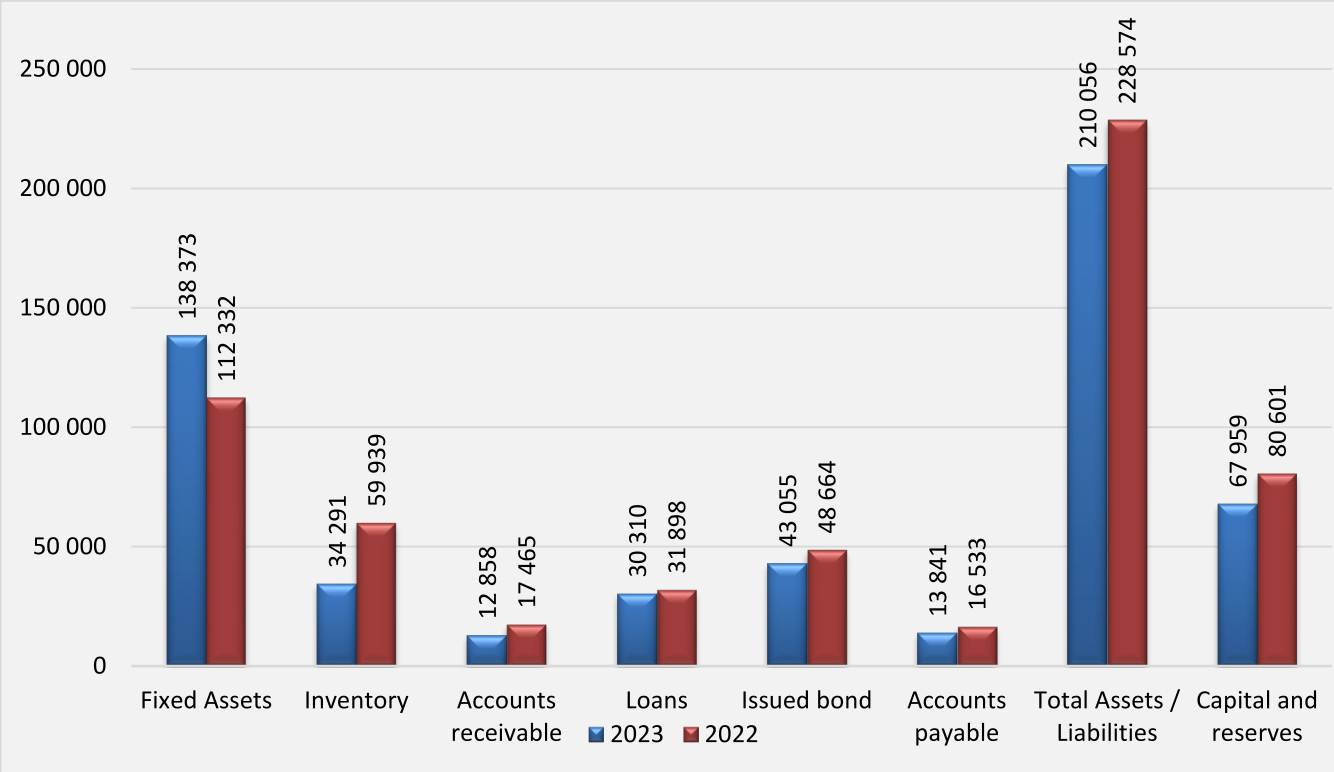
The Company's accounts receivable - due to the 28% lower turnover compared the base period - closed by EUR 4 606 thousand lower value, on EUR 12 858 thousand the end of December 2023.

The Group's cash balance was EUR 18 210 thousand at the end of December 2023, which is EUR 7 672 thousand lower than the balance at the end of the base period.

By the beginning of 2024, the Company's credit lines were extended. These, as well as the available funds, ensure the stable operation and growth of the Company.

The Group's bond liabilities on the balance sheet decreased, in line with the repayment of the HUF 1.5 billion due in the year under review. The Company's loan portfolio was down by around EUR 2 million compared to a year ago.

The Group's trade receivables closed at EUR 13 841 thousand, compared to EUR 16 533 thousand at the end of last year. Deferred income including grants related to investments not yet recognised in the income statement increased by EUR 851 thousand.



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

Members of the Board of Directors on 31 December 2023

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, 25 April 2024.

Tibor Dávid

CEO

the Chairman of the Board of Directo

MASTERPLAST PLC.

CONSOLIDATED MANAGEMENT AND BUSINESS REPORT 2023

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/2023 – 31/DEC/2023

Sárszentmihály, 25 April 2024.

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:

- 16 850 631 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	2023	2022
Tibor Dávid	454 805 700 Ft	454 805 700 Ft
Ács Balázs	387 725 900 Ft	387 725 900 Ft
Bunford Tivadar	45 169 000 Ft	45 169 000 Ft
Nádasi Róbert	12 903 400 Ft	10 562 000 Ft
Jancsó Illés	4 490 900 Ft	4 490 900 Ft
Pécsi László	2 013 200 Ft	3 277 200 Ft
Lukács Flórián László	252 000 Ft	252 000 Ft
Additional minority owners	752 544 300 Ft	751 235 000 Ft
Repurchased shares	25 158 700 Ft	27 545 400 Ft
Total:	**1 685 063 100 Ft**	**1 685 063 100 Ft**
	(6 049 289 EUR)	**(6 049 289 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 251 587 pieces of repurchased dematerialised own shares.

Board of Directors

The Board of Directors is the executive body of the Company except in matters that fall within the General Meeting's competence. Its activities are governed by the Company's Articles of Association, the General Meeting's decisions and the effective laws. The detailed powers of the Board of Directors are set out in the rules of procedure of the Board of Directors. The Board of Directors shall consist of five members, elected by the Annual General Meeting. The Board of Directors shall elect a Chairman and a Vice-Chairman from among its members, for a term equal to the term of the Board of Directors.
The Board of Directors shall not participate in the The Board of Directors shall not participate in the day-to-day activities of of Masterplast Plc., the operational management of the Company shall be carried out by the Chief Executive Officer, who shall be elected by the Board of Directors and is in employment.
The primary objective of the Board of Directors is to approve the strategy of the Group and to control the operational activities.

Members of the Board of Directors on 31 December 2023:

- 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 Articles of Association and the Capital Market Act.
The Audit Committee shall elect its chairman from among its members and shall take its decisions by a simple majority of its members. The Audit Committee's powers shall be exercised by the Board of Directors of Masterplast Plc. The powers of the Audit Board shall be defined by the Articles of Association of Masterplast. The Audit Committee is responsible, among other things, for the professional management and control of the Internal Audit, for defining the professional requirements to be met by the Auditor and for monitoring its activities. The Audit Committee's powers and duties are set out in the Audit Committee's Rules of Procedure, which are always up to date.

Members of the Audit Committee:

- Dezse Margaret
- Dirk Theuns
- Fazekas Bálint

The Audit Committee is responsible for:

- to audit the Company's internal control and risk management activities and to assess the functioning of the financial reporting system and to recommend the necessary measures to be taken;
- audit of the annual and consolidated accounts under the Accounting Act in accordance with the relevant legislation
- verification of the auditor's independence;
- assisting the Board of Directors in monitoring the financial reporting system, selecting the auditor and cooperating with the auditor;
- the internal auditor reports to the Audit Committee and receives instructions and assignments from the Audit Committee
- consult with the Company's management on any decision or commitment not included in the Company's business plan and between EUR 1 and 2 million

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 all matters which do not fall within the exclusive competence of the General Meeting, or which are referred to the Board of Directors by law, the Articles of Association and the Rules of Procedure of the Board of Directors, in particular: deciding on the acquisition of own shares on the basis of the authorisation of the General Meeting, on the increase of share capital, on the issue of bonds if the conditions set out in the law and the Articles of Association are met, and on the transfer and encumbrance of the Company's own shares.

General Meeting

The supreme body of the Company is the General Meeting, which consists of all shareholders. The Annual General Meeting has the power, inter alia, to decide on the approval of the annual financial statements and the appropriation of the profit after tax, to elect and remove members of the Board of Directors and the Audit Committee, to elect and remove the Auditor, to determine his remuneration, to amend the Articles of Association and to take any decision which has a material effect on the share capital of the Company and which is referred by law or by the Articles of Association to the exclusive competence of the General Meeting.

Masterplast Group activities and business model, subsidiaries

Founded in 1997, Masterplast Group is the largest Hungarian-owned building materials manufacturing company in the Central European region. It has a direct market presence in 10 European countries through its subsidiaries and is present in most European countries through its export partners. It has a strong position in the market for façade insulation, high roof insulation and dry construction systems.

It ensures its product background mainly through manufacturing at its ISO and TÜV certified production sites in Hungary, Serbia and Germany and through strategic manufacturing partnerships. in 2020, the company entered the healthcare segment, and its strategic goal is to make the modular business division a success as soon as possible. Due to the growing demand for fibre insulation materials, the company's focus in 2023 was on the establishment of rock wool and glass wool insulation material plants to meet the needs of the Hungarian and Central and Eastern European markets, and its production development plans are now in the implementation phase in both targeted product segments.

Masterplast provides competitive business services to its partners through a well-established customer-oriented sales system, continuous quality control of manufactured and distributed products, a stable product supply background and flexible logistics solutions.

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

Company	Place of registration	Core Operation
Masterplast Hungária Kft.	Hungary	Wholesale of building materials
Masterplast International Kft.	Hungary	Wholesale of building materials
Masterplast Medical Kft.	Hungary	Manufacturing of raw materials and finished products for health care and roofing foils
Masterplast Modulhouse Kft.	Hungary	Modular prefabricated components manufacturing
MasterFoam Kft.	Hungary	Manufacturing of EPS
Masterplast YU D.o.o.	Serbia	Wholesale of building materials, manufacturing of EPS, fiberglass mesh production, corner protection mesh
Masterplast Sp zoo	Poland	Wholesale of building materials
Master Plast S.r.o.	Slovakia	Wholesale of building materials
Masterplast Romania S.R.L.	Romania	Wholesale of building materials
MasterPlast TOV	Ukraine	Wholesale of building materials wholesale, manufacturing of corner protection mesh
Masterplast d.o.o.	Croatia	Wholesale of building materials
Masterplast D.O.O.	North Macedonia	Wholesale of building materials
MP Green Invest	Ukraine	Asset management
Masterplast Nonwoven GmbH	Germany	wholesale, manufacturing of fleece and roof foils
Fidelis Bau Kft.	Hungary	Manufacturing of Thermobeton
Masterplast Proizvodnja D.o.o.	Serbia	Manufacturing of XPS
Masterplast Italia Srl.	Italy	Wholesale of building materials, manufacturing of EPS
MASTERWOOL MW-1 d.o.o.	Serbia	Manufacturing of rock wool
Affiliated company of the Group:		
MasterProfil Kft.	Hungary	Manufacturing of profiles
T-CELL Kft.	Hungary	Manufacturing of EPS
MIP Zrt.	Hungary	Manufacturing of rock wool
PIMCO Kft.	Hungary	Manufacturing of glass wool

Source: data from the Company's management information system

Plans for expansion

The Company aims to maintain a dynamic growth rate, which it plans to achieve through greenfield investments and organic development. Geographically, the countries of the European Union and Serbia could be the growth areas.
The Company plans to grow sales and profits in the construction, healthcare, modular architecture and industrial applications' markets. The Group has significantly increased its capacity in production of fiberglass mesh and diffusion roofing foils, which enables it to serve premium category market segment's highest quality needs. The Company has expanded its insulation material production capacities with one XPS and two new EPS plants in 2023, and its rock wool and glass wool production with co-investors. In dealing with the energy crisis, the renovation and energy renovation of buildings have gained in value, which will ensure demand for insulation materials increases. The company's vision is that by the second half of the decade, Masterplast could be the only insulation materials manufacturer in the Central and Eastern European region with significant manufacturing and market positions in both plastic and mineral insulation materials.
The modular building construction business launched by the Company in recent years and the potential of the healthcare division may further increase Masterplast's profitability and business diversification in the coming years.

The impact of macroeconomic trends 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 persistence of an unfavourable macroeconomic environment (high inflation and interest rates worldwide) due to recent events such as the Russian-Ukrainian war, the epidemic measures and the energy crisis has led to a decline in demand for construction at European level, both in the new construction market and in the renovation segment. The market has been characterised by a wait-and-see attitude due to the earlier expiry of building renovation subsidy programmes and the delay in launching new programmes. There are no procurement difficulties and price transparency is good. This has resulted in a highly competitive construction industry where prices have fallen significantly.

in Hungary, which has the largest weight in terms of markets, compared to last year's base period, which was boosted by home renovation subsidies, there was a slowdown in public investment, as well as a sharp slowdown in private investment in property development and residential work. In addition to the loss of demand, the significant fall in sales prices further erode market participants' revenues. According to the assessment of the National Union of Building Contractors (ÉVOSZ), based on a survey of 150 building materials trading enterprises, the construction industry was being forced to take serious decisions, such as laying off skilled workers, closing shifts or even closing factories. Almost all actors expect something from the state: the residentials are looking forward to new subsidies, projected in family housing and energy investments, while entrepreneurs are waiting a reduction in the bank base rate and investment incentive tenders. The goverment has repeatedly hinted that large-scale renovation programmes would be launched if the EU funds expected for Hungary arrived, but these have not yet been forthcoming in 2023.

In Romania in 2023, construction output in the residential and non-residential segments of the construction sector decreased, as well as the number of building permits issued. The decline in real estate activity has been largely driven by the increase in bank interest rates and the contraction of financing opportunities. In this market also construction firms have typically tried to adapt to the situation by making redundancies, while in other cases it is the labour shortage that has made the situation difficult for market players. The larger companies focused on public investment, this sector remained the most stable in the year under review.

In Poland, economic performance is estimated to have stagnated compared to the previous year. In construction, data on production and housing starts show a decline. The introduction by the government of a fixed-rate housing loan subsidy has started, which has significantly boosted demand, but has not been accompanied by an increase in the number of housing projects, which has led to a rise in new house prices.

The German economy is estimated to have declined by 0,3% on annual basis, with the construction sector lagging significantly behind in terms of housing starts. The price correction (decline) continued even in the fourth quarter. The German chancellor earlier announced a 14-point crisis plan to address the country's housing shortage, which includes, among other things, tax breaks related to construction and support for families building or buying homes.

The number of building permits and construction output in Serbia have been on the rise recently. Serbia has decided to amend the Law on Planning and Construction. The Law on Planning and Construction, which has entered into force in August this year, will bring modern solutions for sustainable and energy-efficient construction and the digitalisation of the construction industry. It will also speed up the procedures for issuing building permits and make the process of issuing permits more transparent in order to protect citizens and builders.

In Slovakia, too, the construction sector faced fierce competition, with a shortage of skilled labour. However, private sector orders have shown some growth and the launch of the renovation incentive programme in the fourth quarter should stimulate the market from the coming quarters. The sector could also be helped by the new construction law, which will come into force from 2024 and will significantly reduce the administrative burden around permitting processes.

In Ukraine, despite the war in the country, GDP is on an upward trend (estimated at +5%) and economic activity is continuing in the non-combat zones. In 2023, the real estate market showed a boost in all segments. After a two-thirds downturn since the start of the full-scale Russian invasion, Ukrainians have returned to the idea of buying their own property. Interest in buying a home in Ukraine has reached 70% of pre-war levels. A substantial amount of money has been earmarked for new construction and reconstruction under a governmental renovation programme. The government's eReconstruction and programme, which was launched in May 2023, has already received more than 62 000 applications for financial assistance for damaged properties by mid-December 2023, of which 26 500 applicants have received payments for home reconstruction. The shortage of skilled workers in the construction sector is a challenge, as many are on the front line defending Ukraine's territories.
The table below summarises the year-on-year evolution of GDP growth, construction output and the number of housing permits issued by country, based on EUROSTAT statistics.

	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	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**
Germany	1,8	-0,3	-1,5	-1,1	-7,1	-31,1
Croatia	6,3	2,8	4,7	4,8	12,9	0
Italy	3,7	0,9	12,6	-0,1	:	:
Hungary	4,6	-0,9	3,3	-5,1	20	:
Poland	4,9	0,2	8,2	5,3	-12,7	-19,4
Romania	4,8	2,1	13,3	16,2	-7,4	-24,8
Slovakia	1,7	1,1	-0,4	0,5	-16,2	-11,9
North Macedonia	2,1	1	-11,9	-2	-41,4	12,6
Serbia	2,3	2,5	-12,5	11,6	:	:
EU (27 Member States)	3,5	0,4	2,7	1,4	:	:

Source: EUROSTAT: Building permits - annual data [sts_cobp_a__custom_10518203]; Production in construction - annual data Production in construction - annual data [sts_copr_a__custom_10518416; Real GDP growth rate - volume [tec00115__custom_10526288]

Developments in performance on business operations

Overview of sales by product group

Sales by main product groups (thousands of EUR)	2023	2022	Change %
	(A)	(B)	(A/B-1)
Thermal insulation system	78 416	106 626	-26%
Roofing foils and accessories	24 765	26 293	-6%
Dry construction system	11 913	18 232	-35%
Heat, sound and water insulation materials	13 057	19 214	-32%
Building industry accessories	4 598	5 900	-22%
Industrial applications	12 455	25 515	-51%
Total sales revenue	**145 204**	**201 780**	**-28%**

Contribution of product groups in percentage to the total sales revenue		
Thermal insulation system	54%	52%
Roofing foils and accessories	17%	13%
Dry construction system	8%	9%
Heat, sound and water insulation materials	9%	10%
Building industry accessories	3%	3%
Industrial applications	9%	13%
Total sales revenue	**100%**	**100%**

Source: data from the Company's management information system

Group turnover in 2023 decreased by 28% to 145 204 thousand.
The thermal insulation system product group continued to account for the largest share (54%) of Group revenue, where the turnover was 26% lower than in the previous year. Within the product group, sales of own-produced EPS products and fiberglass mesh decreased significantly, but sales of the ancillary products (adhesives, profiles) remained stagnant. On a regional basis, sales of the product group increased in Ukraine and Poland, while sales decreased in the Company's other markets.

Sales of roofing foils and accessories decreased slightly by 6% compared to the 2022 base, where own production capacity allowed access to new markets/partners, partially offsetting the impact of the industry recession in this product group. Looking at the markets, sales increased in the export, Serbian, and Ukrainian regions, while declining in the other markets.

The Group's turnover in the dry construction system business was down 35% in the year under review compared to the 2022 base. Sales of both drywall profiles and sheets decreased. In terms of markets, the Group's sales decreased overall.

The Group's sales in the heat, sound and water insulation materials product group closed 32% lower than the 2022 base. In addition to sales of glass and rock wool and XPS products, sales of foam foil also declined. By market, sales in Serbia increased, while Group sales decreased in the other markets.

The Group's turnover in the building industry accessories market decreased by 22% in 2023 compared to the base. Sales increased in Poland, Germany and Ukraine, but were down year-on-year in the Group's other markets.

For the industrial applications product group, sales fell by 51% compared to the 2022 base. Sales of health-care products, as well as packaging products and non-strategic commodity trade reported here, also fell.

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)	2023	2022	Change %
	(A)	(B)	(A/B-1)
Hungary	54 094	89 601	-40%
Export	15 484	18 462	-16%
Romania	13 209	16 883	-22%
Poland	13 547	13 495	0%
Serbia	10 253	13 351	-23%
Ukraine	8 415	7 458	13%
Germany	9 644	14 379	-33%
Italy	7 625	13 580	-44%
Slovakia	6 030	8 101	-26%
Croatia	5 466	4 598	19%
North Macedonia	1 437	1 872	-23%
Total sales revenue	**145 204**	**201 780**	**-28%**

Contribution of countries in percentage to the total sales revenue		
Hungary	37%	44%
Export	11%	9%
Romania	9%	8%
Poland	9%	7%
Serbia	7%	7%
Ukraine	6%	4%
Germany	7%	7%
Italy	5%	7%
Slovakia	4%	4%
Croatia	4%	2%
North Macedonia	1%	1%
Total sales revenue	**100%**	**100%**

Source: data from the Company's management information system

In the Group's largest Hungarian market, total sales declined by 40% in 2023 compared to the base year. All product groups experienced a decline in sales. In the Hungarian market, high interest rates are not favourable for renovation and construction works, and instead of the home renovation subsidy, which ended at the end of last year, no new ones have been launched yet. It can be said that the effect of the market's wait-and-see attitude on sales results is more robust in the Hungarian market, and the much lower level of prices is also significantly affecting year-on-year performance.

In the Export areas, turnover fell by 16% year-on-year. Sales of roofing foils and accessories with own production capacity increased, while other products experienced a decline. Masterplast's sales increased significantly in the French market, but also in several other countries, while in some target countries, such as the UK and Greece, sales were down compared to a year earlier.

The Group's Romanian market, also a heavyweight, saw a 22% decline in turnover overall. Sales of the industrial applications product group increased, while sales of the fiberglass mesh in thermal insulation systems, building industry accessories and roofing foils decreased in 2023 compared to the base year.
Sales in the German market decreased by 33% in 2023 compared to last year, due to the decline of sales of the own-produced healthcare product raw material and roofing foils, but sales of thermal insulation group was also below the base.

Sales decreased by 44% in Italy compared to last year, where the Italian state's tax refund action linked to insulation strongly stimulated demand in the base year. The thermal insulation system product group represents the overwhelming share of sales on the Italian market.

In the Polish market, sales stagnated compared to the 2022 base. Sales revenue increased in the thermal insulation system product group due to the sale of own-produced fiberglass mesh products, and also in the building industry product group, while sales revenue in the other product groups decreased compared to the base year of 2022.

In Serbia in 2023, Group sales decreased by 23% compared to the base. Sales of roofing membranes and roofing elements were the main contributors to the increase, but the thermal, sound and waterproofing materials product group also performed well. Sales of the other product groups declined.

In Ukraine, turnover in the war situation increased by 13% compared to the 2022 base year which was also effected by war conditions. Sales of the roof foils and accessories product group in particular increased significantly, but sales of the thermal insulation group also increased compared to the base year.

In Slovakia, turnover fell by 26% in the year under review. Sales declined in the product groups of thermal insulation systems, industrial applications, dry construction systems and building industry accessories.

In Croatia, Group turnover increased by 19% compared to 2022. Sales increased in the roofing foils and accessories and industrial applications product groups. The turnover of the other product groups decreased.

Northern Macedonia, with the lowest share of turnover, saw a 23% drop in sales in 2023 compared to the base. In this market, the turnover of the product group roofing foils and accessories decreased slightly compared to the base year, while the turnover of the other product groups decreased significantly.

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 2023	31 December 2022	Change	Change %
	(A)	(B)	(A-B)	(A/B-1)
Sales revenues	145 204	201 780	-56 577	-28%
Materials and services used	-121 437	-170 965	49 528	-29%
Payments to personnel	-24 350	-26 977	2 627	-10%
Depreciation, amortisation and impairment	-6 421	-5 463	-958	18%
Movements in self-produced inventories	-1 867	13 231	-15 098	-114%
Other operating income (expense)	-3 677	3 524	-7 201	-204%
OPERATING PROFIT	**-12 549**	**15 130**	**-27 679**	**-183%**
Interest received	1 263	1 058	206	19%
Interest paid	-3 290	-2 511	-779	31%
Other financial (expense) income	-2 503	3 937	-6 440	-164%
Financial loss	**-4 529**	**2 484**	**-7 013**	**-282%**
Profit or loss attributable to associates	460	325	135	41,4%
PROFIT BEFORE TAX	**-16 619**	**17 938**	**-34 557**	**-192,6%**
Income tax	1 008	-2 238	3 247	-145,1%
PROFIT FOR THE YEAR	**-15 610**	**15 700**	**-31 311**	**-199%**
EBITDA	-6 128	20 593		
EBITDA ratio	*-4,2%*	*10,2%*		
Earnings per share (EPS) (EUR)	*-0,95*	*1,05*		
Diluted earnings per share (diluted EPS) (EUR)	*-0,95*	*1,05*		

Source: consolidated audited report of the Company on 31st of December 2023 and audited report on 31st of December 2022 based on IFRS accounting rules

The Group's annual turnover in 2023 was EUR 145 204 thousand, 28% lower than in the base period. The performance was affected by both the general decline in construction market demand and a fall in prices.

Due to the lower sales revenue and the effect of the previously purchased more expensive raw materials, the gross margin was significantly below the base period value.

In accordance with the demand trends, the output was below the base year in the majority of the company's production plants, including the EPS and fiberglass production plants in Serbia. Due to the lower capacity utilization, the Company reduced the number of the employees by more than 210 people in the production plants in Serbia this year. The output of the diffusion roof foil production in Sárszentmihály slightly increased, in the case of medical products, due to the low demand, only small series productions were carried out. In the last quarter, the Group's new EPS production line was launched, adjusted to market demand in a one-shift work schedule. The trial production period has also ended in the Company's newest XPS factory in Sabatka and the new EPS factories in Italy, where the production will start in the first quarter of 2024 in line with market demands.

Taking into account the change in the stocks of own production, the Company's material and used service costs were overall 22% below the base level. The Group's costs of raw and other materials, energy and fuel costs decreased. Overall, the value of the Company's cost of services also decreased in 2023 compared to the base period.

Despite previous wage increases and thanks to headcount optimization steps, the Company's personnel expenses decreased by 10% compared to the base period. At the end of December 2023, the Group employed 1 138 people, compared to the previous period's 1 499.

The Group's depreciation increased by 18% due to the already finalized production development investments. In connection with the investments at the Hungarian and Serbian sites, the received subsidies are accounted in proportion of the depreciation of the assets.

In terms of other operating results, the Company recorded EUR 3 677 thousand other operating loss compared to a profit of EUR 3 524 thousand in the previous year, largely as a result of the inventory provision at the end of the year.

As a result of all, the Company's EBITDA in 2023 was a loss of EUR 6,128 thousand (-4.2% EBITDA share) compared to the value of EUR 20 593 thousand (10.2% EBITDA share) in the base period, while the result of the Operating profit was a loss of EUR 12 549 thousand in 2023, compared to the profit of EUR 15 130 thousand in the base period.

The Company's interest losses and incomes increased in 2023 compared to the base. A total Financial loss of EUR 2 503 thousand was recorded as a result of the unfavorable exchange rate effects, compared to a profit of EUR 3 937 thousand in the base period.

The other financial related incomes and expenditures mainly represent the exchange rate related profits/losses. As the Company mainly realises its purchases in 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.

Taking the financial results into account, the Group's PAT result in 2023 was a loss of EUR 15 610 thousand, compared to a profit of EUR 15 700 thousand in the base.

MASTERPLAST PUBLIC LIMITED COMPANY

The Company's financial position

Balance sheet (thousands of EUR)	31 December 2023	31 December 2022	Change	Change %
	(A)	(B)	(A-B)	(A/B-1)
NON-CURRENT ASSETS				
Property, plant and equipment	119 200	109 530	9 669	9%
Intangible assets	2 272	197	2 076	1054%
Investments in associates	14 655	2 084	12 570	603%
Deferred tax assets	2 246	396	1 850	467%
Other long-term financial assets	0	125	-125	-100%
Non-current assets	**138 373**	**112 332**	**26 040**	**23%**
CURRENT ASSETS				
Inventories	34 291	59 939	-25 648	-43%
Trade receivables	12 858	17 465	-4 606	-26%
Taxes receivable	2 788	2 325	462	20%
Other current financial assets	55	275	-220	-80%
Other current assets	3 481	10 356	-6 875	-66%
Cash and cash equivalents	18 210	25 882	-7 672	-30%
Current assets	**71 684**	**116 242**	**-44 558**	**-38%**
TOTAL ASSETS	**210 056**	**228 574**	**-18 518**	**-8%**
EQUITY				
Share capital	6 049	6 049	0	0%
Reserves	79 129	60 123	19 006	32%
Redeemed treasury shares	-2 036	-1 951	-85	4%
Parent company's share of the profit or loss	**-15 811**	**15 691**	**-31 502**	**-201%**
Equity attributable to parent company's shareholders	67 331	79 912	-12 581	-16%
Non-controlling interests	627	689	-61	-9%
Equity	**67 959**	**80 601**	**-12 642**	**-16%**
LONG-TERM LIABILITIES				
Long-term loans	12 008	14 680	-2 672	-18%
Liabilities from issued bonds	43 055	48 664	-5 609	-12%
Deferred tax assets	990	752	239	32%
Deferred income	31 761	30 159	1 603	5%
Other long-term liabilities	723	387	336	87%
Long-term liabilities	**88 538**	**94 641**	**-6 104**	**-6%**
CURRENT LIABILITIES				
Short-term loans	18 302	17 218	1 084	6%
Short-term liabilities from issued bonds	7 818	3 744	4 073	109%
Trade payables	13 841	16 533	-2 693	-16%
Short-term financial leasing liabilities	281	250	31	12%
Other current financial liabilities	2 493	5 566	-3 074	-55%
Taxes payable	680	1 613	-933	-58%
Current part of deferred income	2 033	2 785	-751	-27%
Provisions	649	583	66	11%
Other current liabilities	7 464	5 039	2 425	48%
Current liabilities	**53 560**	**53 332**	**228**	**0%**
TOTAL LIABILITIES	**142 098**	**147 973**	**-5 876**	**-4%**
EQUITY AND LIABILITIES	**210 056**	**228 574**	**-18 518**	**-8%**

Source: consolidated audited report of the Company on 31st of December 2023 and audited report on 31st of December 2022 based on IFRS accounting rules

Due to the finalized and ongoing investments, the value of the Fixed assets at the end of December 2023 was EUR 138 373 thousand, which is EUR 26 040 thousand higher than the closing value of the base period.

The Stock at the end of December 2023 was EUR 34 291 thousand, which - as a result of the measures introduced to optimize the stock level - is 43% lower than the closing value of 2022. The Company intends to operate with a lower inventory level in the following periods as well.
The Company's accounts receivable - due to the 28% lower turnover compared the base period - closed by EUR 4 606 thousand lower value, on EUR 12 858 thousand the end of December 2023.
The Group's cash balance was EUR 18 210 thousand at the end of December 2023, which is EUR 7 672 thousand lower than the balance at the end of the base period.
By the beginning of 2024, the Company's credit lines were extended. These, as well as the available funds, ensure the stable operation and growth of the Company.
The Group's bond liabilities on the balance sheet decreased, in line with the repayment of the HUF 1.5 billion due in the year under review. The Company's loan portfolio was down by around EUR 2 million compared to a year ago.
The Group's trade receivables closed at EUR 13 841 thousand, compared to EUR 16 533 thousand at the end of last year. Deferred income including grants related to investments not yet recognised in the income statement increased by EUR 851 thousand.

Financial and other management indicators

Financial and other management indicator		2023	2022
Current ratio		1,34	2,18
Interest coverage ratio		-1,9	8,2
Accounts receivable turnover ratio	days	32	31
Accounts payable turnover ratio	days	41	35
Inventory turnover rate	days	85	107
EBITDA ratio	%	-4,2	10,2
Debt ratio	%	68	65

Source: data from the Company's management information system

Research and development activities

Masterplast's innovation work is the sum 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.

In 2023 the focus in fiberglass production was on optimising production and improving the machinery used in production. Thanks to the technological modifications made to the machines, they have also become suitable for the use of different raw materials. The improvements not only increased the quantity but also the quality level, and will allow the production of new types of products. The possibilities for the production of special products have also been further extended.
Masterplast Medical Ltd., working in partnership with Masterplast Nonwoven GmbH, has successfully launched its new RX Linopore product range. Through a pilot activity on raw materials, a PP raw material version has been developed for the division with mechanical properties that exceed those of any comparable base material currently available on the market. With a similar objective, the Company has also been working on the development of a compound material, a fourth generation version of which has been successfully introduced into daily production in Germany, and which could provide a significant competitive advantage following the completion of this project. A small on-site solar power plant has been built on the site, which will operate from 2024. The division has improved the electricity system by investing in phase balancing. Insulation of the entire heating system of the production line extruders and calender mills results in electricity savings of ~14000 KWh per week. To ensure continuous quality control, the Division has also integrated two new equipment into its processes, resulting in a significant reduction in intervention times, with promoting incoming goods inspection and finished product weight, thickness and homogeneity control. In the development activities of both

nonwoven sites, a strong emphasis is placed on increasing the use of recyclate to promote both environmental awareness and cost efficiency. Raw material tests and trials for special nonwoven products with high tensile strength are also underway.
Development activities in Masterplast's modular housing business, which started in 2022, aim to create a steel 3D modular construction system that allows to build building in factory circumstances with 95% completion, thus minimising on-site works. During the year, the original steel frame was improved in two stages, resulting in a frame structure that is more transportable, storable and 30% cheaper to build. The new type of frame has passed all internal tests and will be put into practical use in 2024 in the ÉMI National Exhibition Building of the National Mint Park. In addition to the development of the basic frame, the Company has worked on rationalising the building element stock, resulting in a reduction of about 10% in the number of materials used and thus in the material cost, a lower stock level and, last but not least, an increasing use of recycled/recyclable materials. The integrated flat roof solution developed in the current year, has also significantly improved the cost level, which will further improve the competitiveness of the building system. The layering systems have also been optimised in terms of fire protection, acoustics, thermal insulation and phase shifting. The calculation of the carbon footprint of the building system - which also had an impact on the building element inventory - has been started. The Company has developed a temporary water protection system to protect the modules from water ingress during transport and installation - minimising exposure to the weather. In addition to the technological developments, prototype plans for different market-targets have been developed: workers' accommodation, offices, hall-connected office and residential buildings.

Environmental activities

Our Group sets out the details of its environmental activities in a company policy. The purpose of this policy is to define the Group's rules, practices, procedures and responsibilities that are essential for the implementation of the Group's environmental policy, to provide a framework for these, to ensure the conditions for the work carried out to protect the environment, to describe the process of measures taken to reduce the environmental impact of activities, coordinated by the Environmental Engineer of the Asset Management Department of Masterplast.

Our environmental principles

- Precaution, prevention and recovery
- Responsibility
- Cooperation
- Awareness, information and publicity

Our Group runs an ISO 14001:2015 compliant Environmental Management System in which our environmental engineer measure es and records environmental factors and impacts. The implementation of the system and the detailed rules for its operation are described in the Integrated Management Manual. Our environmental priorities: water quality protection, air quality protection, waste management, chemical substance management, noise and vibration control, soil protection, emergency activities.

Compliance with environmental regulations and legislation, and the use of new environmentally sound technologies wherever possible, are a priority in both operational and strategic decision-making, as well as in trade policy. And the members of our Group, as responsible businesses, follow and comply with all applicable environmental regulations and rules.

Energy consumption

We strongly believe that using energy more efficiently and choosing renewable energy sources are vital in fighting climate change. Responsible management of natural resources and efficiency improvements are of key importance for our Group. In 2019, at our larger entities we introduced ISO Integrated Management Systems, including the ISO 50001 standard as an integral part of it. That standard provides guidance to continuously improve the energy performance of our Group, including energy efficiency, energy security, use and consumption. We also aim at lowering our energy use and, thus, our energy costs, while reducing the volume of greenhouse gas emissions. At Group level, we purchase the energy we consume, from the national grid. We use energy in various forms, mostly as electricity in our manufacturing processes. Energy is also used in our commercial services in the form of fuel during the operation of the Company's own fleet of vehicles. We secure energy for our Hungarian entities' consumption through Group level procurement tenders, while our foreign subsidiaries purchase the necessary quantities from energy traders in the countries concerned.

Insulation materials significantly contribute to reducing the emission levels of buildings responsible for the highest emissions, and this will ensure long term demand for products manufactured and distributed by Masterplast. With our products, we contribute significantly to saving up to about 60% of the heating and cooling costs in residential and non-residential properties, thereby reducing the CO2 emissions of buildings.

Waste management

We maintain an environmental management system in conformity with the ISO 14001:2015 standard that serves as the basis for our responsible waste management operations, contributing to the mitigation of the negative impacts on the environment. Additionally, we act in accordance with our environmental regulations and our hazardous waste management regulations in fulfilling our obligations related to waste.
The majority of our annual waste generation stems from our manufacturing activities. As a responsible corporation, within the framework of our comprehensive waste management program, we strive to utilise the waste generated at various sites within our production processes. If that is not feasible, we have the waste recycled or handled within our collaboration with specialised companies.

Waste generated is monitored at Group level. Waste is separated and collected by the type as set forth in our Group's environmental policy. We pursue eco-conscious waste management at our facilities through selective waste collection and internal recycling. Bearing in mind the principle of prevention, we focus on generating less waste. We work to ensure that the waste we produce is recycled and disposed of at the nearest, appropriate, and licensed facilities. We strive at Group level to analyze the lifecycles of our products and to plan their lifetimes, reusability, and disposal.

In educational sessions about environment protection, we communicate to all our employees the expectation to minimize waste generation in their day-to-day activities, to be committed to participating in selective waste collection, and to fully comply with our relevant guidelines.

95% of the waste generated during our manufacturing process is recyclable or reusable. Under the auspices of the Hungarocell Green Program, we collect and recycle the cutting waste from the insulation materials (EPS and XPS) that we sell.

Our waste management suppliers operate in possession of the required licenses. The handling of the transferred waste is checked during on-site visits to their facilities. We maintain records of hazardous and non-hazardous waste in accordance with regulatory requirements, which allows us to accurately track their quantities. All types of waste are managed off-site.

Data on waste is collected in compliance with legal requirements for the whole Group. We have waste management and hazardous waste regulations. As our main activities in 2023 focused on the preparation for the EPR, all our Hungarian companies made registration with MOHU and for the EPR in 2023. No environmental fine was imposed in the operational areas of Masterplast Group in the reporting period.

We provide general guidance to the new hires and call their attention to mandatory selective waste collection. Every new employee undergoes environmental training, which is followed by mandatory annual refresher training. The effectiveness of training is assessed in written tests. Our employees who work with hazardous or non-hazardous waste receive introductory training, and strong emphasis is put on continuously refreshing and updating their skills.

We keep up-to-date records of all waste generated in the Group. We submit waste declarations on time in compliance with reporting obligations, helping authorities monitor waste management and track information on waste – such as quantity, composition, origin, recovery, etc. – to make progress towards waste reduction, circular economy and sustainability goals.

We pay special attention at Masterplast that our employees appropriately handle and reduce waste both at their workplaces and in their private environments. To this end, our Green Newsletter regularly informs them about the importance of selective waste collection and about important world days (e.g. World Water Day), for which we organise various programs and activities. Our key goal is to shape our employees' environmentally conscious mindset. Also, we encourage them to take an active part in promoting waste reduction and sustainability.

Masterplast's waste is made up mainly of packaging waste, including paper, foil, wood, and metals generated during manufacturing and commercial processes; hazardous waste is, for instance, the items contaminated with oil. Our main operations primarily generate non-hazardous paper and cardboard packaging waste, plastic packaging waste, and wood waste, from the sale of goods, materials, and raw materials. Cardboard, paper, and plastic packaging materials are stored in closed cardboard boxes in specially designed covered areas, according to waste categories. Wood waste is also stored in specially designed areas. Non-hazardous waste generated on-site has been handed over in full to our contractual partner which holds valid permits and licenses. As per treatment method codes E0206 and G0001.

Short-term plans

At the end of 2023, inflation forecasts across Europe showed a significant improvement, coinciding with a sharp cut of the central banks base rates, which are expected to continue in 2024. The improvement in the interest rate environment could have a stimulating effect on building investments, the previously frozen projects can be restarted. The market recovery is expected to be slow, and the Company expects a subdued construction environment still in 2024. Production capacity at its production units has been optimised accordingly. The estimated effective headcount and number of shifts can be increased and the factories are flexible to any faster recovery in the market and higher customer demand. Even with its conservative calculations, the Company expects a positive result for 2024 at its main production units.

The construction industry is adopting a wait-and-see attitude in both the housing and renovation segments, not only in Hungary but also internationally. After two years of negotiations, the European Parliament and the Council have adopted the new Energy Performance of Buildings Directive. The Directive sets an ambitious target: to achieve a carbon dioxide-free building stock by 2050. The package, together with two other elements - directives to increase energy efficiency and to increase the use of renewable energy - calls for a huge energy improvement in the buildings sector, i.e. a multiplication of both the number and the depth (thoroughness) of building renovations over the next two and a half decades.

This will entail regulatory changes in member countries and the launch of renovation programmes, which will lead to a significant increase in demand for insulation in the medium to long term, but the market's wait-and-see attitude means that no recovery in demand is expected until these are underway. Improving the short-term outlook, the government in Hungary - the Company's largest market - has already announced the main elements of a new home renovation programme in April 2024, a very important step towards energy efficiency and carbon reduction. The new home renovation programme, expected to start in June 2024, will be available for the energy modernisation of family houses built before 1990.

In the subdued market conditions of 2023, the focus of the Company has shifted to optimising operations, production and inventory levels, as well as conscious energy management. The Company has restructured and made its management operations more efficient, reviewed its processes and embarked on a significant headcount optimisation and cost reduction programme in both manufacturing and operations. Slow moving, loss-making products were phased out during 2023. Sales staff and distribution points were reduced but with taking care on keeping customer service smooth and flexible. The roll-out of the B2B system to more and more units could play a major role in this.

In recent years, the Group has made significant investments in production development. The Group has significantly increased its capacity in the production of fiberglass mesh and diffusion roofing foils, which enables to serve the premium market with the highest quality standards. The new EPS and XPS plants, which started the production in 2023, will contribute significantly to increase the capacity in 2024, and will also allow further penetration of Western European markets.

The potential for further upgrading in the medium term is the start of production of the ongoing joint venture projects. In the case of the glass wool plant in Szerencs, which is being built on 4.3 hectares with a non-refundable HIPA grant of HUF 5.645 billion and with the 50% participation of the Polish company Selena FM S.A., production is expected to start in the first half of 2025. One of the main raw materials for the product is waste glass, which will be recycled in the production process according to the principles of circular economy. The Company, together with Market Construction Ltd, is also working on the construction of an annual 35 000 tonne capacity rock wool factory in Halmajugra, which is expected to start in the second half of 2025. Both production plants will be

equipped with environmentally sound, modern electric kiln production technology, partly powered by renewable energy sources.
For Masterplast, as a long-established producer of building materials and insulating materials in the Ukrainian market, there is also great business potential in the reconstruction of Ukraine, which, subject to a possible ceasefire, will also be exploitable in the medium and long term.
The Company's vision is that by the second half of the decade, Masterplast will be the only insulation materials manufacturer in the Central and Eastern European region with significant manufacturing and market positions in both plastics and mineral insulation materials.
Masterplast's prospects are further strengthened by the increasing attention for the modular housing business. Masterplast Modulhouse Kft. has now started its first residential project, following previous successful office building projects. The future of the technology is also promising from an environmental point of view, as the production of the buildings in factory conditions eliminates waste on site. The future ramp-up of modular construction could be based on the completion of a prototype house in 2024, which could be built in Szentendre with significant government grant.
The Company's healthcare segment also has the potential to generate additional revenue and profit above expectations.

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 its vision, as follows:
As a dominant environmentally conscious European manufacturer, we will contribute to the building of energy efficient buildings.

The Company aims to maintain a dynamic growth rate, which it plans to achieve through greenfield investments and organic development. Geographically, the countries of the European Union and Serbia could be the growth areas. The Company plans to grow sales and profits in the construction, healthcare, modular architecture and industrial applications' markets.

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. With our product portfolio and the use of our insulation materials, we enable the energy-efficient thermal insulation of institutional and residential buildings, thus actively contributing to achieve the European Union's announced target on reduction of energy consumption of buildings. 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 ongoing rock wool and glass wool production projects, launched with our co-investors, will make an outstanding contribution to reducing emissions across Europe.
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.
The purpose of the Company is to operate a healthcare business, both in raw materials and finished products segment. With a finished product portfolio of protective clothing, bed sheets and medical incontinence products, the Company plans to meet domestic and international demand. The aim is to establish an effective market presence and build a distribution chain by acquiring extensive market- and product knowledge. Masterplast's priority is to find solutions for the recovery and recycling of healthcare products.
Our sustainability and environmental objectives are served by our modular building division, where the construction of buildings under factory conditions limits the production of waste on site. 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.
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

Th 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 2023, the Group had credit lines totalling nearly EUR 51.7 million (EUR 49.7 million on 31 December 2022), 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 50.9 million as at 31 December 2023) 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.

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.

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 27.
The Hungarian entities have working capital loans disbursed in EUR and the Serbian subsidiary has a EUR based investment loan.

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 not aware of any significant tax risks.

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 as well as in 2022 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 as well as in 2022, 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.

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

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

In line with Masterplast's policy of equal opportunities as set out in its Code of Ethics,, 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 the sites

Masterplast Group has sites in 10 countries, with manufacturing bases in 5 countries. The properties of the Group are located on a total area of nearly 527 thousand m2, with 7 thousand m2 of office buildings, 39 thousand m2 of production halls, 82 thousand m2 of warehouses and 171 thousand m2 of paved and asphalted outdoor warehouses, parking lots and site roads.
The maintenance of the buildings, utilities and grounds of the sites is permanent.
In the year 2023, 2 warehouses in Sárszentmihály have been completely modernised and converted to energy efficiency. Taking into account the energy management guidelines, the renovation was carried out with sustainability focus, the thermal insulation was made with PIR sandwich panels, the heating system with heat pump energy-saving thermoventilators, while the lighting was designed with LED technology. In Kal, the large production hall of Masterfoam was renovated and converted, and at the end of the year an EPS production hall was handed over, equipped with the latest technology to meet all requirements. In Germany, the company handed over a €3 million investment in the development of a logistics hall, which will support more efficient access to the German market and market positioning.
The total energy consumption of the Masterplast Group in 2023 was 189 488 022.6 MJ. Thanks to our conscious energy management, this represents a 36% reduction compared to 2022. We also manage the amount of energy used for several large consuming manufacturing entities. At the headquarters site, several renewable energy projects in the form of solar panel installations were carried out during the year under review.
The Hungarian sites have previously implemented the ISO 9001:2015 Quality Management System Standard, the ISO 14001:2015 Environmental Management System Standard and the ISO 50001:2019 Energy Management System Standard and the ISO 45001:2018 Occupational Health and Safety (OH&S) Management System in Masterplast Nyrt, Masterplast Hungária Kft, Masterplast International Kft and Masterplast Medical Kft, which were successfully renewed in 2023. The maintenance of the ISO 50001:2019 Energy Management System Standard for Masterfoam Ltd and Masterprofil Ltd have also been successfully audited. In Masterplast Modulhouse Ltd, the surveillance audit for the integrated ISO 9001:2015 ISO 14001:2015, ISO 45001:2018 and 50001:2019 Management System Standards was also completed in mid-December 2023, facilitating the regulated operation of the manufacturing unit. In 2023, we obtained MDR (Medical Device Regulation) certification for 344 of our healthcare products (batches). And for Masterplast Medical Ltd, the scope of our certifications has been further extended with the ISO 13485 Medical Device Quality Management System.

Management and structural subsequent events

Dávid Tibor, CEO, appointed Illés Jancsó as Deputy CEO of the Company for an indefinite term from 22 January 2024. The Deputy CEOs of the Company are Balázs Ács (Vice-Chairman of the Board of Directors), Róbert Nádasi and Illés Jancsó.

Corporate Social Responsibility

Masterplast is committed to operating responsibly, with care and concern for the environment and those around us. The Company's CSR activities are an integral part of its operations, contributing to increasing employee engagement and the practical expression of the Company's values.

- The Company carries out CSR activities throughout the entire Group.
- The Company's CSR activities are based on the firm's profitable operation, that enables to finance its programmes proportionately.
- Masterplast's Corporate Social Responsibility programme is implemented in a transparent and prudent manner, according to strict ethical standards.

The donation strategy is based on professional, strategic and ethical guidelines for the Company's support activities, with the aim of ensuring that the Company's CSR activities create value for the entire society and for the Group.
Masterplast Plc. became a member of the BCSDH - Business Council for Sustainable Development in Hungary in 2022. The BCSDH is a community of companies committed to sustainable development, working together to

accelerate the transformation of systems needed for a climate-neutral, nature-positive and more equitable future. Masterplast agrees with the BCSDH's Corporate Responsibility Guidelines and applies them in its daily work. Thus, these principles also apply to its CSR activities.

Masterplast Group's CSR activities are closely linked to the company's business activities and values and reflect the Company's commitment to social responsibility and sustainability. As a matter of principle, Masterplast's donation policy focuses on social benefit and reflecting the company's values. The company, in its support activities, places a strong focus on supporting people in the immediate environment, local communities and seeks to build long-term partnerships.

CSR activities are organised around five main areas of support:

Welfare and health of children: the Company focus on programmes that support children's wellbeing and health, and help children to lead fulfilling lives. In addition, children's environmental and health awareness and education are also important to Masterplast, and are reflected as an aspect of its activities in other areas of support.

Environment and environmental awareness: through its core activities, the Company contributes to achieving climate protection goals and to a sustainable future by reducing the energy consumption and carbon footprint of buildings. Masterplast places a high priority on promoting sustainable thinking in construction industry, put resources to enhance circular economy and sustainability within its operational and investment practices.

Creating local value: the Group consider very important to improve the well-being of its employees and their families through its local value creation activities. The local support programmes are based on the principles of social utility and the expression of value, where reaching the widest possible local social beneficiaries is an important aspect.

Sport and Health: the Company pays particular attention to the promotion of sport and healthy lifestyles, which is often reflected in the activities of child welfare programmes and local value creation programmes. The Company supports its employees through individual sport activities, local communities by supporting group sport activity and projects, and national amateur and competitive sport organisations.

Professional programmes: promoting the sustainability of the construction industry is a priority for Masterplast, and an important element of this is to improve the attitude of the construction profession by participating in education, forming professional opinion and launching design competition projects.

Activities and Programmes: the Group considers it the most important not only to participate as an employer in the economic and social life of its immediate environment, but also to support the work of foundations and associations that take on a social role.

Masterplast's key CSR activities:

The Masterplast Group has been a supporter of Magyar Gyermekmentő Alapítvány (Hungarian Save the Children Foundation) since 2015, and its main sponsor since 2020. The sponsorship includes financial donations to designated equipment purchases, marketing and professional support, and the implementation of joint education projects. Every year, thousands of parents, teachers and sports coaches receive first aid training through cooperation, and our financial support drives the renewal of the Foundation's equipment fleet and the implementation of its infrastructure investments.

The Company has actively supported the KÉPES scheme since 2013, established by the cooperation of the Municipality of Székesfehérvár and local companies to support local community projects, primarily to implement renovation and modernisation projects in local kindergartens and schools.

Masterplast supports developing environmentally conscious attitude by implementing a number of small projects, including tree planting, swallow rescue, ditch cleaning, a selective waste collection system, and reducing the use of single-use plastics.

Masterplast also supports competitive sports, on a national level through sponsoring the BOM Foundation for Hungarian Sports, which supports young Hungarian sports talents and future Olympic athletes, while on a regional level by sponsoring the HYDRO FEHÉRVÁR AV19 ice hockey team, and on an individual level by sponsoring Fanni Illés, Paralympic swimming champion.

Since it was established, the Masterplast Group has been the main sponsor of the National Minifootball Association, making sports opportunities available to a wider range of amateur athletes.

A Magyar Gyermekmentő Alapítvány (Hungarian Save the Children Foundation) and Masterplast: Committed to a wider social responsibility, Masterplast has been supporting, with help from employees and partners, Magyar Gyermekmentő Alapítvány (Hungarian Save the Children Foundation) since 2015, continuously broadening its scope of activities. This cooperation ensures that the Foundation can carry out its mission more effectively, with more than 2,000 special child rescue missions coordinated by the National Ambulance Service and more than 2,500 people trained in first aid every year.

The first step of the collaboration was to launch its “Let’s save the children together” drive, which aims to provide financial support for the Foundation to purchase the designated medical equipment through involving partners and customers.
CSR activities at Masterplast's subsidiaries are constantly expanding. In Subotica, the Serbian subsidiary is implementing a programme to purchase equipment for the hospital and to support higher education. In Romania, the local company is supporting a long-term school renovation programme; in Croatia a children's football team, while in Poland families fleeing the war in Ukraine are supported.The Masterplast Group's corporate social responsibility programs have a positive impact on the lives of the community, the Company's employees and the Company's business reputation. Through the many different sustainability and employer awards won over the years, external organisations have also provided feedback on the usefulness of the Company's programmes, which is confirmed by feedback from employees, partners and ordinary people. The Company's CSR activities form an integral part of the Company's ESG reporting. The measurement and processing of the specific impacts of CSR activities are presented in the Company's ESG Report, the detail of which is continuously evolving.

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, Group Management and CEO, deputy 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, 2023:

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

Members of the Board of Directors of the Company as of May 1, 2023:

- 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 2023 Margaret Elizabeth Dezse held this position.

Members of the Audit Committee until April 30, 2023:

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

Members of the Audit Committee from May 1, 2023:

- 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.

The management of the Masterplast Group - in accordance with the Articles of Association, the resolutions of the General Meeting and the Board of Directors, and the Articles of Association of Masterplast Plc. The Group Management (hereinafter referred to as "Management") is responsible for the management of the Group within the framework of the Articles of Association, the Board of Directors' resolutions and the Management Board's resolutions, and the Organisational and Operational Rules of Masterplast Group Management (hereinafter referred to as "Management"). The assignment of tasks and responsibilities of the members of the Management in relation to certain areas of corporate governance is laid down in the Masterplast Plc. The organisational and operational rules of the Masterplast Group. The professional careers and profiles of the members of Management are available on the Company's website.

Members of the Management Committee until 27 April 2023:

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

Members of Management from 27 April to 2 October 2023

- Tibor Dávid President, CEO
- Balázs Ács Vice President, Deputy CEO
- Róbert Nádasi Deputy CEO

Members of the Group Management from 2 October 2023

- Tibor Dávid President, CEO
- Balázs Ács Vice President, Deputy CEO
- Róbert Nádasi Deputy CEO
- László Pécsi Group Management Member
- Illés Jancsó Group Management Member
- Tivadar Bunford Group Management Member
- László Lukács Flórián Group Management Member

In all matters which are not referred by law or the Articles of Association to the exclusive competence of the General Meeting or the Board of Directors, the right of decision rests with the management.

The day-to-day operations and organisation of the Company, and the provision of the conditions necessary for the Company's activities, are directed and controlled by the CEO, within the framework set by the law, the General Meeting and the resolutions of the Board of Directors. The CEO is not a member of the Board of Directors and attends its meetings as a permanent invitee. The CEO exercises the rights of employer over the employees of the Company. His professional career and profile are available on the Company's website.

The Board of Directors held 5 meetings in 2023 with 100% attendance. Attendance was in person or by electronic means.

The Company has no Supervisory Board.

The Audit Committee held 2 meetings with 100% attendance and 1 meeting with 66.66% attendance in 2023. Attendance was in person or by electronic means.

The Board of Directors acts and takes decisions as a body. At the time of its listing, the Company set out its own rules of procedure, which were last updated in April 2023 to maintain best practice.

The rules of procedure include:

-The tasks and powers of the Board of Directors,

- the rules applicable to the members of the Board of Directors,

the main responsibilities of the Chair and Vice-Chair of the Board of Directors,

the order and preparation of Board meetings, the decision-making system, the monitoring of the implementation of decisions, the rules on conflicts of interest.

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

The Board of Directors did not take any decision contrary to the Audit Committee's recommendation in 2023.
The Company has no Supervisory Board.

The Audit Committee performed its duties and exercised its powers in accordance with Act V of 2013 on the Civil Code and the Articles of Association of the Company. The Rules of Procedure of the Audit Committee are available on the Company's website.
The Audit Committee is responsible for assisting the Board of Directors in reviewing the financial reporting system, selecting the auditor and working with the auditor.
The members of the Audit Committee did not receive any remuneration in addition to their Board fees in 2023.
The members of the Board of Directors and the Audit Committee have the necessary expertise, background and experience in the subject matter. The profiles of the members are available on the Company's website.
The internal audit function was launched in 2008. Its purpose is to assess the various risks inherent in current and future business activities and to monitor the action plans for any shortcomings identified.
The main task of the internal audit is to monitor the regular, efficient and reliable operation of the parent company and all subsidiaries, and to review and evaluate the internal control systems on an ongoing basis. Internal Audit's recommendations support the timely correction and prevention of deficiencies, irregularities, errors and inappropriate actions.
The internal control function of the Company is performed by Katalin Csemák, internal auditor. She reports the results of her investigations to the Audit Committee and to the Company's management.
The audits are carried out on the basis of an internal audit plan defined for the year and approved by the Audit Committee with the agreement of the Chief Executive.
The audit for the year 2023 was performed by the Company's auditor, MAZARS Könyvszakértő és Tanácsadói Korlátolt Felelősségű Társaság (1139 Budapest, Fiastyúk utca 4-8, 2nd floor, Cg. 01-09-078412, Chamber of Commerce registration number: 000220, Chamber of Commerce registration number: 007145).
MASTERPLAST Plc pays special attention to the definition of disclosure rules related to its presence on the stock exchange, and through this, to compliance with the legislation in force, the public's expectations regarding information and the principle of transparency. The disclosure rules and the functioning of the system are laid down in internal rules.
The Company, as an issuer of shares admitted to trading on a regulated market, the Budapest Stock Exchange, is considered a public issuer. The exact contact details of the Company (postal address, telephone number, fax number, e-mail address) are published on the Company's website (www.masterplastgroup.com).
In its disclosures, the Company acts in accordance with the applicable laws and stock exchange rules. The Company is required to disclose regulated information. Regulated information: information covered by regular and extraordinary information, information relating to the acquisition of influence and inside information.
The Company, as a Premium Class issuer of Budapest Stock Exchange Shares, makes its disclosures in Hungarian and English.
The Company regularly informs the public about the main data of its assets, income and operations. The Company shall inform the Supervisory Authority at the same time as it publishes the information and shall ensure that each disclosure remains publicly available for at least ten years.
The formal channels for communication with shareholders are the regular information bulletins: the annual report, the half-yearly report and the quarterly results, as well as the extraordinary information bulletins. In addition, shareholders are informed about the business, results and strategy at the Annual General Meeting and the Annual Investors' Meeting. The company always pays particular attention to providing a wide range of information to the capital market in line with best practice.
The means of communication used to make public communications:

a) the BSE website via the KIBINFO client system (www.bet.hu),

b) the information storage system operated by the Authority (www.kozzetetelek.mnb.hu),

c) at least one media outlet with a website accessible to investors,

d) the Company's website (www.masterplastgroup.com).

In order to strengthen the position of shareholders and to 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 a new system (CAPS system) on 3 September 2020, in which the Company is obliged to record certain corporate events.

MASTERPLAST Plc is committed to the fair trading of publicly traded securities. In order to ensure this, the Company has established an insider trading policy in the form of an internal policy, which is regularly communicated to its employees and stakeholders.

Stakeholders are expected to.
in possession of inside information, acquire or dispose of shares or other financial assets of the company, directly or indirectly, for their own benefit or for the benefit of a third party, revoke or amend an order for such financial assets, give instructions or orders to do so, induce a third party to do so, or advise or accept decisions in relation to such financial assets;
not disclose inside information unless they have written authorisation to do so;
be careful about sharing inside information, even within the Company's workforce, disclose information only with permission and to the extent necessary for the performance of their work, and protect inside information from unintended disclosure.
The General Meeting is the supreme body of the Company, consisting of all shareholders.
The General Meeting, which is the main control of the Company's operations, is prepared according to a timetable designed for this purpose, with deadlines strictly observed, ensuring that all the necessary information is available in time for decisions to be taken. The Board of Directors takes a position on each item on the agenda, thereby helping to inform shareholder decisions.
The Company shall publish the proposals and draft resolutions on the agenda of the General Meeting on the Company's website (www.masterplastgroup.com) and on additional announcement platforms (www.bet.hu; www.kozzetetelek.mnb.hu) pursuant to Article 14.1 of the Articles of Association no later than 21 days prior to the General Meeting.
Otherwise, the General Meeting shall be governed by Chapter VII of the Articles of Association of the Company. The rules relating to the convening and conduct of the General Meeting, the rights and obligations of shareholders and the manner of exercising shareholders' rights are set out in detail in the Articles of Association of the Company, which are available on the website 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 2023 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 result of the negative EBITDA, the Group has breached the covenants of several outstanding loan agreements on 31.12.2023 in relation to a single facility, however, the lending banks have extended the loan agreements in all cases and there are no penalties against the company for breach of covenant in relation to the facility. Details on the covenants are presented in Note 16 (Long and short-term loans).

The Company has issued a comfort letter to Masterplast YU D.o.o. on 19.02.2024 at the request of the local auditor, in which the Company has agreed to maintain and finance the continued operations of the Company.

On 14 March 2024, the Company increased the capital of Masterplast Nonwoven GmbH in order to maintain liquidity and, at the request of the local auditor, issued a comfort letter on 26 March 2024, in which it undertook to maintain and finance the continued operation of the company.

In the case concerning imports of anti-dumped products concerning the suppliers of the Romanian subsidiary of the Company, extended to MASTERPLAST Romania S.R.L. and its executive officers, the Bihor County – Oradea Regional Prosecutor's Office – definitively terminated the investigation without prosecution and ordered the unlocking of assets used as precautionary measures, in the absence of evidence that a criminal offence had been committed. Accordingly, the seizure and prohibition on disposal of real estate in Romania owned by MASTERPLAST Romania S.R.L. in the value of of EUR 2 000 430 (RON 9 951 341)- as a guarantee for possible future enforcement - will also be lifted by court order. On the basis of the above, the proceedings against MASTERPLAST Romania S.R.L. and its executive officers were confirmed to be unfounded.

Scope Ratings GmbH has conducted a periodic review of the Company's corporate bonds issued under the Growth Bond Program, the results of which will be announced on 28 February 2024. Scope Ratings GmbH has changed Masterplast Nyrt.'s issuer rating to B+/Negative for possible downgrading under review. It changed the rating of the unsecured bond from B+/ Negative for possible downgrading to B. (Scope Ratings GMBH corrected its report on 7 March 2024 that Masterplast Nyrt's bond terms do not contain clauses that require accelerated repayment of the outstanding nominal debt amount if the bonds' ratings remain below B+ or fall below B for more than two years.)

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

As a result of the record-high inflation and the unfavourable interest rate environment, the construction industry market demand showed a significant decline in 2023, as a result of that the Company's sales revenue decreased by 28%. In the sharp competition the company was able to sell its own production stock - that was produced from the former more expensive raw materials – with an extremely strong margin reduction, and the production capacities’ lower utilisation also resulted in loss-making operations. In response to the changed market conditions, the Company focused on reducing the operating costs, optimizing the production and inventory levels, and more economical energy cost management. The Company transformed and made the operation of the management more efficient, revised its processes and carried out significant personnel optimization in both the production and the distributing segment. All these measures moderated and stopped the loss making of the EBITDA during the year moderate. The optimized organization now enables the Company to operate efficiently even in a more moderate industry environment. The Group's EBITDA loss for the current year was EUR 6 128 thousand, the PAT due to the unfavorable exchange rate movements closed at a loss of EUR 15 610 thousand.
With the measures on the table to meet the EU energy policy objectives (REPowerEU plan; "Fit for 55%" package of measures), the Company's medium-term business outlook in the insulation market remains positive. Relying on these factors, the Company – with intention to maintain its current production capacities - continues to implement the intensive investment strategy that lays the foundation for the growth path, including the elements of stone and glass wool production projects launched together with co-investors. The forecasts estimate a positive turnaround in the construction sector for 2025, so the timing of the new investments seems proper.

MASTERPLAST

MASTERPLAST NYRT.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2023
in accordance with International Financial Reporting Standards (IFRS)
(as adopted by the EU)

Sárszentmihály, 25 April 2024

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CEO

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Financial statements:

Notes to the financial statements and other information:

1. Consolidated Statement of Financial Position

Item	Note	31 December 2023	31 December 2022
NON-CURRENT ASSETS			
Property, plant and equipment	9,31	119 199 572	109 530 317
Intangible assets	9,31	2 272 393	196 832
Goodwill	11,31	14 654 698	2 084 481
Investments in associates	27	2 246 229	395 844
Deferred tax assets	-	0	125 000
Non-current assets		**138 372 892**	**112 332 474**
CURRENT ASSETS			
Inventories	12	34 291 470	59 939 360
Trade receivables	13	12 858 487	17 464 704
Taxes receivable	27	2 787 508	2 325 031
Other current financial assets	26	54 716	274 515
Other current assets	14	3 481 240	10 356 212
Cash and cash equivalents	15	18 210 153	25 882 135
Current assets		**71 683 574**	**116 241 957**
TOTAL ASSETS		**210 056 466**	**228 574 431**
EQUITY			
Share capital	4,33	6 049 289	6 049 289
Reserves	4,33	79 128 842	60 122 809
Redeemed treasury shares	4	-2 035 653	-1 951 014
Parent company’s share of the profit or loss	2,4	-15 810 988	15 691 150
Equity attributable to parent company’s shareholders	4	67 331 490	**79 912 234**
Non-controlling interests	35	627 361	**688 850**
Equity		**67 958 851**	**80 601 084**
LONG-TERM LIABILITIES			
Long-term loans	16	12 008 428	14 680 082
Liabilities from issued bonds	17	43 054 735	48 663 832
Deferred tax assets	27	990 485	751 881
Deferred income	18	31 761 195	30 158 650
Other long-term liabilities	10,19	722 730	386 799
Long-term liabilities		**88 537 573**	**94 641 244**
CURRENT LIABILITIES			
Short-term loans	16	18 301 987	17 218 410
Short term part of issued bonds	17	7 817 635	3 744 294
Trade payables	21	13 840 640	16 533 308
Short-term financial leasing liabilities	10	280 898	250 252
Other current financial liabilities	17	2 492 874	5 566 386
Taxes payable	27	679 785	1 612 834
Current part of deferred income	18	2 033 468	2 784 959
Provisions	20	648 605	582 921
Other current liabilities	22	7 464 150	5 038 739
Current liabilities		**53 560 042**	**53 332 103**
TOTAL LIABILITIES		**142 097 615**	**147 973 347**
EQUITY AND LIABILITIES		**210 056 466**	**228 574 431**

2. Consolidated Statement of Profit or Loss

Profit or loss category	Note	2023	2022
Sales revenues	30	145 203 554	201 780 346
Materials and services used	23	-121 437 150	-170 965 354
Payments to personnel	24	-24 350 287	-26 976 927
Depreciation, amortisation and impairment	9	-6 421 052	-5 463 106
Movements in self-produced inventories	-	-1 867 370	13 230 592
Other operating income (expense)	25	-3 676 740	3 524 104
OPERATING PROFIT/-LOSS		**-12 549 045**	**15 129 655**
Interest received	-	1 263 262	1 057 695
Interest paid	-	-3 290 120	-2 511 228
Other financial income/-expense	26	-2 502 583	3 937 059
FINANCIAL PROFIT/-LOSS		**-4 529 441**	**2 483 526**
Profit or loss attributable to associates	11	459 701	325 081
PROFIT/-LOSS BEFORE TAX		**-16 618 785**	**17 938 262**
Income tax	27	1 008 481	-2 238 051
PROFIT/-LOSS FOR THE YEAR		**-15 610 304**	**15 700 211**
Profit/-loss attributable to parent company shareholders	4	-15 810 988	15 691 150
Profit/-loss attributable to non-controlling interests	35	200 684	9 061
Earnings per share (EPS)	28	-0,95	1,05
Diluted earnings per share (diluted EPS)	28	-0,95	1,05

3. Consolidated Statement of Other Comprehensive Income

Other Comprehensive Income	2023	2022
Profit/-loss for the year	-15 610 304	15 700 211
Foreign exchange gain/-loss on translation*	1 241 940	-2 195 311
Comprehensive gain/-loss related to CCIRS transaction **	1 863 985	-172 612
Parent company's share of the Other Comprehensive profit/-loss of associates*	93 921	-37 510
Other comprehensive profit/-loss	**3 199 846**	**-2 405 433**
Comprehensive profit/-loss	**-12 410 458**	**13 294 778**
Profit/-loss attributable to parent company shareholders	-12 446 608	13 285 841
Profit/-loss attributable to non-controlling interests	36 150	8 937

***** Profit/-loss attributable to parent company will not be recognised in profit or loss in future periods, while the share for associates will be.
** Profit/-loss 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 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, issuance of shares		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	18	0	0	0	0	-172 612	-172 612	0	-172 612	0	-172 612
Dividends to minority shareholders	36	0	0	0	0	0	0	0	0	-45 248	-45 248
MRP share based payment	41	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**
1 January 2023	-	**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**
Profit for the year	3	0	0	0	0	0	0	-15 810 988	-15 810 988	200 684	-15 610 304
Capital increase, issuance of shares		0	0	0	0	0	0	0	0	0	0
Comprehensive income related to CCIRS transaction	18	0	0	0	0	1 863 985	1 863 985	0	1 863 985	0	1 863 985
Derecognition of shares (PIMCO)		0	0	0	69 123	0	69 123	0	69 123	0	69 123
Dividends to minority shareholders	36	0	0	0	0	0	0	0	0	-97 639	-97 639
MRP share based payment	41	0	35 069	0	-118 620	0	-118 620	0	-83 551	0	-83 551
Other comprehensive income	4	0	0	0	0	1 500 395	1 500 395	0	1 500 395	-164 534	1 335 861
Prior year's profit or loss reclassified	4	0	0	0	15 691 150	0	15 691 150	-15 691 150	0	0	0
Redeemed treasury shares	-	0	-119 708	0	0	0	0	0	-119 708	0	-119 708
Dividends paid	-	0	0	0	0	0	0	0	0	0	0
Other	-	0	0	0	0	0	0	0	0	0	0
31 December 2023	-	**6 049 289**	**-2 035 653**	**29 367 867**	**62 682 010**	**-12 921 035**	**79 128 842**	**-15 810 988**	**67 331 490**	**627 361**	**67 958 851**

The attached notes form part of these consolidated annual financial statements.

5. Consolidated Statement of Cash Flows

Cash-flow items	31 December 2023	31 December 2022
OPERATING ACTIVITIES		
Profit/-loss before tax	-16 618 785	17 938 262
Depreciation, amortisation and impairment of tangible assets	6 421 052	5 463 106
Impairment loss	5 064 354	-2 934 264
Inventory shortage, scrapped inventories	428 539	1 010 900
Provisions made	65 684	15 658
Gains on the disposal of tangible and intangible assets	-17 576	-1 321 490
Interest paid	3 290 120	2 511 228
Interest received	-1 263 262	-1 057 695
Profit from associates	-459 701	-325 081
Unrealised foreign exchange (gain) loss	3 402 807	-2 613 719
Working capital changes:		
Changes in trade receivables	4 216 741	3 525 890
Changes in inventories	20 544 473	-10 907 025
Changes in other current assets	6 757 294	-8 390 839
Changes in trade payables	-2 692 668	-256 418
Changes in other liabilities	-6 314 846	-6 528 245
Income tax paid	-2 152 793	-2 769 653
Net cash flows from operations	**20 671 433**	**-6 639 385**
INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	-16 209 714	-27 310 338
Proceeds from the disposal of tangible and intangible assets	913 981	1 360 787
Acquisition of subsidiary shares	-8 429 263	-2 521 034
Interest received	1 263 262	1 057 695
Net cash flows from investing activities	**-22 461 734**	**-27 412 890**
FINANCING ACTIVITIES		
Capital increase, issuance of shares	0	21 850 485
Purchased treasury shares	-119 708	-1 120 079
Loans taken	329 631	22 982 779
Loans repaid	-1 917 733	-1 299 710
Subsidies received	2 536 415	3 545 763
Dividends paid	-97 639	-2 163 780
Interest paid	-3 290 120	-2 511 228
Net cash flows from financing activities	**-2 559 154**	**41 284 230**
Increase (decrease) in cash and cash equivalents	-4 349 455	7 231 955
Cash and cash equivalents at the beginning of the year	25 882 135	15 381 844
Net foreign exchange translation gain or loss	-3 322 527	3 268 336
Cash and cash equivalents at the end of the year	**18 210 153**	**25 882 135**

The attached notes form part of these consolidated annual financial statements.

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 1,263 in 2023 (2022: 1,516).
The cost of the Group's external audit for 2023: 178,371 EUR (2022: EUR 169,922).

Shares:
The parent company's share capital totals HUF 1,685,063,100 (2022: 1,685,063,100). The parent company's share capital is presented in the consolidated annual statements at initial cost in EUR totalling EUR 6,049,289 (2022: EUR 6,049,289). The share capital comprises of 16 850 631 registered ordinary shares of HUF 100 face value each (2022: 16 850 631 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	2023	2022
Tibor Dávid	HUF 454 805 700	HUF 454 805 700
Ács Balázs	HUF 387 725 900	HUF 387 725 900
Bunford Tivadar	HUF 45 169 000	HUF 45 169 000
Nádasi Róbert	HUF 12 903 400	HUF 10 562 000
Jancsó Illés	HUF 4 490 900	HUF 4 490 900
Pécsi László	HUF 2 013 200	HUF 3 277 200
Lukács Flórián László	HUF 252 000	HUF 252 000
Additional minority owners	HUF 752 544 300	HUF 751 235 000
Repurchased shares	HUF 25 158 700	HUF 27 545 400
Total:	**HUF 1 685 063 100**	**HUF 1 685 063 100 Ft**
	(6 049 289 EUR)	**(6 049 289 EUR)**

The voting rights are as follows:

Shareholders	2023	2022	-
Tibor Dávid	4 548 057	4 548 057	votes
Ács Balázs	3 877 259	3 877 259	votes
Bunford Tivadar	451 690	451 690	votes
Jancsó Illés	44 909	44 909	votes
Pécsi László	20 132	32 772	votes
Lukács Flórián László	2 520	2 520	votes
Additional minority owners	7 525 443	7 512 350	votes
Total	**16 599 044**	**16 575 177**	**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

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 2024	Approximately 16 years	4 548 057
Ács Balázs	Vice Chairment	3 April 2008	30 April 2024	Approximately 16 years	3 877 259
Dirk Theuns	Member	1 May 2014	30 April 2024	Approximately 10 years	-
Dezse Margaret	Member	1 May 2020	30 April 2024	Approximately 4 years	1 300
Fazekas Bálint	Member	1 May 2022	30 April 2024	Approximately 2 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 2023:

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 IAS 1 "Presentation of Financial Statements" and parallel to it IFRS Practice Statement 2: Disclosure of Accounting policies were amended. The amendment seeks to improve disclosures on accounting policies by customising them and reducing disclosures on general accounting policies.

- Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" were amended to clarify the concept of accounting estimates.

- IFRS 17 "Insurance Contracts" is effective for annual periods beginning on or after 1 January 2023. This standard governs the settlement of insurance contracts.

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

- Amendments to IAS 12 "Income Taxes": The amendments clarify that In case of Deferred Tax related to Assets and Liabilities arising from a Single Transaction, the 'initial recognition exception' should not apply where the transaction incurs both deductible and taxable temporary differences of the same amount

- Amendments to IAS 12, income taxes, in relation to international tax reform. The amendment provides temporary relief for the recognition of deferred taxes resulting from the introduction of second-pillar model rules and stipulates that companies applying the standard must disclose information that allows users of financial statements to assess the nature and financial impact of income tax consequences stemming from second-pillar rules.

The above listed amendments became effective as of 1 January 2023.

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

- Amendment to IFRS 16 clarifying the measurement of lease liability in case of leaseback, effective January 1, 2024.

- Amendments to IAS 1 Presentation of Financial Statements that become effective for reporting periods beginning on 1 January 2024 onwards relate to:

  - Classification of liabilities as current or non-current
  - Long-term liabilities with terms (with covenants),

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

IFRSs adopted by the EU differ from regulations adopted by the International Accounting Standards Board – IASB – as of the date of publication of the financial statements in respect of the following new standards and amendments to existing standards and new interpretations:

- IAS 7 Cash Flow Statements and IFRS 7 Financial Instruments: Amendments to Disclosures: The amendment requires additional disclosures for vendor financing arrangements and will enter into force for reporting periods beginning January 1, 2024 onwards.

- Amendments to IAS 21, the effects of changes in exchange rates, which provides guidance on determining when a currency is convertible and how to determine the exchange rate when it is not. The amendment will enter into force on 1 January 2025.

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 (%)	
				2023	2022	2023	2022
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	Construction of residential and non-residential buildings	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	4012002113867	100%	100%	100%	100%
Masterplast D.O.O.	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	98,7%	51%	98,7%	51%
MASTERWOOL MW-1 d.o.o. (1)	Serbia	Rockwool productions	112807408	100%	51%	100%	50%

(1) The Company entered into a share transfer agreement for the purchase of a packet of 47.7 % of thw shares of MASTERPLAST Italia S.r.l. with a nominal value of EUR 89,000 on March 16, 2023. As a result the Company became the 95.5% owner of MASTERPLAST Italia S.r.l. The other member sold another packet with a nominal value of EUR 6,400 of its shares of Masterplast Italia S.r.l. out of its remaining shares of EUR 9,000 on 28 November 2023.

(2) The Company signed a share transfer agreement for the purchase of 49% of the registered capital of MASTERWOOL MW-1 d.o.o on 21 March 2023. As a result the Company became the sole owner of MASTERWOOL MW-1 d.o.o.

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 (%)	
				2023	2022	2023	2022
MasterProfil Kft.	Hungary	Profile production	13874656-4-07	20%	20%	20%	20%
T-CELL Kft.	Hungary	EPS production	24648378-2-09	24%	24%	24%	24%
Master Modul Kft.(1)	Hungary	Modular building production	29207079-2-20	0%	25%	0%	25%
MIP Zrt. (2)	Hungary	Stonewool production	32027561-2-43	50%	0%	50%	0%
PIMCO Kft (3)	Hungary	Glasswool production	23355466-2-05	50%	0%	50%	0%

(1) MASTERPLAST Nyrt. does not have a stake in Master Modul Kft. after 15 February 2023 as its sold its stake in it. Activities planned for Master Modul Kft. will be implemented by MASTERPLAST Modulhouse Kft.

(2) Based on the strategic cooperation agreement concluded in December 2022, the Company acquired a 50% stake in MIP Raw Material Manufacturing Private Limited Company (MIP Zrt..) on 9 June 2023. As a result MIP Zrt is 50%- 50% owned by the Company and Market Építő Zrt.

(3) The Company purchased 100% of PIMCO Kft. as part of its glass wool manufacturing investment project on January 18, 2023. The Company and Selena FM S.A. decided to strategically co-operate in glass wool production on June 28, 2023. As a result the registered capital of PIMCO Kft. was increased from HUF 153,000 thousand to HUF 3,627,942 thousand on 6 November 2023 in a way that now both the ownership and the voting rights of PIMCO Kft is divided 50%-50% between the Company and Selena FM S.A.

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:

Subsidiary name	Country	2023	2022
Masterplast Nyrt.	Hungary	HUF	HUF
Masterplast Hungária Kft.	Hungary	HUF	HUF
Masterplast International Kft.	Hungary	EUR	EUR
Masterplast Medical Kft.	Hungary	EUR	EUR
Masterplast Modulhouse Kft.	Hungary	HUF	HUF
MasterFoam Kft.	Hungary	HUF	HUF
Masterplast YU D.o.o.	Serbia	RSD	RSD
Masterplast Sp zoo	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. (1)	Croatia	EUR	HRK
Masterplast D.O.O.	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.	Italy	EUR	EUR
MASTERWOOL MW-1 d.o.o.	Serbia	RSD	RSD

(1) The functional currency of Masterplast D.o.o changed to EUR from 1 January 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

A company applies IAS 19 in accounting for employee benefits. Employee benefit is any form of consideration given by a company for services rendered by its employees, not only in cash but also in kind.

Classification of employee benefits

- *Short-term employee benefits*: employee benefits (other than severance benefits) that become fully due within twelve months of the end of the period in which the employee performed the related work.

- *Post-employment benefits:* employee benefits (other than severance benefits) provided under formal or non-formal agreements that are due after the employment relationship ends.

- *Severance benefits:* employee benefits that may become payable as a result of a company's decision to terminate employment before the normal retirement date or the employee's decision to accept voluntary termination in exchange for these benefits.

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.

Masterplast Nyrt. founded the MASTERPLAST Employee Share Ownership Program (ESOP) Organization on 14 December 2016. Masterplast Nyrt. (Founder) established the ESOP organization in order to efficiently implement incentive remuneration for company managers (Participants) related to Masterplast's business goals. The ESOP Oganization is recorded 100% in the books as an extension of the Company under IFRS 2, as the Company determines the operation of the ESOP Organization through the remuneration policy.

Since the benefit qualifies as a share-based payment transaction settled in an equity instrument, it is valued 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 low value 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. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, and sales taxes or duty.

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

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 37.

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

Basic 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. The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share while taking into account the effect of all dilutive potential ordinary shares outstanding during the period:

- We increase the profit or loss attributable to ordinary shareholders of the Company for the period by the amount after-tax-dividends and interests recognised in respect of dilutive potential ordinary shares in that period and adjust 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 shares outstanding shall be increased by the weighted average of the number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares
- Diluted earnings per share are calculated taking into account the weighted average number of dilution stock options (if any) in addition to ordinary shares.

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 parties

IAS 24 requires an entity's financial statements to include disclosures necessary to draw attention to the possibility that the company's financial position and results may have been affected by the existence of, and transactions with, and open 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. Cash-flow statement

The purpose of the cash flow statement is to provide information about the company's ability to generate cash and cash equivalents, as well as what the company used them for, as part of the financial statements to support the business decisions of investors.
According to the IAS 7 Statement of Cash Flows, the concept of cash includes cash on hand and demand deposits, while short-term, highly liquid and easily convertible investments that have a negligible risk of change in value are considered cash equivalents.
The cash flow statement details the periodic cash flows broken down by operating, investment and financing activities. The Company prepares the 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

In case of CCIRS transactions the Company applies hedge accounting in accordance with IFRS 9 based on hedging efficiency. The Company recognises gains/losses arising from changes in foreign exchange rates of the transaction directly through profit and loss, while gains/losses arising from changes of yield curves are recognised through other comprehensive income.

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

2023	Intangible assets	Properties	Machinery, equipment	Assets in construction	Tangible assets	Total
Cost, opening						
Increase	2 232 246	13 053 786	12 450 626	13 977 468	39 481 880	**41 714 126**
Decrease	-22 506	0	-1 930 396	-23 845 065	-25 775 461	**-25 797 967**
Reclassification	0	0	0	0	0	**0**
Translation gain or loss	22 718	412 143	144 893	147 529	704 565	727 283
Cost, closing	**3 041 827**	**50 979 137**	**78 233 983**	**18 244 781**	**147 457 901**	**150 499 728**
Accumulated depreciation and impairment, opening	**612 537**	**6 610 912**	**16 892 852**	**12 836**	**23 516 600**	**24 129 137**
Increase	159 172	895 980	5 365 900	0	6 261 880	6 421 052
Decrease	-22 506	0	-1 693 649	0	-1 693 649	-1 716 155
Reclassification	0	0	0	0	0	0
Translation gain or loss	20 231	105 461	69 027	-990	173 498	193 729
Closing accumulated depreciation and impairment	**769 434**	**7 612 353**	**20 634 130**	**11 846**	**28 258 329**	**29 027 763**
Opening net book value	**196 832**	**30 902 296**	**50 676 008**	**27 952 013**	**109 530 317**	**109 727 149**
Closing net book value	**2 272 393**	**43 366 784**	**57 599 853**	**18 232 935**	**119 199 572**	**121 471 965**

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**

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 2023 and 2022.

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

Closing book value assets	2023	2022
Book value of properties	16 043 480	5 527 956

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 2023 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 12,5 million in 2023, 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 284 thousand) at 31 December 2023 and comprised of the following:

Asset category	Investment value UAH	Investment value EUR
Properties	12 000 000	296 153
Machinery, equipment	0	0
Other	34 146	0
Total	**12 034 146**	**285 115**

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**

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 8 292 523 UAH (196 469 EUR) impairment in its balance sheet for its investment in the Ukraine at the end of 2023 as detailed below:

in UAH

Asset category	Asset value	Estimated market value	Impairment	Average impairment%
Properties	12 326 964	12 500 000	326 964	2,7%
Machinery, equipment	4 156 283	0	4 156 283	100,0%
Other	3 843 422	34 146	3 809 276	99,1%
Total	**20 326 669**	**12 534 146**	**8 292 523**	**40,8%**

in EUR

Asset category	Asset value	Estimated market value	Impairment	Average impairment%
Properties	292 053	296 153	7 747	2,7%
Machinery, equipment	98 472	0	98 472	100,0%
Other	91 059	809	90 250	99,1%
Total	**481 584**	**296 962**	**196 469**	**40,8%**

The total amount of impairment loss in the balance sheet reduces "*Tangible assets*" and *"Other current assets"* (EUR 213 thousand at the closing rate of 2022).

The Ukrainian investment was presented in the 2022 financials 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).

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	2023	2022
Gross value	2 505 025	2 020 027
Accumulated depreciation	-1 001 782	-1 074 319
Net value	**1 503 243**	**945 709**

The value and movements of lease liabilities for the end of 2023 were as follows:

Leasing movement table	2023
January 1, 2023	488 938
Growth	1 010 860
Interest	-75 569
Payments	-572 542
Revaluation of lease liability	19 682
December 31, 2023	871 369
Short-term lease liabilities	**280 898**
Long-term lease liabilities	**590 472**

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

Lease liabilities	2023	2022
Lease liabilities within 1 year	280 898	250 252
Due in 2-5 years	590 472	238 686
Total lease obligations	**871 370**	**488 938**

The present values of minimum lease payments were as follows:

Minimum lease payments	2023	2022
Lease payments falling due within 1 year	330 306	271 118
Lease payments falling due within 2-5 years	657 796	248 231
Minimum lease payments	**988 102**	**519 350**
Financial expenses	-116 732	-30 412
Present value of minimum lease payments	**871 370**	**488 938**

The Group cannot renew its lease agreements, and the leased assets become property of the lessee at the end of the lease term.

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 entity was to produce modular buildings and has a subscribed capital of HUF 3 million. MASTERPLAST Nyrt.. sold its stake in Master Modul Kft. on 15 February 2023. Activities planned for Master Modul Kft. will be implemented by MASTERPLAST Modulhouse Kft.

MIP Zrt.
Based on the strategic cooperation agreement concluded in December 2022, the Company acquired a 50% stake in MIP Raw Material Manufacturing Private Limited Company (MIP Zrt.) on 9 June 2023. As a result MIP Zrt is 50%- 50% owned by the Company and Market Építő Zrt.

PIMCO Kft.
The Company purchased 100% of PIMCO Kft. as part of its glass wool manufacturing investment project on January 18, 2023. The Company and Selena FM S.A. decided to strategically co-operate in glass wool production on June 28, 2023. As a result the registered capital of PIMCO Kft. was increased from HUF 153,000 thousand to HUF 3,627,942 thousand on 6 November 2023 in a way that now both the ownership and the voting rights of PIMCO Kft is divided 50%-50% between the Company and Selena FM S.A.

Associates are consolidated based on the equity method through profit and loss.

Share from the profit of associates	2023
Opening	2 084 481
Share from the profit of associates	459 701
Increase	13 317 210
Decrease	-1 300 615
Other comprehensive income	93 921
Closing*	**14 654 698**

* Excludes profit or loss from discontinued operations

Részesedés társult vállalkozások eredményéből	2022
Opening	553 064
Share from the profit of associates	325 081
Increase	1 243 846
Other comprehensive income	-37 510
Closing*	**2 084 481**

* Excludes profit or loss from discontinued operations

12. Inventories

Type of inventory	2023			2022		
	Gross book value	Impairment charge	Net book value	Gross book value	Impairment charge	Net book value
Finished products	3 327 318	0	3 327 318	7 773 795	0	7 773 795
Semi-finished products, WIP	3 298 465	0	3 298 465	3 817 156	0	3 817 156
Raw materials, additives and fuels	9 690 811	0	9 690 811	8 607 228	0	8 607 228
Goods	21 801 506	-3 826 629	17 974 876	40 100 296	-359 116	39 741 181
Total	**38 118 099**	**-3 826 629**	**34 291 470**	**60 298 475**	**-359 116**	**59 939 360**

Recognised and reversed impairment on inventories was the following in 2023

Impairment of inventories 2023	EUR
Opening impairment	359 116
Translation difference	3 058
Charges	4 704 755
Reversals	-1 240 300
Closing	**3 826 629**

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**

In 2023, based on reviews and valuations performed by the Company's subsidiaries, the amount of impairment recognized at the Group level increased by EUR 3 468 thousand compared to the previous year. The cost of sold inventories (purchased goods and self-produced inventories):

Cost of goods sold	2023	2022
Cost of goods sold	126 177 365	160 488 092

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

Closing balances of inventories	2023	2022
Closing balances of inventories	21 126 499	19 295 032

13. Trade receivables

Debtors	2023	2022
Trade receivables	13 510 600	18 213 085
Impairment of doubtful receivables	-652 113	-748 381
Total	**12 858 487**	**17 464 704**

Average payment term of trade receivables was 42 days in 2023 (42 days in 2022). There is no significant concentration in our trade receivables.

Recognised and reversed impairment on trade receivables was the following in 2023

Impairment of trade receivables	Opening impairment	Translation difference	Charges	Reversals	Closing
Impairment of trade receivables	748 381	1 006	181 536	-278 810	652 113
Total	748 381	1 006	181 536	-278 810	652 113

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**

The aging of trade receivables is as follows:

Aged analysis	2023			2022		
	Gross book value	Impairment charge	Net book value	Gross book value	Impairment charge	Net book value
Not yet due	8 898 965		8 898 965	11 875 384		11 875 384
Due over 0-60 days	3 459 564		3 459 564	3 759 943		3 759 943
Due over 61-90 days	318 193		318 193	303 697		303 697
Due over 91-180 days	122 262	30 113	92 149	475 811	65 762	410 049
Due over 181-360 days	10 416	9 313	1 102	1 113 400	92 154	1 021 246
Due over 360 days	701 200	612 687	88 514	684 850	590 465	94 385
Total	**13 510 600**	**652 113**	**12 858 487**	**18 213 085**	**748 381**	**17 464 704**

14. Other current assets

Other current assets	2023	2022
Advances paid	727 883	7 153 523
Bills of exchange and cheques receivable	194 533	219 285
Other receivables	1 949 061	1 560 413
Bonus from suppliers	428 591	726 322
Impairment on other receivables	-270 448	-327 806
Accrued income	110 494	135 131
Prepaid expense	341 126	389 657
Provided loans	0	499 688
Total	3 481 240	**10 356 212**

15. Cash and cash equivalents

Cash and cash equivalents	2023	2022
Cash	679 259	42 283
Bank deposits	17 530 894	25 839 853
Total	**18 210 153**	**25 882 136**

The Group does not have restricted cash or cash-equivalents as at 31 December 2023 or 31 December 2022.

16. Short-term and long-term loans

Short-term and long-term bank loans taken - 2023

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	898 049	567 866	330 183	0	promissory note + mortgage + MP Nyrt. guarantor
Masterplast YU D.o.o.	00-421-0611706.8	Investment loan	EUR	3M EURIBOR + 2,10%	monthly	2 333 212	538 434	1 794 779	0	promissory note + mortgage + MP Nyrt. guarantor
Masterplast YU D.o.o.	00-422-0013391	Working capital loan	RSD	3M EURIBOR +2,70%	monthly	1 000 000	1 000 000	0	0	promissory note + mortgage + MP Nyrt. guarantor
Masterplast YU D.o.o.	00-422-0004844	Working capital loan	RSD	3M EURIBOR +2,70%	monthly	400 000	400 000	0	0	promissory note + mortgage + MP Nyrt. guarantor
Masterplast YU D.o.o.	00-429-0300071.0	Working capital 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	quarterly	1 250 000	200 000	800 000	250 000	promissory note + mortgage + MP Nyrt. guarantor
Masterplast International	TCF-R-80/2022	Working capital loan	EUR	1,85% p.a.	monthly	9 999 500	1 166 034	8 833 466	0	promissory note + mortgage + MP Nyrt. guarantor
Masterplast International	R-9/2021	Working capital 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						**27 580 762**	**15 572 334**	**11 758 428**	**250 000**	
Masterplast Romania	56 (OVD)	Overdraft facility	RON	ROBOR 1M + 1%	monthly	2 400 022	2 400 022	0	0	Mortgage
Masterplast s.r.o.	-	Overdraft facility	EUR	2,4% p.a. + 1M EURIBOR	monthly	329 631	329 631	0	0	Mortgage
Total overdraft facilities						**2 729 653**	**2 729 653**	**0**	**0**	
Total loans and credits						**30 310 415**	**18 301 987**	**11 758 428**	**250 000**	

The secured loans were drawn for specific development projects and are secured by the financed assets.

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

Company name	Loan ID	Loan type	Currency of disburse ment	Interest (%)	Period of interest settlement	Amount of outstanding loan debt EUR	Repaymen t 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	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	working capital 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	working capital loan	RSD	3M EURIBOR + 2,10%	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	working capital 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	working capital 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%	havi	3 593 032	3 593 032	0	0	mortgage
Masterplast s.r.o.		overdraft facility	EUR	1,6% p.a. + 1M EURIBOR	havi	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**	

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.

Short- and long-term loan from bank - covenants 2023

Company name	Bank	Loan code	Maturity date	Covenants	Comments
Masterplast YU D.o.o.	OTP	00-421-1700025.1	11.07.2025	1. total bank loans/EBITDA ratio shall not exceed 3 2. total bank loans/net sales ratio shall not exceed 20%	Bank waiver for covenants in 2023
Masterplast YU D.o.o.	OTP	00-421-0611706.8	20.04.2028	1. total bank loans/EBITDA ratio shall not exceed 3,5 2. total bank loans/net sales ratio shall not exceed 25%	Bank waiver for covenants in 2023
Masterplast YU D.o.o.	OTP	00-422-0013391	08.02.2025	none	-
Masterplast YU D.o.o.	OTP	00-422-0004844	08.02.2025	none	-
Masterplast YU D.o.o.	OTP	00-429-0300071.0	08.02.2025	none	-
Masterplast d.o.o (HR)	Raiffeisen	18518500010	-	none	-
Masterplast Italy	MPS	-	31.03. 2030	none	-
Masterplast International	Raiffeisen	TCF-R-80/2022	16.06.2027	1. Minimum 50% of exported products should be of Hungarian origine. 2. Total loans shall not exceed 85% of foreign net sales.	The covenants were fulfilled for 2023
Masterplast International	Raiffeisen	R9/2021	15.08.2024	none	Bank letter of intent on loan extension
Masterplast Romania	Raiffeisen	56 (OVD)	-	none	-
Masterplast s.r.o.	CSOB	-	-	1. Liquidity ratio shall not be less than 140% 2. Equity/ total loans shall not be less than 40% 3. cash flows shall not be less than EUR 150 000 on 30 June and shall not be less than EUR 300 000 EUR on 31 December.	Bank waiver for covenants in 2023

The financial covenant determined by the bond and loan insurers is the ratio of consolidated net indebtedness to consolidated EBITDA, which shall not exceed 3.5 times.

Description of ratio	Required	Actual	Required	Actual
	2023		2022	
net debt/EBITDA	≤3,5	n/a	≤3,5	0,32

Due to negative EBITDA, the Group did not meet the conditions of bond-related covenants on 31 December 2023. Since there is no potential or actual claim for default at the Company, the rate calculated in this way only prohibits new financial commitments and does not qualify as a financial covenant.

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	6 December 2019	21 December 2020	25 August 2021
Expiration date	6 December 2026	21 December 2027	25 August 2031
Introduction date	18 February 2020	19 February 2021	1 October 2021
Nominal value (HUF)	50 000 000	50 000 000	50 000 000
Covenants	-	-	net debt/EBITDA < 3,5
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	
	2023	2022	2023	2022
Total nominal value of the bond issued	6 000 000 000	6 000 000 000	15 674 800	14 990 631
Amortized cost	5 993 865 030	5 994 884 694	15 658 773	14 977 851
Fair value	4 108 479 377	4 809 125 440	10 733 266	12 015 304
Existing obligation	4 500 000 000	6 000 000 000	11 756 100	14 990 631
Existing obligation in cost value	4 486 995 270	5 994 884 694	11 722 126	14 977 851

MASTERPLAST 2027/I HUF	HUF		EUR	
	2023	2022	2023	2022
Total nominal value of the bond issued	6 000 000 000	6 000 000 000	15 674 800	14 990 631
Amortized cost	5 983 019 699	5 978 858 122	15 630 440	14 937 809
Fair value	5 388 210 505	4 485 308 003	14 076 520	11 206 266
Existing obligation	6 000 000 000	6 000 000 000	15 674 800	14 990 631
Existing obligation in cost value	5 983 019 699	5 978 858 122	15 630 440	14 937 809

MASTERPLAST 2031/I HUF	HUF		EUR	
	2023	2022	2023	2022
Total nominal value of the bond issued	9 000 000 000	9 000 000 000	23 512 200	22 485 946
Amortized cost	9 002 910 820	9 002 609 701	23 519 805	22 492 466
Fair value	8 525 500 929	6 885 433 583	22 272 587	17 202 832
Existing obligation	9 000 000 000	9 000 000 000	23 512 200	22 485 946
Existing obligation in cost value	9 002 910 820	9 002 609 701	23 519 805	22 492 466

Due to negative EBITDA, the Group did not meet the conditions of bond Nr 2031/I HUF related covenants on 31 December 2023. Since there is no potential or actual claim for default at the Company, the rate calculated in this way only prohibits new financial commitments and does not qualify as a financial covenant

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.
The net balance of the Company’s CCIRS portfolio was an accumulated loss of HUF 945,299,607 (EUR 2,469,564) on 31 December 2023, out of which a profit of HUF 565,941,999 (EUR 1,478,505) was recognized as current year profit , while the accumulated retained losses were HUF 1,304,330,177 (EUR 3,407,519) and the total loss recognized through OCI was HUF 206,911,428 (EUR 540,549).

The transaction details are as follows:

CCIRS transaction	MASTERPLAST 2026/I HUF	
	2022	2023
Trade date	16.12. 2019	
Expiration date	07.12.2026.12	
Place of implementation	OTC	
Party paying fixed interest	Raiffeisen Bank Zrt.	
Amount	HUF 6 022 801 800	HUF 4 517 101 350
Fixed interest rate	1,9264% p.a.	
Anounr of relevant interest	HUF 113 184 119	HUF 87 034 376
Party paying fixed interest	Masterplast Nyrt.	
Amount	EUR 18 306 388	EUR 13 729 791
Fixed interest rate	1,08% p.a.	
Anount of relevant interest	EUR 196 061	EUR 150 753

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	2023	2022
SZVP-2003-6-03-08-1	Network building at „Master level”	Masterplast Nyrt. Masterplast Medical Kft.	27 141	27 463
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.	195 881	192 650
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.	6 609	6 321
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.	423 500	426 440
NGM/34052-6/2017	Corporate Investment Subsidies	Masterfoam Kft.	3 977 405	4 512 641
State Subsidy	Glass fabric factory	Masterplast YU D.o.o.	27 984	49 192
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.	26 694	27 791
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.	17 422 987	17 863 856
PM/15207-9/2020	Production of COVID-19-relevant products - Research and development	Masterplast Medical Kft.	4 946 583	5 238 554
PM/2093-10/2021	Extension of the production capacity of personal health protection equipments in Sárszentmihály	Masterplast Medical Kft.	637 909	682 895
HIPA VNT2020-1-0634	Competitiveness-enhancing subsidy	Masterplast Medical Kft.	338 001	362 309
PM/326-9/2020	Implementation of efficient diffusion roof film production	Masterplast Medical Kft.	5 763 970	3 553 497
Total:			**33 794 663**	**32 943 609**
Short-term part :			**2 033 468**	**2 784 959**
Long-term part:			**31 761 195**	**30 158 650**

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

19. Other long-term liabilities

Other long-term liabilities	2023	2022
Long-term part of lease liabilities (Note 11)	590 472	238 686
Other long-term liabilities	132 258	148 113
Total	**722 730**	**386 799**

20. Provisions

2023	Opening balance	Translation difference	Increase	Current year use	Reversed	Closing
For unused holidays	268 740	616	154 952	36 696	15 482	372 130
For bonuses	35 848	-175	79 352	42 220	53 207	19 598
For commissions	51 495	1 223	28 344	47 671	0	33 391
For Warranty obligations	67 800	0	0	0	27 584	40 216
For Other	159 038	196	44 319	20 283	0	183 270
Total	**582 921**	**1 860**	**306 967**	**146 870**	**96 273**	**648 605**

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**

21. Trade payables

Ageing of trade payables is as follows:

Creditors	2023	2022
Not yet due	12 185 173	12 513 523
Due over 0-60 days	908 593	3 916 074
Due over 61-90 days	5 473	1 003
Due over 91-180 days	79 270	55 373
Due over 180 days	662 131	47 335
Total	**13 840 640**	**16 533 308**

22. Other current liabilities

Egyéb rövid lejáratú kötelezettségek	2023	2022
Advances received	53 669	64 416
Liabilities to employees	1 168 192	1 253 022
Other current liabilities	1 431 659	692 008
Joint venture liability	2 201 624	0
Tender advance	375 673	0
Bonus to customers	1 290 708	2 156 037
Accrued interest expense	412 492	272 479
Deferred income	40 577	5 546
Accrued expenses	489 557	595 231
Total	**7 464 150**	**5 038 739**

23. Cost of materials and services used

Cost of Materials and Services	2023	2022
Cost of materials	65 746 988	90 175 362
Cost of services	8 800 089	9 418 045
Cost of goods sold	46 944 382	71 493 480
Obtained sconto	-49 155	-99 636
Received bonus	-5 153	-21 896
Total	**121 437 150**	**170 965 354**

24. Personnel related costs

Payments to personnel	2023	2022
Payroll costs	19 991 937	21 404 638
Other payments to personnel	1 676 026	2 120 375
Payroll taxes and social security contribution	2 682 324	3 451 914
Total	**24 350 287**	**26 976 927**

25. Other income and expense

Other income and expenses	2023	2022
Result of fixed asset sales	17 576	1 321 490
Inventory shortage, scrapped	-428 539	-1 010 900
Impairment reversed/(charged)	-4 866 844	3 078 297
Taxes, duties	-530 082	-305 581
Credit loss	-197 510	-144 033
Income from tenders (release of deferred income	1 938 334	2 269 240
Provisions reversed/(charged)	-29 944	-56 975
Default interest paid	-992	98 533
Other	421 261	-1 725 967
Total	**-3 676 740**	**3 524 104**

26. Other financial profit or loss and fair value adjustments

Other financial profit or loss	2023	2022
Foreign exchange gain/(loss)	-4 125 754	2 669 204
Recognised gain/(loss) on derivatives and fair value adjustments	1 623 171	1 267 855
Total	**-2 502 583**	**3 937 059**

The Group had the following open derivative transactions (at trading rate) at the end of years 2023 and 2022

Description	Expiry/Closing Date	Currency	Value	Fair Value 2023	Fair Value 2022
Határidős euró vétel magyar forintért 394,068556 EUR/HUF árfolyamon (kötési árolyamon 444,6 EUR/HUF árfolyamon)	21.07.2023	HUF	444 600 000	0	37 471
Határidős euró vétel magyar forintért 394,068556 EUR/HUF árfolyamon (kötési árolyamon 451,8 EUR/HUF árfolyamon)	21.07.2023	HUF	225 900 000	0	27 011
Határidős euró vétel magyar forintért 394,068556 EUR/HUF árfolyamon (kötési árolyamon 459,7 EUR/HUF árfolyamon)	21.07.2023	HUF	229 850 000	0	36 091
Határidős euró vétel magyar forintért 394,068556 EUR/HUF árfolyamon (kötési árolyamon 461,45 EUR/HUF árfolyamon)	31.07.2023	HUF	230 725 000	0	36 479
Határidős euró vétel magyar forintért 394,068556 EUR/HUF árfolyamon (kötési árolyamon 463,15 EUR/HUF árfolyamon)	31.07.2023	HUF	231 575 000	0	46 067
Határidős euró vétel magyar forintért 394,068556 EUR/HUF árfolyamon (kötési árolyamon 470,75 EUR/HUF árfolyamon)	31.08.2023	HUF	235 375 000	0	42 109
Határidős euró vétel magyar forintért 394,068556 EUR/HUF árfolyamon (kötési árolyamon 477,1 EUR/HUF árfolyamon)	31.08.2023	HUF	238 550 000	0	49 287
Határidős euró vétel lengyel zlotyért 4,3496924 EUR/PLN árfolyamon (kötési árolyamon 4,4631 EUR/PLN árfolyamon)	10.01.2024	PLN	446 310	-2 608	0
Határidős euró vétel lengyel zlotyért 4,34968983606557 EUR/PLN árfolyamon (kötési árolyamon 4,4616 EUR/PLN árfolyamon)	10.01.2024	PLN	272 158	-1 570	0
Határidős euró vétel lengyel zlotyért 4,34969676470588 EUR/PLN árfolyamon (kötési árolyamon 4,4656 EUR/PLN árfolyamon)	10.01.2024	PLN	151 830	-906	0
Határidős euró vétel lengyel zlotyért 4,349669 EUR/PLN árfolyamon (kötési árolyamon 4,4493 EUR/PLN árfolyamon)	10.01.2024	PLN	177 972	-917	0
Határidős euró vétel lengyel zlotyért 4,3496375 EUR/PLN árfolyamon (kötési árolyamon 4,4307 EUR/PLN árfolyamon)	10.01.2024	PLN	141 782	-597	0
Határidős euró vétel lengyel zlotyért 4,34961028571429 EUR/PLN árfolyamon (kötési árolyamon 4,4148 EUR/PLN árfolyamon)	10.01.2024	PLN	154 518	-525	0
Határidős euró vétel lengyel zlotyért 4,34957975 EUR/PLN árfolyamon (kötési árolyamon 4,3968 USD/PLN árfolyamon)	10.01.2024	PLN	175 872	-434	0
Határidős euró vétel lengyel zlotyért 4,349524 EUR/PLN árfolyamon (kötési árolyamon 4,3639 EUR/PLN árfolyamon)	10.01.2024	PLN	283 654	-215	0
Határidős euró vétel lengyel zlotyért 4,349526 EUR/PLN árfolyamon (kötési árolyamon 4,3652 EUR/PLN árfolyamon)	10.01.2024	PLN	65 478	-54	0
Határidős euró vétel lengyel zlotyért 4,349556 EUR/PLN árfolyamon (kötési árolyamon 4,3828 EUR/PLN árfolyamon)	10.01.2024	PLN	175 312	-306	0
Határidős euró vétel lengyel zlotyért 4,357454 EUR/PLN árfolyamon (kötési árolyamon 4,3503 EUR/PLN árfolyamon)	14.02.2024	PLN	195 764	74	0
Határidős euró vétel lengyel zlotyért 4,35752666666667 EUR/PLN árfolyamon (kötési árolyamon 4,3601 EUR/PLN árfolyamon)	14.02.2024	PLN	65 402	-9	0
Határidős euró vétel lengyel zlotyért 4,35758484848485 EUR/PLN árfolyamon (kötési árolyamon 4,368 EUR/PLN árfolyamon)	14.02.2024	PLN	144 144	-79	0
Határidős euró vétel lengyel zlotyért 4,35744447368421 EUR/PLN árfolyamon (kötési árolyamon 4,349 EUR/PLN árfolyamon)	14.02.2024	PLN	165 262	74	0
Határidős euró vétel lengyel zlotyért 4,3574355 EUR/PLN árfolyamon (kötési árolyamon 4,3478 EUR/PLN árfolyamon)	14.02.2024	PLN	173 912	89	0
Határidős euró vétel lengyel zlotyért 4,3573225 EUR/PLN árfolyamon (kötési árolyamon 4,3325 EUR/PLN árfolyamon)	14.02.2024	PLN	311 940	411	0
Határidős euró vétel magyar forintért 382,78 EUR/HUF árfolyamon (kötési árolyamon 382,39 EUR/HUF árfolyamon)	04.01.2024	HUF	1 503 187 338	-4 748	0
Határidős euró vétel magyar forintért 382,78 EUR/HUF árfolyamon (kötési árolyamon 383,6 EUR/HUF árfolyamon)	25.01.2024	HUF	2 010 576 229	-10 339	0
Határidős euró vétel magyar forintért 391,812122 EUR/HUF árfolyamon (kötési árolyamon 409,85 EUR/HUF árfolyamon)	31.07.2024	HUF	819 700 000	54 068	0
EUR/HUF deviza csereügylet 400,25 árfolyamon (kötési árfolyamon: 329 HUF/EUR árfolyamon)	16.12.2026	HUF	6 022 801 800	0	-5 566 386
EUR/HUF deviza csereügylet 382,78 árfolyamon (kötési árfolyamon: 329 HUF/EUR árfolyamon)	16.12.2026	HUF	4 517 101 350	-2 469 567	0
Total				**-2 438 158**	**-5 291 871**
out of which financial receivable				**54 716**	**274 515**
out of which financial payable				**-2 492 874**	**-5 566 386**

In 2023 and 2022 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	2023		2022	
	Level 2	Fair value total	Level 2	Fair value total
Financial assets				
FX derivative transactions	54 716	**54 716**	274 515	**274 515**
Financial assets total	54 716	**54 716**	274 515	**274 515**
Financial liabilities				
FX derivative transactions	2 492 874	**2 492 874**	5 566 386	**5 566 386**
Financial liabilities total	2 492 874	**2 492 874**	5 566 386	**5 566 386**

The Group's financial instruments at book value and fair value were as follows at the end of 2023 and 2022

Valuation of financial instruments	Book value		Fair value	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022
Trade receivables	12 858 487	17 464 704	12 858 487	17 464 704
Taxes receivable	2 787 508	2 325 031	2 787 508	2 325 031
Other financial assets	54 716	274 515	54 716	274 515
Cash and cash equivalents	18 210 153	25 882 135	18 210 153	25 882 135
Total	**33 910 864**	**45 946 385**	**33 910 864**	**45 946 385**
Long-term loans	12 008 428	14 680 082	12 008 428	14 680 082
Liabilities from issued bonds – non current	43 054 735	48 663 832	41 893 230	40 424 402
Liabilities from issued bonds - current	7 817 635	3 744 294	7 817 635	3 744 463
Other long-term liabilities	722 730	386 799	722 730	386 799
Taxes payable	679 785	1 612 834	679 785	1 612 834
Short-term loans	18 301 987	17 218 410	18 301 987	17 218 410
Trade payables	13 840 640	16 533 308	13 840 640	16 533 308
Short-term finance lease liabilities	280 898	250 252	280 898	250 252
Other financial liabilities	2 492 874	5 566 386	2 492 874	5 566 386
Total	**99 199 712**	**108 656 197**	**98 038 207**	**100 416 936**

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 assets is an assumption based on the extent of losses and the risk of default. In determining the extent of impairment, the Group uses its own estimates and assumptions and rely 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 2023	Payment within 1 year	Payment within 2-5 year	Payment beyond 5 year
Total loans and credits	18 301 987	11 758 428	250 000
Interests of loans and credits	1 397 038	1 689 184	14 010
Total	**19 699 025**	**13 447 612**	**264 010**

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**

27. Taxes

Taxes receivable and taxes payable were as follows:

Taxes receivable and taxes payable	2023	2022
Taxes receivable	2 787 508	2 325 031
Taxes payable	-679 785	-1 612 834
Net tax receivable	**2 107 723**	**712 197**

Income tax expense for the years ended 31 December 2023 and 31 December 2022 includes the following components:

Income tax expense	2023	2022
Income tax expense for the current year	378 574	1 965 897
Deferred income tax expense	-1 387 055	272 154
Income tax expense	**-1 008 481**	**2 238 051**

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.

Pursuant to the Global Minimum Tax Act, group members of a multinational corporate group or a large domestic corporate group domiciled in a state with a low tax burden may have an additional tax liability on their excess profits, provided that the income according to the consolidated financial statements of the corporate group exceeds the threshold of EUR 750 million in at least two of the last four years. According to the legislation, those states are considered to have a low tax burden, where the actual tax rate of the group member with citizenship is lower than 15 percent.

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

Average tax rate	2023	2022
Average tax rate	13,9%	13,9%

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

Year-end balance of deferred tax	2023	2022
Tangible fixed assets	-851 156	-603 215
Inventories	5 798	7 947
Impairment on investments	-9 605	0
Provisions	42 658	85 309
Receivables	101 984	136 261
Konszolidáció miatti halasztott adó módosítások	1 996 005	0
Deferred tax adjustments due to consolidation	49 414	77 940
Other	-79 354	-60 279
Closing deferred tax assets, net	**1 255 744**	**-356 037**
Of which deferred tax assets	**2 246 229**	**395 844**
	-502 355	-502 355
Of which deferred tax (liability)	**-990 485**	**-751 881**

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	2023	2022
Profit before tax as per consolidated statement of profit or loss	-16 618 785	17 938 262
Actual average income tax rate of the headquarter entity	9,0%	9,0%
Income tax payable calculated at actual average income tax rate of the headquarter entity	**-1 495 691**	**1 614 444**
Impact of different income tax rates	**-811 320**	**875 736**
Actual average income tax rate	13,9%	13,9%
Income tax payable calculated at actual average income tax rate	**-2 307 011**	**2 490 180**
Permanent differences	-389 514	199 659
Impact of different income tax rates	44 099	-750 917
Reclassification of local income tax and innovation contribution	0	-103 970
Write-off of deferred tax assets recognized in prior years	-350 000	173 524
Revaluation of deferred tax assets and liabilities	-2 060	-19 092
Usage of carried forward losses	1 996 005	0
Other	0	248 667
Total differences	**1 298 530**	**-252 129**
Actual income tax expense	**-1 008 481**	**2 238 051**
Effective income tax rate	**6,1%**	**12,5%**

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

Company name	Currency	2023		
		Losses of prior years	Recognized as deferred tax	Not recognized as deferred tax
Masterplast Modulhouse Kft.	HUF	-363 824 765	-150 000 000	-213 824 765
Masterplast Medical Kft.	HUF	-3 442 220 751	-1 400 000 000	-2 042 220 751

28. Earnings per share

Earnings per share	2023	2022
Profit distributable to shareholders	-15 810 988	15 691 150
Weighted average number of shares traded during the year	16 591 430	14 874 208
Earnings per share	**-0,95**	**1,05**

Diluted earnings per share	2023	2022
Profit distributable to shareholders	-15 810 988	15 691 150
Weighted average number of shares traded during the year	16 591 430	14 874 330
Diluted earnings per share	**-0,95**	**1,05**

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.

In 2023, due to non-compliance with the conditions of the relevant ESOP program, earnings per share figures are the same for both calculations.

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.

2023	Sales	Production	Unallocated expenses	Inter-segment eliminations	Consolidated
Sales revenues from third parties	144 291 545	0	912 009	0	**145 203 554**
Inter-segment sales revenues	0	76 429 983	2 135 039	-78 565 022	**0**
Materials and services used	-127 134 897	-71 125 620	-1 741 655	78 565 022	**-121 437 150**
Payments to personnel	-8 517 921	-13 114 303	-2 718 063	0	**-24 350 287**
Depreciation and amortisation	-1 124 669	-4 688 063	-608 320	0	**-6 421 052**
Changes in self- produced inventories	467 800	-3 281 471	946 301	0	**-1 867 370**
Other operating income (expenses)	-711 466	-2 152 226	-813 048	0	**-3 676 740**
EBITDA	**8 395 061**	**-13 243 637**	**-1 279 417**	**0**	**-6 127 993**
EBITDA %	5,8%	-17,3%	-42,0%		-4,2%
OPERATING PROFIT/LOSS	**7 270 392**	**-17 931 700**	**-1 887 737**	**0**	**-12 549 045**
EBIT %	5,0%	-23,5%	-62,0%		-8,6%
Interest income	-1 980 246	17 967	3 225 541	0	**1 263 262**
Interest expenses	2 981 042	-3 273 144	-2 998 018	0	**-3 290 120**
Other income (expenses) of financial transactions	55 263	-303 653	-2 254 193	0	**-2 502 583**
Financial profit/loss	**1 056 059**	**-3 558 830**	**-2 026 670**	**0**	**-4 529 441**
Share of the profit of associates	0	0	459 701	0	**459 701**
PROFIT/LOSS BEFORE TAX	**8 326 451**	**-21 490 530**	**-3 454 706**	**0**	**-16 618 785**
Income tax	-757 950	1 547 901	218 530	0	**1 008 481**
PROFIT/LOSS FOR THE YEAR	**7 568 501**	**-19 942 629**	**-3 236 176**	**0**	**-15 610 304**
ASSETS					
Tangible fixed assets	10 625 144	98 168 563	10 405 865	0	**119 199 572**
Inventories	21 714 642	11 416 752	1 160 076	0	**34 291 470**
Trade Debtors	12 445 991	208 990	203 506	0	**12 858 487**
LIABILITIES					
Long-term loans	8 832 767	3 175 661	0	0	**12 008 428**
Deferred income	0	33 571 794	222 869	0	**33 794 663**
Short-term loans/overdrafts	13 707 072	4 594 915	0	0	**18 301 987**
Trade Creditors	11 294 970	2 255 764	289 906	0	**13 840 640**

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%
OPERATING 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
Trade 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
Trade Creditors	13 111 443	3 052 018	369 847	0	16 533 308

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

Sales revenues by countries	2023	2022
Hungary	54 094	89 601
Export	15 484	18 462
Germany	13 209	16 883
Romania	13 547	13 495
Poland	10 253	13 351
Serbia	8 415	7 458
Italy	9 644	14 379
Ukraine	7 625	13 580
Slovakia	6 030	8 101
Croatia	5 466	4 598
North Macedonia	1 437	1 872
Total	**145 204**	**201 780**

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):

2023	Total	Properties, machinery and equipment	Intangible assets	Participation in associates	Long-term financial assets
Hungary	**72 996**	56 708	1 633	14 655	0
Germany	**9 946**	9 914	32	0	0
Romania	**3 091**	3 013	78	0	0
Serbia	**44 985**	44 962	23	0	0
Croatia	**351**	351	0	0	0
Ukraine	**590**	584	6	0	0
Slovakia	**327**	327	0	0	0
Poland	**442**	442	0	0	0
North-Macedonia	**290**	289	1	0	0
Italy	**3 109**	2 610	499	0	0
Total	**136 127**	**119 200**	**2 272**	**14 655**	**0**

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**

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 Zrt.. Balázs Ács owns 100% of Firmum Capital Zrt. The Group's customer turnover with these related entities was EUR 0 in 2023 and 2022, while its supplier turnover with Minifoci Kft was EUR 0 in 2023 and EUR 0 in 2022. EUR 78 374 and EUR 87,445 were paid to Minifoci Kft. as sports grants in 2023 and 2022, respectively.

Key executives of the Group discharge their duties as employees. Short-term allowances paid to them amounted to EUR 2 186 318 in 2023 and EUR 2 360 256 in 2022. No loans were granted to senior officers either in 2023 or 2022. The sum total of fees paid to members of the Board of Directors was EUR 50 215 in 2022 and EUR 20 327 in 2022.

33. Issuance of shares

No capital increase took place in the financial year of 2023.

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.

34. Change of investments in subsidiaries

34.1. Decrease of investments in subsidiaries in 2023:

Pimco Kft.

The Company purchased 100% of PIMCO Kft. as part of its glass wool manufacturing investment project on January 18, 2023. The Company and Selena FM S.A. decided to strategically co-operate in glass wool production on June 28, 2023. As a result the registered capital of PIMCO Kft. was increased from HUF 153,000 thousand to HUF 3,627,942 thousand on 6 November 2023 in a way that now both the ownership and the voting rights of PIMCO Kft is divided 50%-50% between the Company and Selena FM S.A.

Mastermodul Kft.

MASTERPLAST Nyrt. sold its 25% share in Mastermodul Kft for HUF 750,000.

34.2. Decrease in investments in subsidiaries in 2022

None

34.3. Increase in investments in subsidiaries 2023

Pimco Kft.

The Company purchased 100% of PIMCO Kft. as part of its glass wool manufacturing investment project on January 18, 2023.

Masterplast Italia Srl.

The Company entered into a share transfer agreement for the purchase of a packet of 44.5% of the shares of MASTERPLAST Italia S.r.l. with a nominal value of EUR 89,000 on March 16, 2023. As a result the Company became the 95.5% owner of MASTERPLAST Italia S.r.l. The other member sold another packet with a nominal value of EUR 6,400 of its shares of Masterplast Italia S.r.l. out of its remaining shares of EUR 9,000 on 28 November 2023.

MIP Zrt.

Based on the strategic cooperation agreement concluded on 9 December 2022, the Company agrred to purchase 50% share in MIP Zrt. on 3 April 2023, which will produce rockwool materials. The purchase price was EUR 6 million plus HUF 5 million.

MASTERWOOL MW-1 d.o.o.

The Company signed a share transfer agreement for the purchase of 49% of the registered capital of MASTERWOOL MW-1 d.o.o on 21 March 2023 for EUR 1,405,000. As a result the Company became the sole owner of MASTERWOOL MW-1 d.o.o.

34.4. Increase in 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.

35. Share of external (minority) owners

Share of external owners	Share rate		Amount of share	
	2023	2022	2023	2022
Masterplast Sp zoo	19,96%	19,96%	405 282	331 985
MasterPlast TOV	20,00%	20,00%	195 851	196 949
Masterplast D.O.O.	0%	10,00%	0	129 497
Masterplast Italia Srl.	1,30%	49,00%	26 228	30 419
MASTERWOOL MW-1 d.o.o.	0%	49,00%	0	0
Total	**-**	**-**	**627 361**	**688 850**

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	2023	2022
+ 1% increase in interest rates		
Financial profit/(loss)	-4 529 441	2 483 526
Effect of interest rate increase	-303 104	-318 985
Adjusted financial loss	**-4 832 545**	**2 164 541**
Profit before tax	-16 618 785	17 938 262
Effect of interest rate increase	-303 104	-318 985
Adjusted profit before tax	**-16 921 889**	**17 619 277**
+ 1% decrease in interest rates		
Financial profit/(loss)	-4 529 441	2 483 526
Effect of interest rate decrease	303 104	318 985
Adjusted financial loss	**-4 226 337**	**2 802 511**
Profit before tax	-16 618 785	17 938 262
Effect of interest rate decrease	303 104	318 985
Adjusted profit before tax	**-16 315 681**	**18 257 247**

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	2023	2022
Appreciation of EUR / HUF, EUR/RSD rates by 3 %		
Financial profit/(loss)	-4 529 441	2 483 526
Effect of exchange rate appreciation	261 939	313 458
Adjusted financial loss	**-4 267 502**	**2 796 984**
Profit before tax	-16 618 785	17 938 262
Effect of exchange rate appreciation increase	261 939	313 458
Adjusted profit before tax	**-16 356 846**	**18 251 720**
Deprecation of EUR / HUF, EUR/RSD rates by 3 %		
Financial profit/(loss)	-4 529 441	2 483 526
Effect of exchange rate depreciation	-261 939	-313 458
Adjusted financial loss	**-4 791 380**	**2 170 068**
Profit before tax	-16 618 785	17 938 262
Effect of exchange rate depreciation decrease	-261 939	-313 458
Adjusted profit before tax	**-16 880 724**	**17 624 804**

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 2023, the Group had credit lines totalling nearly EUR 51.7 million (EUR 49.7 million on 31 December 2022), 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 50.9 million as at 31 December 2023) 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 2023 and 2022 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.

2023	Falling due within 1 year	Falling due within 1-5 years	Falling due beyond 5 years	Total
Finance lease liabilities*	330 306	657 796	0	988 102
Bank loans*	19 699 025	13 447 612	264 010	33 410 647
Liabilities from issued bonds	7 817 635	28 943 831	14 110 904	50 872 370
Trade payables and other liabilities	25 126 054	0	0	25 126 054
Total	52 973 020	43 049 239	14 374 914	110 397 173

2022	Falling due within 1 year	Falling due within 1-5 years	Falling due beyond 5 years	Total
Finance lease liabilities*	271 118	248 231	0	519 349
Bank loans*	18 431 347	16 179 287	678 158	35 288 792
Liabilities from issued bonds	3 744 463	30 669 690	17 993 973	52 408 126
Trade payables and other liabilities	29 334 188	0	0	29 334 188
Total	51 781 116	47 097 208	18 672 131	117 550 455

*includes the financing cost too

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 2023.

Name and calculation of indicator	Required	Actual	Required	Actual
	2023		2022	
net debt/EBITDA	≤3,5	n/a	≤3,5	2,87

Due to negative EBITDA, the Group did not meet the conditions of bond Nr 2031/I HUF related covenants on 31 December 2023. As a consequence bank overdrafts denominated in RSD presented in the summary schedule of loans in Note 16, have been extended while the Group has bank waivers and long-term letters of intent to waive-off covenants in case of the other loans.

Covenants related tot he bonds are presented in the following schedule:

Name and calculation of indicator	Required	Actual	Required	Actual
	2023		2022	
net debt/EBITDA	≤3,5	n/a	≤3,5	0,32

The conditions of the convenants are as follows:

Due to negative EBITDA, the Group did not meet the conditions of bond-related covenants on 31 December 2023. Since there is no potential or actual claim for default at the Company, the rate calculated in this way only prohibits new financial commitments and does not qualify as a maintenance financial covenant

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 10.

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 27.

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 not aware of any significant tax risks.

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 as well as in 2022 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 as well as in 2022, 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 Research and developments costs:

Research & Development cost	2023	2022
Research & Development costs	0	279 543

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

38. Contingent liabilities and future commitments

Unclosed tenders and related commitments – 2023

Tender ID	Tender Title	Subsidized company	Amount	Settlement date	Source of fund	Repayable Amount	Implementation of project	Commitments	End of maintenance period
GINOP-2.1.1-15-2016-00767	New wind and airtight diffusion roof film product development at Masterplast Kft.	Masterplast Medical Kft.	143 550	2017.04.18 2018.09.12 2019.08.21	European Union European Regional Development Fund Republic of Hungary Central Budget	137 285	Implemented	The revenue of the process/product developed within the framework of the project must be achieved in 2 consecutive financial years after the completion of the development by 31.12.2020 at the latest. The rate is 30.8% of the grant.	2024.12.31
PM/326-9/2020	Implementation of efficient diffusion roofing film production	Masterplast Medical Kft.	402 035	2020.12.30	100% domestic fund	384 487	Implemented	Employee number maintenance (71,22 employees) and undertaking wage cost increases for the years 2021-2026	2026.12.31
PM/15207-9/2020	Production of COVID-19 relevant products	Masterplast Medical Kft.	19 125 654	2020.12.29	100% domestic fund	18 290 863	Implemented	Employee number maintenance (78,3 employees) and maintenance of developed capacities	2024.12.31
PM/15207-9/2020	Production of COVID-19 relevant products – research and development	Masterplast Medical Kft.	480 219	2020.12.29	100% domestic fund	459 259	Implemented	Employee number maintenance (78,3 employees) and maintenance of developed capacities	2025.12.31
PM/2093-10/2021	Establishment of finished product production capacity of personal protective equipment for the health industry in Sárszentmihály	Masterplast Medical Kft.	5 414 710	2021.04.21	100% domestic fund	5 178 371	Implemented	Employee number maintenance (80.5 employees) and maintenance of developed capacities	2025.12.31
NGM/34052-6/2017	Implementation of significant business development at Mastefroam Kft.	Masterfoam Kft.	655 739	2018.04.30 2018.10.31	100% domestic fund	627 117	Implemented	Creation of a total of 21 new jobs in the 2019 and 2020 financial years and undertaking an increase in wage costs compared to the base period (2016).	2024.10.31
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	Implemented	Employee number maintenance (205 employees)	2023.02.28
KK-H-02/2017-I-7-0005	Production development	Masterplast YU D.o.o.	2 481 615	2018.	Republic of Hungary through the Prosperitati Fund	2 478 470	Implemented	Maintenance of busines for 7 years, 105 new employees for an indefinite period, whose average salary is 75% of the average salary in the economic sector in which they are established. 10 new suppliers must be contracted.	2024.12.31
SZ-H-04/2019-III-1-0002	Production development	Masterplast YU D.o.o.	3 000 000	2021.	Republic of Hungary through the Prosperitati Fund	3 000 000	Implemented	Maintenance of business for 7 years beginning from the date of implementation of the project.	2027.06.30
NTP2020-000356/2	Development of new production capacity to secure production capacity and markets	Kedvezményezett: Masterplast Medical Kft.	6 595 945	I Előleg: 2022.01.18. II. I. időközi elszámolás elfogadását követően, 2023.04.21 (tervezett dátum)	Ministry of Foreign Affairs of Hungary through HEPA Exportfejlesztési Ügynökség Zrt.	6 595 945	In progress	Maintenance of assets acquired through the grant for 5 years beginning from the date of implementation of the project + at least 30% of the grant has to be received as dividend.	The maintenance period has not begun yet
HIPA/GYAR-2022-0294	Factory rescue program	MASTERPLAST Nyrt.	751 345	2023: 143 800 000 2024: 71 900 000 2025: 71 900 000	100% domestic fund	751 345	In progress	Maintaining 90% of the average statistical staff headcount in 2022 as base headcount for a period of one year after completion of the investment.	The maintenance period has not begun yet

GVOP funds are repayable with an interest that is double of the central bank prime 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 – 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.

Off-balance sheet items and 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:

Leányvállalat neve	Garancia típusa	2023	2022
Masterfoam Kft.	Duty	0	24 984
Masterfoam Kft.	Tender guarantee	655 739	627 117
Masterplast Romania	Bank guarantee	250 483	251 860
Masterplast Romania	Bank guarantee	79 733	80 171
Masterplast YU D.o.o.	Bank guarantee	0	2 000 000
Masterplast YU D.o.o.	Bank guarantee	85 343	85 235
Masterplast YU D.o.o.	Bank guarantee	12 238	0
Masterplast Proizvodnja DOO Subotica	Bills of Exchange	5 812 205	6 308 047
Összesen		**6 895 741**	**9 377 414**

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 2 000 430 (RON 9 951 341), 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.

As the result of the completed tax investigation, the Romanian tax authority determined a VAT liability in the amount of EUR 250 483 (RON 1 246 053) and additionally EUR 79 733 (396 638 RON) as default interest for the inspected period from 1 January 2014 to 31 August 2016. The Company represented a bank guarantee for the tax liabilities.

The Company has initiated a legal redress against the decision and the investigation that follows was closed by a final order establishing no criminal offence in February 2024. The investigation was closed by a final order in February 2024 and no criminal offence was established.

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 465 989 (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, The Group expects that the above proceedings will not have a major impact on the Group's financial position and profits.

The Company and its subsidiaries had 5 litigation and non-litigation proceedings totalling approximately EUR 1 260 000 in the 2023 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 98 legal proceedings in progress launched by the Group with a total approximate value of EUR 702 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. és 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 2022-2023 program related to 2023 was launched by the Company on 6 April 2022., however, due to non-compliance with the turnover and performance indicators specified in the remuneration policy, no ESOP benefits will be provided in relation to the financial year. Accordingly, the Company did not recognise any expenses related to ESOP remuneration in the 2023 financial year in the income statement.

Description of required indeces	Required	Actual	implementation %
Group turnover growth compared to fiscal year 2021	191 488 699	145 203 554	75,83%
Growth of consolidated profit after tax compared to prior year	15 700 211	-15 610 304	-99,43%
Growth of consolidated profit after tax compared to strategic plan	1 000 000	-15 610 304	-1561,03%

As the Company and the ESOP organization launch 2-year programs, the 2023/2024 remuneration program was launched in 2023. The vesting period is the second year after the launch of the programme, i.e. 2024, so the launch of this programme does not affect the consolidated accounts for 2023

The share-based 2021-2022 program related to 2022 was launched by the Company on 7 April 2021. The fair value of the option is estimated based on the Black Scholes model carried out at the grant date.

At the balance sheet date, the ESOP organization had the total number of shares attributable to the ESOP grant, which are presented as treasury shares (less the value of share-based benefits estimated with high certainty related to 2022) in equity under the heading "ESOP share-based payment". The total amount of the benefit was accounted through profit or loss in accordance with IFRS 2, subsequently all transactions related to treasury shares for ESOP benefits will be recorded in equity

The grant date is the date on which the remuneration policy is signed, in this case (6 April 2021 in relation to the 2022/2022 programme). The vesting period is the second year after the launch of the program, i.e. 2022.

The stock option for programme 2021/2022 was valued taking into account the following values:

ESOP 2021/2022		
Grant date	-	7 April 2021
Fair value of shares at grant date	HUF/piece	2 620
Shares expected to be called	piece	21 072
Expected value of options exercised	EUR	137 935

The settlement and expected payment of the non-2022 (LTI) programme is as follows:

LTI programmes 2022		LTI 2020	LTI 2021
Grant date	-	14 June 2019	23 April 2020.
Number of shares	piece	14 850	8 564
Fair value of shares at grant date	HUF/ piece	616	483
Option price	HUF/piece	100	100
Expected fair value of options exercised	EUR	22 855	10 335

The fulfilment of the KPIs prescribed in the ESOP 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%

In case the following KPI's are met, the prerequisite for the benefit is that net sales in the 2022 consolidated financial statements exceed those in the 2020 ones.

Description of KPI	Performance %
Group turnover compared to 2020	164,5%
Increase of consolidated EBIT compared to previous year	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 2022/2021 progamme:

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**

As the Company and the ESOP organization launch 2-year programs, the 2022/2023 remuneration program was launched in 2022. The vesting period is the second year after the launch of the programme, i.e. 2023, so the launch of this programme does not affect the consolidated accounts for 2022.

41. Subsequent events

Due to the negative EBITDA, on 31.12.2023, the Group violated the covenants agreed in the contract with several existing loan agreements in relation to one bond, but at the same time, the crediting banks extended the loan agreements in each case and there are no sanctions against the company due to the covenant violation related to the bond. The details related to the covenants were presented in point 16 (Long and short-term loans).

At the request of the local auditor, the Company issued a comfort letter on 19.02.2024 to Masterplast YU D.o.o. for which he undertook to maintain and finance the further operation of the company.

On March 14, 2024, the Company carried out a capital increase at Masterplast Nonwoven GmbH in order to maintain liquidity, and at the request of the local auditor, it issued a comfort letter on March 26, 2024, in which it undertook to maintain and finance the company's further operation.

In the case concerning imports of anti-dumped products concerning the suppliers of the Romanian subsidiary of the Company, extended to MASTERPLAST Romania S.R.L. and its executive officers, the Bihor County – Oradea Regional Prosecutor's Office – definitively terminated the investigation without prosecution and ordered the unlocking of assets used as precautionary measures, in the absence of evidence that a criminal offence had been committed. Accordingly, the seizure and prohibition on disposal of real estate in Romania owned by MASTERPLAST Romania S.R.L. in the value of of EUR 2 000 430 (RON 9 951 341)- as a guarantee for possible future enforcement - will also be lifted by court order. On the basis of the above, the proceedings against MASTERPLAST Romania S.R.L. and its executive officers were confirmed to be unfounded.

Scope Ratings GmbH has conducted a periodic review of the Company's corporate bonds issued under the Growth Bond Program, the results of which will be announced on 28 February 2024. Scope Ratings GmbH has changed Masterplast Nyrt.'s issuer rating to B+/Negative for possible downgrading under review. It changed the rating of the unsecured bond from B+/ Negative for possible downgrading to B.

(Scope Ratings GMBH corrected its report on 7 March 2024 that Masterplast Nyrt's bond terms do not contain clauses that require accelerated repayment of the outstanding nominal debt amount if the bonds' ratings remain below B+ or fall below B for more than two years.)

42. Statements for the future

The Annual Report includes some statements relating to the future. These statements are based on current plans, estimations and forecast, 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 reviewed regularly. An adjustment to accounting estimates is recognised in the period of the estimate adjustment if the adjustment affects only the current year, and in the adjustment period and in subsequent periods if the adjustment affects both the current and subsequent years.

43. 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.

44. Approval of the consolidated annual financial statements

The consolidated annual financial statements of Masterplast Nyrt. for the year ended 31 December 2023 were approved by the Board of Directors in a resolution dated 25 April 2024 and allowed their publication The consolidated annual financial statements may only be amended by the Annual Meeting of the Shareholders.