



MASTERPLAST PLC.  
ANNUAL REPORT 2022

# **MASTERPLAST Nyrt.**

## **ANNUAL FINANCIAL STATEMENTS**

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

Sárszentmihály, 27 April 2023



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CEO

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(all figures in thousand HUF unless indicated otherwise)

**1. STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)**

	Notes	31 December 2022	31 December 2021
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	3 149 738	2 094 718
Intangible assets	9	231 979	39 681
Investments in subsidiaries	11	5 251 787	4 376 436
Investments in associates	12	835 063	204 830
Deferred tax assets	26	32 401	123 209
Other non-current financial assets	13	21 172 631	16 943 300
<b>Non-current assets</b>		<b>30 673 599</b>	<b>23 782 174</b>
<b>CURRENT ASSETS</b>			
Trade receivables	14	327 151	223 197
Tax receivables	26	16 434	1 797
Other current financial assets	15	3 998 786	867 676
Cash and cash equivalents	16	7 131 496	2 950 267
<b>Current Assets</b>		<b>11 473 867</b>	<b>4 042 937</b>
<b>TOTAL ASSETS</b>		<b>42 147 466</b>	<b>27 825 111</b>
<b>EQUITY</b>			
	4		
Share capital		1 685 063	1 460 128
Reserves		10 371 215	1 944 621
Treasury shares		(780 893)	(831 097)
Profit/(loss) for the year		2 267 731	928 200
<b>Equity</b>		<b>13 543 116</b>	<b>3 501 852</b>
<b>PROVISIONS</b>			
Provisions		3 122	3 122
<b>Provisions</b>		<b>3 122</b>	<b>3 122</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current finance lease liabilities	10	11 195	17 046
Deferred income	18	85 307	88 102
Liabilities from issued bonds	17	19 476 340	20 972 309
Other non-current liabilities	19	4 500 000	0
<b>Long-term liabilities</b>		<b>24 072 842</b>	<b>21 077 457</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	20	143 535	102 576
Current finance lease liabilities	10	8 137	8 509
Current deferred income	18	2 793	2 793
Other finance liabilities	17	2 224 738	1 583 575
Other current liabilities	21	2 149 183	1 545 227
<b>Current liabilities</b>		<b>4 528 386</b>	<b>3 242 680</b>
<b>TOTAL LIABILITIES</b>		<b>28 601 228</b>	<b>24 320 137</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>42 147 466</b>	<b>27 825 111</b>

The attached notes form part of the annual financial statements.

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**2. PROFIT AND LOSS STATEMENT**

	Notes	2022	2021
Revenues	27	982 953	755 788
Materials and services used	22	(825 520)	(461 162)
Payments to personnel	23	(766 511)	(515 735)
Depreciation, amortisation and impairment	9	(134 703)	(112 152)
Dividend income	27	1 261 862	1 000 769
Other operating (expense)/income	24	255 569	(41 105)
<b>OPERATING PROFIT</b>		<b>773 650</b>	<b>626 403</b>
Interest income	25	641 050	312 544
Interest expense	25	(752 130)	(424 892)
Other financial (expense)/income	25	1 669 185	309 319
<b>FINANCIAL PROFIT/(LOSS)</b>		<b>1 558 105</b>	<b>196 971</b>
<b>Profit/ (loss) attributable to associates</b>	12	132 383	94 980
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>2 464 138</b>	<b>918 354</b>
Income tax	26	(196 407)	9 846
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>2 267 731</b>	<b>928 200</b>

**3. COMPREHENSIVE PROFIT AND LOSS STATEMENT**

	31 December 2022	31 December 2021
<b>Profit/(loss) for the year</b>	<b>2 267 731</b>	<b>928 200</b>
Comprehensive income related to CCIRS transaction	(69 088)	(607 528)
<b>Other comprehensive income</b>	<b>(69 088)</b>	<b>(607 528)</b>
<b>Comprehensive income/(loss)</b>	<b>2 198 643</b>	<b>320 672</b>

\*In subsequent periods, the Company will not recognise the relevant amount in the income statement.

**MASTERPLAST NYRT.**  
**KONSZOLIDÁLT KIMUTATÁS A SAJÁT TŐKE VÁLTOZÁSAI RÓL**  
A 2022. DECEMBER 31-ÉN VÉGZŐDŐ ÉVRE  
(minden összeg EUR-ban, ha másképp nem jeleztük)

**4. STATEMENT OF CHANGES IN EQUITY**

	Note	Share capital	Treasury Shares*	Share Premium	Comprehensive income	Retained earnings	Reserves, total	Profit/(loss) for the year	Equity total
<b>1. January 2022</b>		<b>1 460 128</b>	<b>(831 097)</b>	<b>2 318 248</b>	<b>(851 319)</b>	<b>477 692</b>	<b>1 944 621</b>	<b>928 200</b>	<b>3 501 852</b>
Profit for the year	2							2 267 731	2 267 731
		224 935		8 788 579			8 788 579		9 013 514
Other comprehensive income - CCIRS	3				(69 088)		(69 088)		(69 088)
Prior year's profit or loss reclassified						928 200	928 200	(928 200)	0
Redeemed treasury shares	6		486 586			(486 586)	(486 586)		0
			(11 386)						
Dividends paid						(799 471)	(799 471)		(799 471)
ESOP consolidation			(422 475)			(3 180)	(3 180)		(425 655)
ESOP allowance (2020)	33		(68 140)			68 140	68 140		0
ESOP allowance (2021)	33		65 619						65 619
<b>31. Decembe 2022</b>		<b>1 685 063</b>	<b>(780 893)</b>	<b>11 106 827</b>	<b>(920 407)</b>	<b>184 795</b>	<b>10 371 215</b>	<b>2 267 731</b>	<b>13 543 116</b>

\* The Company held 275,454 shares of treasury shares with a value of HUF 842,591 thousand as at 31 December 2022.

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	Note	Share capital	Treasury Shares	Share Premium	Comprehensive income	Retained earnings	Reserves, total	Profit/(loss) for the year	Equity total
<b>1. January 2021</b>		<b>1 460 128</b>	<b>(50 542)</b>	<b>2 318 249</b>	<b>(243 792)</b>	<b>751 115</b>	<b>2 825 572</b>	<b>364 543</b>	<b>4 599 701</b>
Profit for the year	2						0	928 200	928 200
Other comprehensive income - CCIRS	3				(607 528)		(607 528)		(607 528)
Prior year's profit or loss reclassified						364 543	364 543	(364 543)	0
Redeemed treasury shares	6		(560 914)				0		(560 914)
Dividends paid						(633 017)	(633 017)		(633 017)
ESOP consolidation			(170 027)				0		(170 027)
ESOP allowance (2020)	33		(113 834)						
ESOP allowance (2021)	33		64 220			(4 949)	(4 949)		59 271
<b>31. Decembe 2021</b>		<b>1 460 128</b>	<b>(831 097)</b>	<b>2 318 249</b>	<b>(851 319)</b>	<b>477 692</b>	<b>1 944 621</b>	<b>928 200</b>	<b>3 501 852</b>

*The attached notes form part of the annual financial statements.*

**MASTERPLAST NYRT.**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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**5. CASH FLOW STATEMENT**

	<b>2022</b>	<b>2021</b>
<b>OPERATING ACTIVITIES</b>		
Profit/(loss) before tax	2 464 138	918 354
Depreciation, amortisation and impairment of tangible assets	134 703	112 152
Impairment loss/(gain)	(1 028 219)	106 749
Provisions (released)/made	0	641
(Gains)/losses on disposal of tangible and intangible assets	0	0
Loss of subsidiaries sold	0	0
Interest paid	752 130	424 892
Interest received	(641 050)	(312 544)
(Profit)/loss from associates	(132 384)	(94 980)
Unrealised foreign exchange (gain)/ loss	(1 285 287)	(495 495)
Working capital changes:		
Increase/(decrease) in trade receivables	(103 069)	35 135
Increase/(decrease) in other current assets	(3 485 060)	(871 168)
(Increase)/decrease in trade payables	40 555	27 190
(Increase)/decrease in other liabilities	4 240 132	(8 719 096)
ESOP result	(3 180)	(4 949)
Income tax paid	(196 407)	9 846
<b>Net cash flows from operations</b>	<b>762 807</b>	<b>(8 863 273)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible and intangible assets	(1 348 002)	(345 876)
Subsidiaries purchased/ increased in capital	(1 020 129)	114 079
Subsidiaries sold	0	0
Proceeds from the disposal of tangible and intangible assets	0	0
Interest received	(34 019)	312 544
<b>Net cash flows from investing activities</b>	<b>(1 761 100)</b>	<b>80 747</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of shares	9 013 514	0
Loans taken	0	0
Loans repaid	0	0
Issued bonds	(69 088)	8 395 483
Dividends paid	(799 471)	(633 017)
Increase in non-current loans provided to subsidiaries	(2 154 534)	(6 207 706)
Interest paid	(752 130)	(424 892)
<b>Net cash flows from financing activities</b>	<b>5 238 291</b>	<b>1 129 868</b>
Increase/(decrease) in cash and cash equivalents	4 239 998	(7 652 658)
Cash and cash equivalents at the beginning of the year	2 950 267	10 521 033
Net foreign exchange translation gain or loss	(58 769)	81 892
<b>Cash and cash equivalents at the end of the year</b>	<b>7 131 496</b>	<b>2 950 267</b>

## 6. COMPANY INFORMATION

These financial statements are prepared by Masterplast Nyilvánosan Működő Részvénytársaság [public company limited by shares] (company registration No.: 07-10-001342, tax ID: 13805300-4-07).

The Company's registered seat is at: Árpád u. 1/a., 8143 Sárszentmihály, Hungary. For further details refer to the Company's website at [www.masterplastgroup.com](http://www.masterplastgroup.com).

The Company's core operation: Asset management (holding). TEAOR 6420 '08

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

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

The Company's average number of staff was 70 in 2022 (47 in 2021).

The cost of the Company's external audit for 2022 is 52 000 EUR + VAT (EUR 50 000 + VAT in 2021) including the audit of the consolidated financial statements as well.

These are the IFRS stand-alone annual financial statements of the Company. The Company also prepares IFRS consolidated annual financial statements that are available at [www.masterplastgroup.com](http://www.masterplastgroup.com).

### Masterplast Business Report

The core activity of Masterplast Nyrt. is asset management, however it is also involved in real estate management. As an asset manager the Company hold investments in subsidiaries of the Masterplast Group thus changes in the construction industry have a significant impact on the Company's profitability through the profitability and capital structure of its subsidiaries.

The Company's real estate management activity is linked to its properties in Sárszentmihály and Kál. The Company owns several buildings and other properties in these two locations, which are rented primarily to the Company's subsidiaries but also – to a lesser extent – to third parties independent from the Group.

In addition of the above the Company grants intercompany loans to its subsidiaries, obtains bank loans for the Group and signs purchasing contracts in the name of the Group. Group management as well as employees carrying out various group-level activities are employed by Masterplast Nyrt. As a consequence group-level functions are supervised by the Company, thus it is the Company that manages the Group.

Profitability of Masterplast Nyrt. in 2022 is attributed to the following key factors:

- The Company's revenues are largely derived from rent and interest income related to the abovementioned activities.
- The company's performance in 2022 was greatly influenced by a dividend of HUF 1 193 million received from its three subsidiaries in Hungary and 69 million from its a foreign subsidiarie.

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

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The Company measures its investments in subsidiaries at each year-end. Almost all of the Group's subsidiaries made a profit and had positive cash flows, as a consequence all of their equities (both per statutory and IFRS reporting standards) exceeded the net book value of the corresponding investments in the records of Masterplast Nyrt. The management – based on market positions and the currently applied business model – decided to reverse part of the formerly recognized impairment for MP Green Invest, an Ukrainian subsidiary.

**Information on shares:**

The share capital comprises of: 16 850 629 pieces of registered ordinary shares with nominal value of HUF 100 each (14 601 279 pieces of registered ordinary shares with nominal value of HUF 100 each in 2021).

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

The shareholders are as follows:

Shareholders		2022	2021
1	Tibor Dávid	454 805 700 Ft	454 805 700 Ft
2	Ács Balázs	387 725 900 Ft	387 725 900 Ft
3	LPH Kft., SOH Kft. *	0 Ft	79 886 900 Ft
4	Nádasi Róbert	10 562 000 Ft	6 779 900 Ft
5	Additional minority owners	804 424 100 Ft	497 446 400 Ft
6	Repurchased shares	27 545 400 Ft	33 483 100 Ft
<b>Total:</b>		<b>1 685 063 100 Ft</b>	<b>1 460 127 900 Ft</b>

\* Identified as minority owners in 2022

The voting rights are as follows:

	2022	2022	2021	2021	
1 Tibor Dávid	4 548 057	27%	4 548 057	32%	votes
2 Ács Balázs	3 877 259	23%	3 877 259	27%	votes
3 LPH Kft., SOH Kft.	0	0%	798 869	6%	votes
4 Nádasi Róbert	105 620	1%	67 799	0%	votes
5 Several minority shareholders	8 044 241	49%	5 042 263	35%	votes
<b>Total:</b>	<b>16 575 175</b>	<b>100%</b>	<b>14 266 448</b>	<b>100%</b>	<b>votes</b>

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

**Members of the Board of Directors:**

TIBOR Dávid – chairman  
 ÁCS Balázs – vice chairman  
 DEZSE Margaret Elizabeth – independent member  
 Dirk THEUNS – independent member  
 FAZEKAS Bálint – independent member

**Members of the Audit Committee:**

DEZSE Margaret Elizabeth  
Dirk THEUNS  
FAZEKAS Bálint

**The Company's activity:**

The Company's principal activity is asset management, however since its investments are in enterprises operating in the construction industry, its present and future are defined by domestic and international construction industry trends.

**7. ACCOUNTING POLICY**

**7.1 Accounting convention**

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

**7.2 Changes in the accounting policies**

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

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

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

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

- Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2: Disclosure of Accounting policies adjusted the presentation and accounting policies, were issued on 12 February 2021 and is effective for annual periods beginning on or after 1 January 2023
- Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" issued on 12 February 2021 adjusted the definition of accounting estimates and is effective for annual periods beginning on or after 1 January 2023
- IFRS 17 "Insurance Contracts" is effective for annual periods beginning on or after 1 January 2023
- Amendments to IFRS 17 "Insurance Contracts": Initial application of IFRS 17 and IFRS 9- Comparative Information were issued on 9 December 2021 and includes transitional options for comparative information on financial assets presented at the initial application of IFRS 17
- Amendments to IAS 12 "Income Taxes": Deferred Tax related to Assets and Liabilities arising from a Single Transaction were issued on 7 May 2021 and is effective for annual periods beginning on or after 1 January 2023.

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

- Amendments to IAS 1 “Presentation of Financial Statements”: Classification of Liabilities as Current or Non-Current were issued on 23 January 2020 and will be effective for annual periods beginning on or after 1 January 2024
- Amendment to IFRS 16 clarifying the measurement of lease liability in the event of leaseback was issued on 22 September 2022 and will be effective for annual periods beginning on or after 1 January 2024

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

### 7.3 Foreign exchange operations

#### *Functional and reporting currency*

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

#### *Transactions and balances*

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

### 7.4 Intangible assets

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

### 7.5 Property, plant and equipment

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

Land is not depreciated.

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

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

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

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

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**7.6 Investments in subsidiaries & associates**

**7.6.1 Investments in subsidiaries**

The Company has ownership in the following companies at the balance sheet date:

Company	Incorporated in	Core operations	Date of Acquisition/ Foundation	Ownership (%)		Voting right (%)	
				2022	2021	2022	2021
Master Plast S.r.o.	Slovakia	Wholesale of construction materials	04.11.1999	100%	100%	100%	100%
MasterFoam Kft.	Hungary	Foam sheet production	29.06.2004	100%	100%	100%	100%
Masterplast d.o.o.	Croatia	Wholesale of construction materials	25.02.2002	100%	100%	100%	100%
Masterplast Medical Kft.	Hungary	Wholesale of construction materials	30.09.2007	100%	100%	100%	100%
Masterplast Hungária Kft.	Hungary	Wholesale of construction materials	17.05.2016	100%	100%	100%	100%
Masterplast International Kft.	Hungary	Wholesale of construction materials	17.05.2016	100%	100%	100%	100%
Masterplast Modulhouse Kft.	Hungary	Wholesale of construction materials	17.05.2016	100%	100%	100%	100%
Fidelis Bau Kft	Hungary	Manufacture of insulating light concrete	01.07.2020	100%	100%	100%	100%
Masterplast Romania S.R.L.	Romania	Wholesale of construction materials	19.01.2001	100%	100%	100%	100%
Masterplast Sp zoo	Poland	Wholesale of construction materials	06.06.2005	80,04%	80,04%	80,04%	80,04%
Masterplast Nonwoven GmbH	Germany	Roof film production	01.07.2020	100%	100%	100%	100%
Masterplast Italia SRL	Italy	Wholesale of construction materials	04.04.2022	51%	0%	51%	0%
MasterPlast TOV	Ukraine	Wholesale of construction materials	17.03.2005	80%	80%	80%	80%
Masterplast YU D.o.o.	Serbia	Wholesale of construction materials EPS and fiberglass production	19.03.2002	100%	100%	100%	100%
MP Green Invest	Ukraine	Asset management	08.06.2012	100%	100%	100%	100%
Masterplast D.O.O. *	Macedonia	Wholesale of construction materials	17.02.2002	100%	10%	100%	10%
Masterplast Proizvodnja D.o.o.**	Serbia	EPS production	02.01.2021	0%	0%	0%	0%

\* In 2021 an additional 80% of the company was held through Masterplast YU d.o.o. In 2022, the Company acquired the 80% stake in Masterplast YU d.o.o. as well as the remaining 10% stake that was formerly externally owned and now is the sole owner of the entity.

\*\* The Company holds 100% stake indirectly, through the Masterplast Medical subsidiary

Investments in subsidiaries were evaluated during the first time adoption of the IFRS using their deemed historical cost based on IFRS 1.D15. As deemed historical cost, the Company selected the book value as per the accounting standards used in the past.

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 (all figures in thousand HUF unless indicated otherwise)

**7.6.2 Investments in associates**

The Company has the following investment in an associate company:

Company	Incorporated in	Core operations	Foundation date	Ownership (%)		Voting rate (%)	
				2022	2021	2022	2021
MasterProfil Kft. (1)	Hungary	Profil production	26.04. 2007	20%	20%	20%	20%
T-Cell Plasztk Kft. (2)	Hungary	Polystyrene production	03.06.2019	24%	24%	24%	24%
Master Modul Kft. (3)	Hungary	Modul production	12.04.2021	25%	25%	25%	25%
MASTERWOOL MW-1 d.o.o (4)	Serbia	Rockwool production	27.01.2022	51%	0%	50%	0%

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

(2) Majority owners in equal parts are B.C.S Befektetési Kft.. Masterplast Nyrt acquired its 24% share in the entity on 3 June 2019.

(3) Majority owner is Németh-Oboh Ágnes. Masterplast Nyrt acquired its 25% share in the entity on 12 April 2021.

(4) Masterplast Nyrt is the majority owner. MASTERWOOL MW-1 d.o.o. was established in Serbia in order to produce rockwool, however investments in production facilities and operations have not been started yet. and Masterplast Nyrt has joint control with the co-owner

Investments in associates are measured using the equity method both at initial recognition and subsequently. Results from the valuation of investments are recognized through profit and loss statement and not through other comprehensive income.

**7.6.3 Impairment on investments in subsidiaries**

Investments in subsidiaries are reported at initial recognition value less impairment in the stand-alone annual financial statements of the Company. Initial recognition value is equal to the amount paid in cash or cash equivalents, or the fair value of any other kind of compensation paid. In case of an acquisition in foreign currency, initial recognition value is translated into HUF using the official exchange rate published by the Hungarian National Bank on the day of the transaction. Investments in subsidiaries carried in foreign currencies are not subject to annual year-end revaluation.

Investments in subsidiaries are reviewed by the Company for impairment on an annual basis based on the Company's share in their equity as well as their future plans. In case a subsidiary has been making losses for the past two consecutive years or it has lost more than 50% of its equity in the current year then these facts are considered to be indications of impairment. In such a case the Company assesses the potential impairment in line with IAS 36 by estimating the net present value of expected future cash flows of the subsidiary. In case the net present value is lower than the net carrying value then impairment is recognized.

At subsequent measurement dates if impairment tests show that the impairment of an investment in a subsidiary is no longer valid then the carrying amount of the investment is increased up to the recoverable amount by reversing the previously recognized impairment, but only up its original initial recognition value. Impairments and their reversals are recognized in operating profit.

**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 their carrying value may not be recoverable. Impairment equals the amount by which the asset's carrying value exceeds the recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. For impairment testing purposes, assets are classified at the lowest level of identifiable cash flows (cash generating units). Upon the reversal of any previously recognised impairment, the carrying value of the asset (cash generating unit) is increased to the recoverable amount. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

## **7.8 Financial assets**

The first-time adopted IFRS 9 introduced new requirements for the classification, measurement and impairment as well as for the hedge accounting of financial assets.

### **7.8.1 Classification of financial assets**

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

- (a) financial assets subsequently measured at amortised cost,
- (b) financial assets subsequently measured at fair value through other comprehensive income
- (c) financial assets subsequently measured at fair value through profit or loss

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

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

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

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

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

A financial asset is measured at fair value through profit or loss unless it is measured – in accordance with the above listed requirements - at amortised cost or at fair value through other comprehensive income.

### **7.8.2 Measurement of financial assets**

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

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

### **7.8.3 Impairment on financial assets**

The company recognises a loss allowance for expected credit losses (ECL) on a financial asset measured at amortized cost or at fair value through other comprehensive income. On each reporting date the Company assesses whether the credit risk of the related financial asset has increased significantly since its initial recognition and depending on this assessment recognizes impairment equal to either lifetime expected credit losses or 12-month-expected credit losses of the related financial assets. The Company has examined the impact of expected credit losses identifiable under IFRS 9 on profit or loss and does not consider it material and as a result no expected credit losses (ECL) were accounted for.

### **7.8.4 Loans granted**

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

Loans granted were tested in line with the business model applied as well as their contractual cash-flows by the Company and as a result were classified as financial assets measured at amortized costs.

### **7.8.5 Trade Receivable**

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

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

### **7.8.6 Derivative financial instruments**

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

The Company has a foreign exchange contract as well as an interest rate swap one. 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).

Based on the above the Company considered the CCIRS transaction to be 100% effective therefore applies hedge accounting in accordance with IFRS 9. The Company recognizes the effects of changes in the exchange rates directly in profit or loss, while the changes arising from yield curves are recognized in the OCI.

#### **7.8.7 Cash and cash equivalents**

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

#### **7.9 Equity**

In accordance with section 33 and 34 of IAS 32 share capital, share premium, retained earnings and treasury shares are presented at initial cost in the annual financial statements.

In accordance with IAS 1 treasury shares are presented separately both in the statement of financial position and in the notes to the annual financial statements.

Treasury shares are recognised as a reduction in equity (share premium). Any gain or loss on the disposal of treasury shares is recognised directly in share premium accordingly.

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

#### **7.10 Financial liabilities**

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

- (a) *financial liabilities at fair value through profit or loss*. Such liabilities, including *derivatives* that are liabilities, shall be subsequently measured at fair value.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- (c) *financial guarantee contracts*. After initial recognition, an issuer of such a contract shall subsequently measure it at the higher of:
  - the amount of the *loss allowance*
  - the amount initially recognised less, when appropriate, the cumulative amount of income
- (d) commitments to provide a loan at a below-market interest rate. An issuer of such a commitment shall (unless paragraph 4.2.1(a) applies) subsequently measure it at the higher of:
  - (i) the amount of the loss allowance determined in accordance with Section 5.5 and
  - (ii) the amount initially recognised (see paragraph 5.1.1) less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.
- (e) contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognised in profit or loss.

The Company may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

#### **7.11 Trade payables and other liabilities**

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

#### **7.12 Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or contractual obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The Company makes provisions for:

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

#### **7.13 Employee benefits**

The Company applies IAS 19 to the accounting of employee benefits. Employee bonuses are all forms of remuneration given by the company for the service performed by the employees, not only in cash, but also in kind.

Classification of employee benefits

- short term employee benefits are those ones that are payable within 12 months after the end of the period when the employee had completed the related work, with the exception of severance payments.
- Post-employment benefits: employee benefits paid under formal or non-formal agreements that are payable after the termination of the employment relationship, with the exception of severance payments.
- Severance payments: employee benefits that may be payable due to the decision of the company's employees to terminate their employment before the usual retirement date or because of the employee's decision to accept voluntary termination in exchange for these benefits.

The amount of pension contribution is deducted from an employee's gross salary and is forwarded to the social security fund. The Company does not have a corporate pension plan and therefore has no legal or contractual obligation to pay further contributions in the future should the assets of the social security fund fail to provide sufficient coverage for the retirement benefits the employees have already served in prior periods or in the reporting period.

Masterplast Nyrt. established the MASTERPLAST Employee Shared Ownership Program ("ESOP") on 14 December 2016.

Masterplast Nyrt. (Founder) has established the ESOP organization to efficiently conduct incentive remunerations related to Masterplast's business goals (Participants). According to IFRS 2, the ESOP organization is 100% recorded in its books as an extension, as it determines the operation of the ESOP organization through the remuneration policy.

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

#### **7.14 Operating profit or loss**

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

#### **7.15 Leases**

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

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

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

##### **7.15.1 The Company as a lessee**

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

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

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

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

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

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

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

#### **7.15.2 The Company as a lessor**

The Company also conducts leasing activities for its subsidiaries and external companies that are not classified as leases. Assets leased are included in the balance sheet as property, plant and equipment. Revenues from lease activities are recognized in the profit and loss statement as revenue. The Company did not apply the IFRS16 standard for the 2018 business year.

#### **7.16 Government grants**

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

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

#### **7.17 Revenues**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account discounts, rebates, sales taxes and duty.

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

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

#### **7.18 Dividend income**

Since the Company's main activity is asset management, dividends income from investments in subsidiaries and associates is recognized in operating profit in the profit and loss statement at initial fair value in the period when they are approved by the shareholders.

### **7.19 Interest income**

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

### **7.20 Borrowing costs**

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

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

### **7.21 Income taxes**

#### **7.21.1 Current income taxes**

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

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

#### **7.21.2 Deferred income taxes**

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

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

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

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

- 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.

#### **7.22 Earnings per share**

When calculating the basic value of earnings per share, the profit for the given period for ordinary shareholders is calculated by dividing the number of ordinary shares outstanding with the weighted average for that period, after deducting the average number of preferred shares.

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

- We increase the profit for ordinary stock holders for the period by the after-tax amount of dividends and interests recognised in relation with the dilutive potential ordinary shares during the period concerned and adjust it by any other changes in revenue or expenses 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 which would have been in circulation, assuming the conversion of all dilutive potential ordinary shares.

#### **7.23 Off-balance sheet items**

Contingent liabilities, unless acquired through a business combination, are not recognised in the statement of financial position or the profit and loss statement. These are disclosed in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the statement of financial position or the profit and loss statement but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

#### **7.24 Related parties**

IAS 24 provides that an enterprise's financial statements include the disclosures necessary to draw attention to the possibility that the company's financial location and results may have been affected by the existence of the related parties and the transactions with them, as well as the outstanding balances against them.

## **7.25 Segment reporting**

From the business aspect, the Company has a single segment: asset management.

## **7.26 Statement of Cash flows**

The purpose of the cash flow statement is to provide information on the company's ability to generate cash and cash equivalents as part of the financial statements in support of investors' business decisions, as well as what the company used them for.

Cash in accordance with „IAS 7 Statement of Cash Flows” includes petty cash accounts as well as current bank accounts, while cash equivalents include short-term, high liquidity and easy-to-convert-to cash assets with immaterial risk for change in value.

The cash flow statement details the cash flows of the period broken down by operating, investment and financing activities. The Company prepares its statement of cash flow 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 Company. Below is a summary of assumptions and estimates where the high degree of uncertainty could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### **8.1 Sufficient taxable profits for the recognition of deferred tax assets**

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

### **8.2 Impairment of trade debtors**

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

### **8.3 Impairment of investments for subsidiaries and associates**

Investments in subsidiaries are reported at initial recognition value less impairment in the stand-alone annual financial statements of the Company. Initial recognition value is equal to the amount paid in cash or cash equivalents, or the fair value of any other kind of compensation paid. In case of an acquisition in foreign currency, initial recognition value is translated into HUF using the official exchange rate published by the Hungarian National Bank on the day of the transaction. Investments in subsidiaries carried in foreign currencies are not subject to annual year-end revaluation.

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Investments in subsidiaries are reviewed by the Company for impairment on an annual basis in accordance with IAS 36 based on the Company's share in their equity as well as their future plans. In case a subsidiary has been making losses for the past two consecutive years or it has lost more than 50% of its equity in the current year then these facts are considered to be indications of impairment. In such a case the Company assesses the potential impairment by estimating the net present value of expected future cash flows of the subsidiary.

In case the net present value is lower than the net carrying value then impairment is recognized to the extent that the new carrying value of the investment equals its estimated net present value.

At subsequent measurement dates if impairment tests show that the impairment of an investment in a subsidiary is no longer valid then the carrying amount of the investment is increased up to the recoverable amount by reversing the previously recognized impairment, but only up its original initial recognition value. Impairments and their reversals are recognized in operating profit other operating expense or income.

#### 8.4 Provisions

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

#### 8.5 Impairment of property, plant and equipment

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

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

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

2022	Intangible assets	Properties	Machinery, equipment	Assets in construction	Tangible Assets	Total
<b>Gross value, opening</b>	192 227	2 508 851	292 712	277 387	3 078 950	<b>3 271 177</b>
Increase	201 127	584 187	162 154	1 219 259	1 965 600	<b>2 166 727</b>
Decrease			(31 041)	(778 936)	(809 977)	<b>(809 977)</b>
<b>Gross value, closing</b>	<b>393 354</b>	<b>3 093 038</b>	<b>423 825</b>	<b>717 710</b>	<b>4 234 573</b>	<b>4 627 927</b>
Accumulated depreciation and impairment, opening	(152 546)	(806 454)	(177 778)	0	(984 232)	(1 136 778)
Increase	(8 829)	(74 021)	(51 852)		(125 873)	(134 702)
Decrease			25 270		25 270	25 270
Accumulated depreciation and impairment, closing	<b>(161 375)</b>	<b>(880 475)</b>	<b>(204 360)</b>	<b>0</b>	<b>(1 084 835)</b>	<b>(1 246 210)</b>
<b>Net book value, opening</b>	<b>39 681</b>	<b>1 702 397</b>	<b>114 934</b>	<b>277 387</b>	<b>2 094 718</b>	<b>2 134 399</b>
<b>Net book value, closing</b>	<b>231 979</b>	<b>2 212 563</b>	<b>219 465</b>	<b>717 710</b>	<b>3 149 738</b>	<b>3 381 717</b>

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2021	Intangible assets	Properties	Machinery, equipment	Assets in construction	Tangible Assets	Total
<b>Gross value, opening</b>	166 644	2 450 071	256 897	77 927	2 784 895	<b>2 951 539</b>
Increase	27 290	58 780	60 346	325 215	444 341	<b>471 631</b>
Decrease	(1 707)	0	(24 531)	(125 755)	(150 286)	<b>(151 993)</b>
<b>Gross value, closing</b>	<b>192 227</b>	<b>2 508 851</b>	<b>292 712</b>	<b>277 387</b>	<b>3 078 950</b>	<b>3 271 177</b>
Accumulated depreciation and impairment, opening	(145 095)	(738 174)	(167 595)	0	(905 769)	(1 050 864)
Increase	(9 158)	(68 280)	(34 714)	0	(102 994)	(112 152)
Decrease	1 707	0	24 531	0	24 531	26 238
Accumulated depreciation and impairment, closing	<b>(152 546)</b>	<b>(806 454)</b>	<b>(177 778)</b>	<b>0</b>	<b>(984 232)</b>	<b>(1 136 778)</b>
<b>Net book value, opening</b>	<b>21 549</b>	<b>1 711 897</b>	<b>89 302</b>	<b>77 927</b>	<b>1 879 126</b>	<b>1 900 675</b>
<b>Net book value, closing</b>	<b>39 681</b>	<b>1 702 397</b>	<b>114 934</b>	<b>277 387</b>	<b>2 094 718</b>	<b>2 134 399</b>

Masterplast Nyrt. does not have intangible assets with an indefinite useful life. No finance cost was capitalised as part of the gross value during 2021 and 2022. Part of our bank loans are covered by the net book value of tangible assets of Masterplast Nyrt:

2022	2021
3 198 646	2 133 399

#### 10. ASSETS PURCHASED UNDER FINANCIAL LEASE

Tangible assets include the assets the Company purchased under finance lease. The Company took over various tangible assets under finance leases in the following values:

	31 December 2022	31 December 2021
Gross value	55 351	57 869
Accumulated depreciation	22 887	19 012
<b>Net value</b>	<b>32 465</b>	<b>38 858</b>

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

	31 December 2022	31 December 2021
Lease liabilities within 1 year	8 137	8 509
Due in 2-5 years	11 195	17 046
Due over 5 years	0	0
<b>Total lease obligations</b>	<b>19 332</b>	<b>25 555</b>

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The present values of minimum lease payments were as follows:

Period	31 December 2022	31 December 2021
	Minimum lease payments	Minimum lease payments
Lease payments falling due within 1 year	8 137	8 509
Lease payments falling due within 2-5 years	11 195	17 046
Lease payments falling due over 5 years		
<b>Minimum lease payments</b>	<b>19 332</b>	<b>25 555</b>
Financing expenses	0	0
<b>Present value of minimum lease payments</b>	<b>19 332</b>	<b>25 555</b>

## 11. INVESTMENTS IN SUBSIDIARIES

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

Company	31 December 2022		31 December 2021	
	Owner-ship (%)	Book Value	Owner-ship (%)	Book Value
Masterplast Medical Kft.	100,00%	871 924	100,00%	871 924
MasterFoam Kft	100,00%	108 575	100,00%	108 575
Masterplast Hungária Kft.	100,00%	230 000	100,00%	230 000
Masterplast Modulhouse Kft.	100,00%	300 000	100,00%	300 000
Masterplast International Kft.	100,00%	3 000	100,00%	3 000
Fidelis Bau Kft.	100,00%	114 857	100,00%	114 857
Master Plast S.r.o.	100,00%	78 068	100,00%	78 068
Masterplast Sp zoo	80,04%	59 503	80,04%	59 503
Masterplast Nonwoven GmbH	100,00%	548 244	100,00%	548 244
Masterplast Romania S.R.L.	100,00%	353 071	100,00%	0
Masterplast Italia SRL	51,00%	38 435	0	0
Masterplast YU D.o.o.	100,00%	1 049 134	100,00%	1 049 134
Masterplast d.o.o	100,00%	255 581	100,00%	255 581
Masterplast D.O.O	100,00%	492 230	10,00%	8 385
MasterPlast Ukrajna	80,00%	604 775	80,00%	604 775
Green MP Invest	100,00%	144 390	100,00%	144 390
<b>Investments in subsidiaries</b>		<b>5 251 787</b>		<b>4 376 436</b>
<i>T-Cell Plasztik Kft.</i>	24,00%	279 446	24,00%	149 524
<i>MasterProfil Kft.</i>	20,00%	57 018	20,00%	54 556
<i>Master Modul Kft.</i>	25,00%	750	25,00%	750
<i>Masterwool MW-1 d.o.o.</i>	51,00%	497 849	0	0
<b>Investments in associates</b>		<b>835 063</b>		<b>204 830</b>
<b>Total</b>		<b>6 086 850</b>		<b>4 581 266</b>

### **Masterplast Italia**

Masterplast ITALIA SRL was established on 12 April 2022 with a 51% ownership of the Company in Italy. Its headquarters is at Barco, Bibbiano, Reggio Emilia, Via Nazario Sauro 58/A CAP 42021. The co-founders of the subsidiary are individuals with extensive experience and extensive business connections in the local building materials market. The new company was established to trade thermal insulation materials in Italy with a subscribed capital of EUR 200 000. The establishment of the new subsidiary in the Italian market - which is already of great importance among the Company's export markets - increases Masterplast's market presence in Italy to a new level. The Italian market is currently the fastest growing thermal insulation materials market in Europe.

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**Masterwool MW-1**

MASTERWOOL MW-1 d.o.o. was established in Serbia in order to produce rockwool, however investments in production facilities and operations have not been started yet. The Company purchased the remaining 49% share of MASTERWOOL MW-1 d.o.o. on 21 March 2023. and as a result became its sole owner.

**T-Cell Plasztik Kft.**

Masterplast Plc. acquired a call option for the remaining shares of T-CELL Kft. on 14 September 2022, with which it may become its full owner. The option can be called for a period of 3 years beginning from the publication date of the 2022 annual audited financial statements of T-CELL Kft., but from no later than 31 May 2023.

**Green MP Invest**

The Company decided to stop its investment in Ukraine and to sell previously purchased assets and machinery in the first quarter of fiscal year 2016. In order to determine market prices, the fair value of assets was re-examined by the Company as a result of which all assets with the exception of the property and cash were fully depreciated in 2020 which has not been revised in 2022 either. In 2022, the Company evacuated its supplies from war zones using the property as a warehouse.

The market value of the property based on its updated valuation is UAH 13,5 million in 2022, however the Company decided to keep its book value at 12 million UAH as in the previous year. The difference between cost and book value was deemed immaterial by the Company and was recognized as impairment. The company is currently exploring the possibilities to lease out the property purchased for this project. The property has not been classified as held for sale asset as its sale is not included in the Company's plans.

Based on the fair value hierarchy, the valuation is classified as Level 2. Fair values were determined by third party experts contacted by management using the method of comparison of similar assets' prices. Based on this method assets were impaired to their estimated market values less costs of sale. The Company recognized an impairment of UAH 7 371 180 (189 243 EUR) in its 2022 records for its investment in Ukraine as summarized in the schedule below:

Type of asset	Book Value	Estimated Market Price	Impairment	Average Impairment %
Properties	316 474	348 797	0	0%
Machinery & equipment	97 478	0	97 478	100,0%
Other	92 655	891	91 765	99,0%
<b>Total</b>	<b>506 607</b>	<b>349 688</b>	<b>189 243</b>	<b>37,4%</b>

The Company recognized an impairment of UAH 7 796 454 UAH (252 128 EUR) in its 2021 records for its investment in Ukraine as summarized in the schedule below:

Type of asset	Book Value	Estimated Market Price	Impairment	Average Impairment %
Properties	398 639	391 300	10 574	2,7%
Machinery & equipment	122 119	0	122 119	100,0%
Other	120 557	1 122	119 435	99,1%
<b>Total</b>	<b>641 315</b>	<b>392 422</b>	<b>252 128</b>	<b>39,4%</b>

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Changes in investments in subsidiaries during 2022:

Company	Opening Net Book Value	Additional paid-in capital	Share purchase option	Share settlement	Impairment reversal	Impairment charge	Result of investments in associates	Closing Net Book Value
Masterplast Nonwoven GmbH	548 244	0	0	0	0	0	0	548 244
Green MP Invest	144 390	0	0	0	0	0	0	144 390
Masterprofil Kft.	54 556	0	0	0	0	0	2 462	57 018
T-Cell Plasztik	149 524	0	0	0	0	0	129 922	279 446
Masterplast Ukrajna	604 775	0	0	0	0	0	0	604 775
Master Modul Kft.	750	0	0	0	0	0	0	750
Masterplast Romania S.R.L.	0	0	0	0	353 071	0	0	353 071
Masterplast Italia SRL	0	38 435	0	0	0	0	0	38 435
Masterplast D.O.O	0	483 845	0	0	0	0	0	483 845
<b>Total</b>	<b>1 502 239</b>	<b>1 020 129</b>	<b>0</b>	<b>0</b>	<b>353 071</b>	<b>0</b>	<b>132 384</b>	<b>3 007 823</b>

Changes in investments during 2021:

Company	Opening Net Book Value	Additional paid-in capital	Share purchase option	Share settlement	Impairment reversal	Impairment charge	Result of investments in associates	Closing Net Book Value
MP Nonwoven GmbH	1 267 526	543 315	(1 262 597)	0	0	0	0	548 244
Fidelis Bau Kft.	114 857	0	0	0	0	0	0	114 857
Master Plast S.r.o.	78 068	0	0	0	0	0	0	78 068
Green MP Invest	131 125	0	0	0	13 265	0	0	144 390
Masterprofil Kft.	11 390	0	0	0	0	0	43 166	54 556
T-Cell Plasztik	97 710	0	0	0	0	0	51 814	149 524
Masterplast Ukrajna	322	604 453	0	0	0	0	0	604 775
Master Modul Kft.	0	750	0	0	0	0	0	750
<b>Total</b>	<b>1 700 998</b>	<b>1 148 518</b>	<b>(1 262 597)</b>	<b>0</b>	<b>13 265</b>	<b>0</b>	<b>94 980</b>	<b>1 695 164</b>

Impairment charges and reversals recorded for investments in subsidiaries were as follows in 2022:

Impairment on investments	Opening impairment	Translation difference	Impairment Charge	Impairment Reversal	Closing impairment
Green MP Invest	(239 550)	0	0	0	(239 550)
Masterplast Romania S.r.l.	(353 071)	353 071	0	0	0
<b>Total</b>	<b>(592 621)</b>	<b>353 071</b>	<b>0</b>	<b>0</b>	<b>(239 550)</b>

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Impairment charges and reversals recorded for investments in subsidiaries were as follows in 2021:

Impairment on investments	Opening impairment	Translation difference	Impairment Charge	Impairment Reversal	Closing impairment
Green MP Invest	(252 815)	0	0	13 265	(239 550)
Masterplast Romania S.r.l.	(353 071)	0	0	0	(353 071)
<b>Total</b>	<b>(605 886)</b>	<b>0</b>	<b>0</b>	<b>13 265</b>	<b>(592 621)</b>

## 12. INVESTMENTS IN ASSOCIATES

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

Company	31 December 2022		31 December 2021	
	Ownership (%)	Book Value	Ownership (%)	Book Value
MasterProfil Kft.	20,00%	57 018	20,00%	54 556
T-Cell Plasztik Kft.	24,00%	279 446	24,00%	149 524
Master Modul Kft.	25,00%	750	25,00%	750
Masterwool MW-1 d.o.o.	51,00%	497 849	0%	0
<b>Összesen</b>		<b>835 063</b>		<b>204 830</b>

- The initial investment of Masterplast Nyrt. in MasterProfil Kft. was HUF 600 thousand. As a result of first time adoption of IFRS for the Company's stand-alone annual financial statements, the Company recognized the value of its investment in associates in line with IAS 28 using the equity method that resulted in a net book value of HUF 54 556 thousand for the investment in MasterProfil Kft. in the opening IFRS balance sheet as at January 1 2022.
- The Company's investment in T-Cell Plasztik Kft. was HUF 279 446 thousand, while it had an investment of HUF 750 thousand in Master Modul Kft. HUF 750 thousand at the end of 2022
- The value of the share acquired in the newly founded Masterwool MW-1 d.o.o is HUF 497,849 thousand.

Changes in book value in 2022:

Company	Opening Net Book Value	Additions/(Disposals)	Profit or loss attributable to associates	Comprehensive income	Closing Net Book Value
MasterProfil Kft.	54 556	0	2 462	0	57 018
T-Cell Plasztik Kft.	149 524	0	129 922	0	279 446
Master Modul Kft.	750	0	0	0	750
Masterwool MW-1 d.o.o	0	497 849	0	0	497 849
<b>Total</b>	<b>204 830</b>	<b>497 849</b>	<b>132 384</b>	<b>0</b>	<b>835 063</b>

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Changes in book value in 2021:

Company	Opening Net Book Value	Profit or loss attributable to associates	Comprehensive income	Closing Net Book Value
MasterProfil Kft.	11 390	43 166	0	54 556
T-Cell Plasztik Kft.	97 710	51 814	0	149 524
Master Modul Kft.	750	0	0	750
<b>Total</b>	<b>109 850</b>	<b>94 980</b>	<b>0</b>	<b>204 830</b>

The Company did not receive dividends from associates in 2022 or 2021.

**Key financial data of the Associated Company:**

**1. MasterProfil Kft.**

The abbreviated balance sheet of the Associated Company:

	31 December 2022	31 December 2021
Non-current assets	364 356	174 507
Current assets	1 337 132	1 925 280
Long-term liabilities	0	0
Short-term liabilities	1 416 402	1 827 008
<b>Net asset value</b>	<b>285 086</b>	<b>272 779</b>
Ownership ratio in the Associated Company	20%	20%
Net asset value for the Associated Company	57 017	54 556

The abbreviated profit and loss statement of the Associated Company:

	2022	2021
Sales revenue	1 935 138	1 855 520
Operating profit	54 372	253 842
Earning attributable to owners	12 307	215 832
<b>Income to the Company on the basis of the ownership ratio</b>	<b>2 461</b>	<b>43 166</b>

The financial data underlying the Company's investment in MasterProfil Kft. were prepared in accordance with IFRS based the accounting policy applied by the Company for similar transactions.

**2. T-Cell Plasztik Kft.**

The abbreviated balance sheet of the Associated Company:

	31 December 2022	31 December 2021
Non-current assets	1 509 956	1 533 292
Current assets	1 642 880	1 184 455
Long-term liabilities	559 723	612 948
Short-term liabilities	1 632 139	1 685 482
<b>Net asset value</b>	<b>960 974</b>	<b>419 317</b>
Ownership ratio in the Associated Company	24%	24%
Net asset value for the Associated Company	230 634	100 636

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The abbreviated profit and loss statement of the Associated Company:

	<b>2022</b>	<b>2021</b>
Sales revenue	6 158 966	3 206 806
Operating profit	669 624	268 697
Earning attributable to owners	541 342	215 891
Income to the Company on the basis of the ownership ratio	<b>129 922</b>	<b>51 814</b>

**3. Master Modul Kft.**

The balance sheet and profit and loss statement of Master Modul Kft. was not available until the preparation of the current annual financial statements.

**4. Masterwool MW-1 d.o.o.**

Investments in production facilities and operations have not been started at Masterwool MW-1 d.o.o, yet.

**13. OTHER LONG-TERM FINANCIAL ASSETS**

	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Loans given</b>		
Masterplast YU D.o.o.	3 762 350	3 468 600
Masterplast International Kft.	10 406 500	10 664 100
Masterplast Nonwoven GmbH	3 802 375	2 730 600
Masterplast Modulhouse Kft.	750 000	0
Masterplast Italia SRL	200 125	0
Masterplast Proizvodnja	2 001 250	0
Masterwool	50 031	0
Master Modul Kft.	20 000	8 000
IHT Enterprise Kft.	180 000	72 000
<b>Total</b>	<b>21 172 631</b>	<b>16 943 300</b>

The Company has granted loans to its subsidiaries in line with the following conditions:

Company	Start of loans	Value	Currency	Interest rate	Expiration date
Masterplast d.o.o (YU)	02.02.2016	1.000.000	EUR	1 havi EURIBOR+1,5%	30.06.2024
Masterplast d.o.o (YU)	20.05.2016	2.000.000	EUR	1 havi EURIBOR+1,5%	30.06.2024
Masterplast d.o.o (YU)	18.12.2019	4.400.000	EUR	1 havi EURIBOR+1,5%	31.12.2026
Masterplast d.o.o (YU)	17.02.2021	2.000.000	EUR	1 havi EURIBOR+1,5%	31.12.2026
MP International Kft.	20.12.2019	16.906.388	EUR	1 havi EURIBOR+1,5%	31.12.2026
MP International Kft.	26.08.2021	13.000.000	EUR	1 havi EURIBOR+1,5%	31.12.2026
MP Nonwoven GmbH	29.06.2020	3.623.000	EUR	1 havi EURIBOR+1,5%	31.12.2023
MP Nonwoven GmbH	15.07.2020	291.593	EUR	1 havi EURIBOR+1,5%	31.12.2023
MP Nonwoven GmbH	25.08.2020	377.000	EUR	1 havi EURIBOR+1,5%	31.12.2023
MP Nonwoven GmbH	20.10.2021	3.108.407	EUR	1 havi EURIBOR+1,5%	31.12.2023
MP Nonwoven GmbH	04.11.2022	2.100.000	EUR	1 havi EURIBOR+1,5%	31.12.2023
Masterplast Modulhouse	24.11.2022	750.000.000	HUF	1 havi BUBUR + 1,5%	31.12.2024
Masterplast Italia SRL	08.12.2022	1.000.000	EUR	1 havi EURIBOR+1,5%	31.12.2027
Masterplast Proizvodnja	16.12.2022	5.000.000	EUR	1 havi EURIBOR+1,5%	31.12.2023
Masterwool MW-1. do.o.	08.06.2022	125.000	EUR	1 havi EURIBOR+1,5%	31.12.2027

\*Loan agreements with MP Nonwoven GmbH have been extended

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**14. TRADE RECEIVABLES**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Trade receivables	327 464	225 158
Impairment	(313)	(1 961)
<b>Trade Receivables net of impairment</b>	<b>327 151</b>	<b>223 197</b>

Trade receivables were paid in 44 days in average in 2022 (48,3 days in 2021).

Impairment charged and reversed on trade receivables in 2022:

<b>Impairment on trade receivables</b>	<b>Opening impairment</b>	<b>Transla- tion difference</b>	<b>Impairment Charge</b>	<b>Impairment Reversal</b>	<b>Impairment write-back</b>	<b>Closing Impairment</b>
Impairment of trade receivables	(1 961)	0	(95)	1 743	0	(313)
<b>Total</b>	<b>(1 961)</b>	<b>0</b>	<b>(95)</b>	<b>1 743</b>	<b>0</b>	<b>(313)</b>

Impairment loss recognised and reversed on trade receivables in 2021:

<b>Impairment on trade receivables</b>	<b>Opening impairment</b>	<b>Translation difference</b>	<b>Impairment Charge</b>	<b>Impairment Reversal</b>	<b>Impairment write-back</b>	<b>Closing Impairment</b>
Impairment of trade receivables	(1 947)	0	(18)		4	(1 961)
<b>Total</b>	<b>(1 947)</b>	<b>0</b>	<b>(18)</b>		<b>4</b>	<b>(1 961)</b>

The maturity of trade receivables is as follows:

	<b>31 December 2022</b>			<b>31 December 2021</b>		
	<b>Gross book value</b>	<b>Impairment loss</b>	<b>Net book value</b>	<b>Gross value</b>	<b>Impairment loss</b>	<b>Net book value</b>
Not yet due	325 131	0	325 131	222 863	0	222 863
Due over 0-60 days	1 577	0	1 577	334	0	334
Due over 61-90 days	348	0	348	0	0	0
Due over 91-180 days	0	0	0	0	0	0
Due over 181-360 days	190	(95)	95	0	0	0
Due over 360 days	218	(218)	0	1 961	(1 961)	0
<b>Total Trade Receivable</b>	<b>327 464</b>	<b>(313)</b>	<b>327 151</b>	<b>225 158</b>	<b>(1 961)</b>	<b>223 197</b>

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**15. OTHER CURRENT ASSETS**

	31 December 2022	31 December 2021
Advance to the supplier	2 319 863	22 090
Other receivables *	379 322	1 052 746
Impairment loss on other receivables**	(2 946)	(556 446)
Impairment loss on other receivables	186 924	176 537
Accrued bonus	61 892	36 086
Accrued other costs	62 313	107 732
Other intercompany receivable (ESOP)	919 671	
<b>Total</b>	<b>3 998 786</b>	<b>867 676</b>

*\*\*HUF 553,500 thousands of impairment for the loan to the Romanian subsidiary was accounted for in 2021. Since the loan was repaid in 2022 the related impairment was reversed.*

\* The following items are included in other receivables

Description	31 December 2022	31 December 2021
Bonuses, commissions	110 425	119 185
Loans granted to affiliates **	0	553 500
VAT receivables from VAT group members	161 442	322 981
Other receivables	107 455	57 080
<b>Total</b>	<b>379 322</b>	<b>1 052 746</b>

*\*\*A loan of HUF 553,500 thousands to the Romanian subsidiary was accounted for in 2021. The loan was repaid in 2022.*

**16. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents	31 December 2022	31 December 2021
Cash	3 671	3 339
Bank deposits	7 127 825	2 946 927
<b>Total</b>	<b>7 131 496</b>	<b>2 950 267</b>

The Company did not have restricted cash or cash equivalents as at 31 December 2022 or 31 December 2021.

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**17. LIABILITIES FROM ISSUED BONDS**

The Group participated in the growth bond programme announced by the MNB both in 2019, 2020 and 2021, under which Masterplast Nyrt issued bonds with a nominal value of HUF 6-6-9 billion. 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.

Description of bond	MASTERPLAST 2026/I HUF	MASTERPLAST 2027/I HUF	MASTERPLAST 2031/I HUF
Date of issue	6 December 2019	21 December 2020	25 August 2021
Maturity Date	6 Deember 2026	21 December 2027	25 Augustt 2031
Registration Date:	18 February 2020	19 February 2021	1 October 2021
Nominal Value	50 000 000	50 000 000	50 000 000
Issued pieces	120	120	180
Term (year)	7	7	10
Type of interest	fixed	fixed	fix
Interest	2,00%	2,10%	2,10%
Effective rate	0,12%	0,12%	0,12%
Date of interest payments	Annually, 6st of December	Annually, 21st of December	Annually, 25st of August
Principal payments	Equal instalments between years 4-7	Equal instalments between years 4-7	Equal instalments between years 6-10

MASTERPLAST 2026/I HUF	2022	2021
Total nominal value of issued bonds	6 000 000 000	6 000 000 000
Amortized cost	5 994 884 694	5 994 614 130
Fair value	4 809 125 440	5 427 017 076
Face value	6 000 000 000	6 000 000 000

MASTERPLAST 2027/I HUF	2021	2021
Total nominal value of issued bonds	6 000 000 000	6 000 000 000
Amortized cost	5 978 858 122	5 974 683 738
Fair value	4 485 308 003	5 293 580 214
Face value	6 000 000 000	6 000 000 000

MASTERPLAST 2031/I HUF	2022	2021
Total nominal value of issued bonds	9 000 000 000	9 000 000 000
Amortized cost	9 002 609 701	9 003 011 190
Fair value	6 885 433 583	9 091 558 651
Face value	9 000 000 000	9 000 000 000

In 2019, the Group participated in the development bond programme announced by the MNB, under which Masterplast Nyrt issued bonds with a nominal value of HUF 6 billion (EUR 18,1 million) to restructure the financing of the Group. The proceeds from the bonds issued in HUF were disbursed to subsidiaries as EUR-based parent loans, which were fully used by the subsidiaries to re-finance their existing loans.

As a result, the amount of short- and long-term loans decreased, while its liabilities from issued bonds increased by the same amount in the balance sheet. In December 2019, 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, which will reduce interest costs calculated on the basis of the Company's current financing structure in the coming years. The bonds were introduced to the BÉT Xbond market on 18 February 2020. The impact was HUF 243,792 in 2020 that was accounted for through equity.

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

In 2021, the Company issued additional bonds with a nominal value of HUF 9.0 billion under the Development Bond Program to finance its further growth. By the issuance of these additional bonds the Company raised additional funds to finance its ongoing and future investment projects. Temporarily, the Company used these additional funds in part to refinance its short-term loans, as a result of which the amount of short-term loans decreased and the Group's bond liabilities increased in the balance sheet. The bonds were introduced to the BÉT Xbond market on 1 October 2021.

#### **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 purpose of the transaction is to fix interest and exchange rates. The transaction is accounted for by the Company as a cash flow hedge.

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

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 portfolio related to the Company's CCIRS transactions had a loss balance of HUF 2,224,737,618 at at 31 December 2022. Of this HUF 572,074,638 was recorded through current year profit and loss, HUF 737,255,538 is accounted for in retained earnings and HUF 920,407,442 is through other comprehensive income.

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The transaction details are as follows:

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

#### 18. DEFERRED INCOME

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

Subsidy ID	Description of support	Beneficiary	31 December 2022	31 December 2021
GVOP-1.1.2.-2004-11-0003/5.0	"Master" educator; MASTER3AS centre - Products, Services, Training at "Master" level	Masterplast Nyrt.	77 112	79 305
SZVP-2003-6-03-08-1	Networking at "Master" level	Masterplast Nyrt.	10 988	11 591
<b>Total:</b>			<b>88 100</b>	<b>90 896</b>
<b>Current part:</b>			<b>2 793</b>	<b>2 793</b>
<b>Non-current part:</b>			<b>85 307</b>	<b>88 103</b>

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

#### 19. OTHER NON-CURRENT LIABILITIES

Megnevezés	31 December 2022	31 December 2021
MP Hungaria loan	4 500 000	0
<b>Total other non-current liabilities</b>	<b>4 500 000</b>	<b>1 262 597</b>

The Company received a loan from its subsidiary on the following terms:

Company	Start of loans	Value	Currency	Interest rate	Expiration date
Masterplast Hungária Kft	2022.05.16	2.000.000	HUF	1 havi BUIBOR+1,5%	2024.12.31
Masterplast Hungária Kft.	2022.12.29	2.500.000	HUF	1 havi BUIBOR+1,5%	2024.12.31.

*The attached notes form part of the annual financial statements.*

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**20. TRADE PAYABLES**

The maturity of trade payables is as follows:

Description	31 December 2022	31 December 2021
Not yet due	112 449	84 927
Due over 0-60 days	31 019	17 648
Due over 61-90 days	0	0
Due over 91-180 days	0	0
Due over 181 days	67	0
<b>Total</b>	<b>143 535</b>	<b>102 576</b>

**21. OTHER CURRENT LIABILITIES**

Description	31 December 2022	31 December 2021
Taxes payable	296 142	388 096
Other current liabilities	134 786	233 011
Short term liabilities from issued bonds	1 500 000	
Current loans	0	0
Cash pool liabilities	0	746 525
Related party liabilities	218 255	177 595
<b>Other current liabilities</b>	<b>2 149 183</b>	<b>1 545 227</b>

**22. MATERIALS AND SERVICES USED**

Description	2022	2021
Material costs	(135 709)	(79 511)
Services used	(689 811)	(381 651)
<b>Total</b>	<b>(825 520)</b>	<b>(461 162)</b>

**23. PERSONNEL RELATED COSTS**

Description	2022	2021
Payroll costs	(618 055)	(418 573)
Other payments to personnel	(68 504)	(30 213)
Payroll taxes and social security contributions	(79 952)	(66 949)
<b>Total</b>	<b>(766 511)</b>	<b>(515 5)</b>

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**24. OTHER INCOME AND EXPENSES**

Description	2022	2021
Received and paid concessions	(42 416)	(33 420)
Impairment Charges	(95)	(14)
Sale of investments in subsidiaries	0	0
Change in impairment of investments	353 071	13 265
Forgiven loan to subsidiary	0	0
Gains on fixed asset sales	28 938	0
Other	(83 929)	(20 935)
<b>Total</b>	<b>255 569</b>	<b>(41 105)</b>

**25. OTHER FINANCIAL PROFIT OR LOSS**

Description	2022	2021
Interest income	641 050	312 544
Interest expense	(752 130)	(424 892)
Other incomes and expenses of financial transactions	1 669 185	309 319
<b>Total</b>	<b>1 558 105</b>	<b>196 971</b>

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

	Book value	Book value	Fair value	Fair value
	31 December	31 December	31 December	31 December
Valuation of financial instruments	2022	2021	2022	2021
Other non-current financial assets	21 172 631	16 943 300	19 112 858	17 555 474
Trade receivables	327 151	223 197	327 151	223 197
Tax receivables	16 434	1 797	16 434	1 797
Other current financial assets	3 079 115	867 676	3 079 115	867 676
Related party cash pool assets	919 671	0	919 671	0
Cash and cash equivalents	7 131 496	2 950 267	7 131 496	2 950 267
<b>Total</b>	<b>32 646 498</b>	<b>20 986 237</b>	<b>30 586 725</b>	<b>21 598 411</b>
Non-current finance lease liabilities	11 195	17 046	11 195	17 046
Liabilities from issued bonds	19 476 340	20 972 309	16 179 867	21 119 292
Other non-current liabilities	4 500 000	0	4 217 149	0
Current finance lease liabilities	8 137	8 509	8 137	8 509
Trade payables	143 535	102 576	143 535	102 576
Other current liabilities	4 373 921	2 391 042	4 373 921	2 391 042
Related party cash pool liabilities	0	737 760	0	737 760
<b>Total</b>	<b>28 513 128</b>	<b>24 229 242</b>	<b>24 933 804</b>	<b>24 376 225</b>

The attached notes form part of the annual financial statements.

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Current assets and liabilities are instruments with maturity less than a year which are recoverable on a short term basis as a consequence their book value equals with their fair value.

The current loans of the Company are linked to reference interest rates. As a consequence beyond their being current payables their book value also reflects the impact of any expected interest rate changes, as a consequence their book value also equals with their fair value.

Related party cash pool has the same conditions as the current loans of the Company as a consequence their book value also equals with their fair value.

<b>Undiscounted cash-flow 2022</b>	<b>Payment within 1 year</b>	<b>Payment within 2-5 year</b>	<b>Payment beyond 5 year</b>
Total loans and credits	0	0	0
Cash pool	919 671	0	0
Interests of loans and credits	10 024	0	0
<b>Total</b>	<b>929 696</b>	<b>0</b>	<b>0</b>

<b>Undiscounted cash-flow 2021</b>	<b>Payment within 1 year</b>	<b>Payment within 2-5 year</b>	<b>Payment beyond 5 year</b>
Total loans and credits	0	0	0
Cash pool	737 760	0	0
Interests of loans and credits	8 042	0	0
<b>Total</b>	<b>745 801</b>	<b>0</b>	<b>0</b>

## 26. TAXES

Tax receivables and tax payables were as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Taxes Receivable	16 434	1 797
Taxes Payable	(296 142)	(388 096)
<b>Net Tax Receivable/(Payable)</b>	<b>(279 708)</b>	<b>(386 299)</b>

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

<b>Income tax expense</b>	<b>2022</b>	<b>2021</b>
Current Income Tax Expense	(105 599)	(15 376)
Deferred Income Tax Expense	(90 808)	25 222
<b>Total Income Tax Expense</b>	<b>(196 407)</b>	<b>9 846</b>

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

<b>Period</b>	<b>Actual tax rate</b>
2022	9%
2021	9%

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

<b>Year-end balance of deferred tax</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Property, plant and equipment	10 532	10 355
Receivables	28	176
Carried forward tax losses	0	60 041
Provisions	281	(281)
Prior years Impairment on investments (RO, SK)	21 560	52 917
<b>Closing deferred tax assets, net</b>	<b>32 401</b>	<b>123 209</b>
<b>Of which deferred tax assets</b>	<b>32 401</b>	<b>123 209</b>
<b>Of which deferred tax liability</b>	<b>0</b>	<b>0</b>

The Company does not consider it relevant to present the difference between the tax payable calculated using the average tax rate and the actual tax payable, given that the two tax rates are the same. The Company does not have carried forward prior year losses in 2021.

The Masterplast Nyrt's corporate income tax calculation as of 31 December 2021:

**Items increasing the corporate income tax base**

<b>Description</b>	<b>2022</b>
Current year depreciation and amortization plus the net book value of written off PP&E recognized in the records	139 783
Impairment Charge on receivables	95
Payed penalties	4 516
Non-deductible costs	7 768
<b>Total:</b>	<b>152 162</b>

**Items decreasing the corporate income tax base**

<b>Description</b>	<b>2022</b>
Current year depreciation and amortization plus the net book value of written off PP&E recognized by the tax law	141 474
Donations	6 032
Dividend received	1 193 010
<b>Total:</b>	<b>1 340 516</b>

<b>Corporate income tax calculation</b>	<b>2022</b>
<i>Profit before tax*</i>	2 333 276
<b>Adjusted pre-tax profit</b>	<b>2 333 276</b>
Tax-basis decreasing items	(1 340 516)
Tax-basis increasing items	152 162
<b>Tax base</b>	<b>1 144 922</b>
<b>Adjusted tax basis</b>	<b>1 144 922</b>
Corporate income tax payable (9%)	103 043
<i>Tax benefits</i>	0
<b>Fizetendő társasági adó (9%)</b>	<b>103 043</b>

\*without consolidation of ESOP

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<b>Calculation of the difference between the company's current tax rate and its actual tax liability</b>	
Profit before tax	2 333 276
Actual tax rate	9,0%
<b>Tax payable calculated based on the actual tax rate</b>	<b>209 995</b>
Impairment on trade receivable	9
Impairment on investments	0
Impairment on loans	0
Other	91 218
Received dividend	(107 371)
Research and innovation contribution	2 556
Tax benefits	0
Differences total:	<b>(13 588)</b>
<b>Corporate income tax expense</b>	<b>196 407</b>
Effective corporate income tax rate	-8%

## 27. REVENUES

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

Sales revenue by main activity in 2022 and 2021 was as follows:

<b>Net sales</b>	<b>2022</b>	<b>2021</b>
Services (real estates rents, fee for bookkeeping, finance and HR services)	796 029	579 251
Bonuses, concessions	186 924	176 537
<b>Total</b>	<b>982 953</b>	<b>755 788</b>

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

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

<b>Company</b>	<b>2022</b>	<b>2021</b>
Masterplast Medical Kft.	400 000	0
Masterplast Hungária Kft.	400 000	400 000
Masterplast International Kft.	393 010	400 000
Masterplast Sp zoo	68 852	41 781
Masterplast Nonwoven GmbH	0	158 988
<b>Total</b>	<b>1 261 862</b>	<b>1 000 769</b>

## 28. RELATED PARTY TRANSACTIONS

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

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Revenue received from related parties for the years ending on 31 December 2022 and 2021 is as follows:

<b>Company name</b>	<b>2022</b>	<b>2021</b>
Masterplast Medical Kft.	724 485	214 884
Master Plast S.r.o.	3 440	3 854
Masterplast d.o.o.	3 269	4 411
Masterplast Romania S.R.L.	7 813	5 501
Masterplast YU D.o.o.	11 170	6 569
Fidelis Bau Kft.	143	15
MasterFoam Kft.	62 329	34 809
Masterplast Hungária Kft.	307 114	261 183
Masterplast Modulhouse Kft.	10 624	2
Masterplast International Kft.	411 379	316 449
Masterplast Nonwoven GmbH	2 881	30 687
Masterplast Proizvodnja d.o.o.	0	21 714
<b>Total:</b>	<b>1 544 647</b>	<b>900 078</b>

<b>Associate company</b>	<b>2022</b>	<b>2021</b>
Masterprofil Kft.	20 801	19 992
T-Cell Plasztk Kft.	2 665	142 083
<b>Total:</b>	<b>23 466</b>	<b>162 075</b>

Interest received from related parties for the years ending on 31 December 2022 and 2021 is as follows:

<b>Company name</b>	<b>2022</b>	<b>2021</b>
Masterplast Romania S.R.L.	2 480	8 079
Masterplast YU D.o.o.	73 264	49 234
Masterplast International Kft.	213 006	111 230
Masterplast Nonwoven GmbH	59 133	25 980
Masterplast Modulhouse Kft.	14 183	0
Masterplast Proizvodnja d.o.o.	2 969	0
Masterplast Italia SRL	445	0
<b>Total:</b>	<b>365 480</b>	<b>194 523</b>

<b>Associate company</b>	<b>2022</b>	<b>2021</b>
Masterwool MW-1 d.o.o Sid	671	0
<b>Total:</b>	<b>671</b>	<b>0</b>

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Cost of services provided by and cost of materials purchased from related parties in the years ending on 31 December 2022 and 2021 are as follows:

<b>Company name</b>	<b>2022</b>	<b>2021</b>
Masterplast International Kft.	89	251
Masterplast Medical. Kft.	8 077	16 072
Masterplast Hungária Kft.	8 320	3 312
Masterfoam Kft.	6 941	0
Master Plast sro	872	0
Minifoci Kft. (1)	0	3 500
<b>Total:</b>	<b>24 299</b>	<b>23 135</b>

(1) Mr. Dávid Tibor is a senior executive at Minifoci Kft.

<b>Associate company</b>	<b>2022</b>	<b>2021</b>
Masterprofil Kft.	1 270	0
T-Cell Plaszтик Kft.	2 416	0
<b>Total:</b>	<b>3 686</b>	<b>0</b>

Interest paid to affiliated enterprises for the years ending 202 2 and 2021 is as follows:

<b>Company name</b>	<b>2022</b>	<b>2021</b>
Masterplast Hungária Kft.	122 026	0
<b>Total:</b>	<b>122 026</b>	<b>0</b>

Receivables from related parties as of 31 December 2022 and 31 December 2021 are as follows:

<b>Company name</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Masterplast Medical Kft.	58 662	92 512
Masterfoam Kft.	10 162	0
Masterplast Hungária Kft.	48 213	26 811
Masterplast Modulhouse Kft.	12 381	2
Masterplast International Kft.	59 067	33 465
Fidelis Bau Kft.	3	3
Master Plast S.r.o.	90	1 033
Masterplast Romania S.R.L.	1 394	961
Masterplast Nonwoven GmbH	9 484	3 421
Masterplast Italia	445	0
Masterplast YU D.o.o.	10 846	4 456
Masterplast d.o.o.	2 969	21 682
<b>Total:</b>	<b>213 716</b>	<b>184 346</b>

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Associate company	31 December 2022	31 December 2021
Masterprofil Kft	4 197	4 152
T-Cell Plasztik Kft.	257	859
Masterwool MW-1 d.o.o	144	0
<b>Total:</b>	<b>4 598</b>	<b>5 011</b>

Liabilities to related parties as of 31 December 2022 and 31 December 2021 are as follows:

Company name	31 December 2022	31 December 2021
Masterplast Medical Kft.	785	2 173
Masterfoam Kft.	4 000	7 926
Masterplast Hungária Kft.	32 682	610
Masterplast Modulhouse Kft.	0	676
<b>Total:</b>	<b>37 467</b>	<b>11 385</b>

Associated company	31 December 2022	31 December 2021
Masterprofil Kft.	1 270	0
T-Cell Plasztik Kft.	0	222
<b>Total:</b>	<b>1 270</b>	<b>191</b>

Cash pool receivables from and payables to related parties as at 31 December 2022 and 31 December 2021 are presented in the table below. Masterplast Nyrt. is the main account holder of the cash pool. The cash pool balance of the Company reflects the liability for Raiffeisen Bank.

**31 December 2022**

Company name	Receivable	Liability
Masterplast Kft.	643 077	0
Masterplast Hungária Kft.	77 712	0
Mastermesh Production Kft.	0	(126 317)
Masterplast International Kft.	506 385	0
MasterFoam Kft.	0	(181 186)
<b>Total:</b>	<b>1 227 174</b>	<b>(307 503)</b>
<b>Net balance:</b>	<b>919 671</b>	

**31 December 2021**

Company name	Receivable	Liability
Masterplast Kft.	0	(76 473)
Masterplast Hungária Kft.	0	(3 203 858)
Mastermesh Production Kft.	0	0
Masterplast International Kft.	2 080 530	0
MasterFoam Kft.	462 041	0
<b>Total:</b>	<b>2 542 570</b>	<b>(3 280 330)</b>
<b>Net balance:</b>		<b>(737 760)</b>

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Loans granted to related parties as of 31 December 2022 and 31 December 2021 are as follows:

Company name	31 December 2022	31 December 2021
Masteplast Modulhouse Kft.	750 000	0
Masterplast International Kft.	10 406 500	10 664 100
Masterplast Romania S.R.L.	0	553 500
Masterplast Italia SRL	200 125	0
Masterplast YU D.o.o.	3 762 350	3 468 600
Masterplast Nonwoven GmbH	3 802 375	2 730 600
Masterplast Proizvodnja d.o.o.	2 001 250	0
Masterwool MW-1 d.o.o	50 031	0
<b>Total:</b>	<b>20 972 631</b>	<b>17 416 800</b>

Loan of EUR 1,500,000 granted to Masterplast Romania S.R.L was fully impaired in 2021. The Loan was repaid in 2022 thus the related impairment was reversed.

Key executives of the Company discharge their duties as employees. Short-term allowances paid to them in 2022 amounted to HUF 173 789 thousands (total company cost: HUF 196 405 thousands), while it was HUF 113 885 thousand (total company cost: HUF 133 206 thousand) in 2021. No loans were granted to senior officers either in 2022 or in 2021. Total fees paid to the members of the Board of Directors was HUF 7 200 thousands (total company cost: HUF 8.424 thousands) in 2021 (HUF 7 200 thousand in 2021, total company cost: HUF 8.388 thousands).

## 29. FINANCIAL RISK MANAGEMENT

The Company's activities are subject to various financial risks, such as market risks (especially exchange rate risk and price risk), liquidity risk and credit risk. The Company's comprehensive risk management programme focuses on the unpredictability of financial markets and tends to minimise its potential negative effects on the Company's financial operations.

### Market risk

Market risk is the risk of market trends, such as changes in exchange rates, interests and prices affecting the Company's income and the value of financial instruments. The goal of market risk management is to keep market risks within the Company's risk appetite, in addition to optimising the yield.

### Exchange rate risk

The Company conducts some operations in foreign currency, which entails the risk arising from the fluctuation of exchange rates, especially the exchange rates of the Euro. Exchange rate risk may arise from future commercial transactions, assets and liabilities included in the balance sheet.

The analysis of EUR/HUF exchange rate risk sensitivity associated with loans and its effect on profit before tax (exchange rate risk is calculated against the EUR loans):

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	<b>2022</b>	<b>2021</b>
<b>Appreciation of EUR / HUF rates by 3 %</b>		
Financial profit/(loss)	1 558 105	196 971
Effect of exchange rate increase	32 069	37 402
<b>Adjusted financial profit/(loss)</b>	<b>1 590 174</b>	<b>234 373</b>
Profit before tax	2 464 138	918 354
Effect of exchange rate increase	32 069	37 402
<b>Adjusted profit before tax</b>	<b>2 496 207</b>	<b>955 756</b>
<b>Depreciation of EUR / HUF rates by 3 %</b>		
Financial profit/(loss)	1 558 105	196 971
Effect at FX rate decrease	(32 069)	(37 402)
<b>Adjusted financial profit/(loss)</b>	<b>1 526 036</b>	<b>159 569</b>
Profit before tax	2 464 138	918 354
Effect of exchange rate decrease	(32 069)	(37 402)
<b>Adjusted profit before tax</b>	<b>2 432 069</b>	<b>880 952</b>

**Interest rate risk**

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

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

	<b>2022</b>	<b>2021</b>
<b>Appreciation of interest rates by 1 % point</b>		
Financial profit/(loss)	1 558 105	196 971
Effect of interest rate increase	9 197	(7 378)
<b>Adjusted financial profit/(loss)</b>	<b>1 567 302</b>	<b>189 593</b>
Profit before tax	2 464 138	918 354
Effect of interest rate increase	9 197	(7 378)
<b>Adjusted profit before tax</b>	<b>2 473 335</b>	<b>910 976</b>
<b>Depreciation of interest rates by 1 % point</b>		
Financial profit/(loss)	1 558 105	196 971
Effect of interest rate decrease	(9 197)	7 378
<b>Adjusted financial profit/(loss)</b>	<b>1 548 908</b>	<b>204 349</b>
Profit before tax	2 464 138	918 354
Effect of interest decrease	(9 197)	7 378
<b>Adjusted profit before tax</b>	<b>2 454 941</b>	<b>925 732</b>

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**Total credit risk**

The Company performs most of its business activities with subsidiaries operating under its own control, whereas its contacts with external suppliers and customers are marginal.

**Liquidity risk**

Liquidity risk is the risk that the Company cannot meet its liabilities on due date. The Company is on to ensure that there is always sufficient resources available when the liability expire.

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

<b>2022</b>	<b>Falling due within 1 year</b>	<b>Falling due within 1-5 years</b>	<b>Falling due beyond 5 years</b>	<b>Total</b>
Finance lease liabilities	8 137	11 195	0	19 332
Liabilities from issued bonds	1 500 000	10 469 298	9 003 011	20 972 309
Other non-current liabilities	0	4 500 000	0	4 500 000
Creditors and other liabilities	2 292 718	0	0	2 292 718
<b>Total</b>	<b>3 800 855</b>	<b>14 980 493</b>	<b>9 003 011</b>	<b>27 784 359</b>

<b>2021</b>	<b>Falling due within 1 year</b>	<b>Falling due within 1-5 years</b>	<b>Falling due beyond 5 years</b>	<b>Total</b>
Finance lease liabilities	8 509	17 046	0	25 555
Liabilities from issued bonds	0	5 994 614	14 977 695	20 972 309
Other non-current liabilities	0	0	0	0
Creditors and other liabilities	1 647 803	0	0	1 647 803
<b>Total</b>	<b>1 656 312</b>	<b>6 011 660</b>	<b>14 977 695</b>	<b>22 645 667</b>

Bank financing of the Company is based on group agreements, and its covenants and performances are presented in the table below:

<b>Name and calculation of Covenant</b>	<b>Required</b>		<b>Met</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>
Liquidity ratio (current assets / (current liabilities - liabilities to shareholders))	n/a	n/a	n/a
Leverage ratio (equity / (balance sheet total - accrued income))	n/a	n/a	n/a
Operating profitability (Operating profit or loss / net sales revenues)	n/a	n/a	n/a
net debt/EBITDA	≤3,25	2,87	2,30

**Tax risk**

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

## **Equity risk**

### *Capital structure*

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

### *Dividend payment policy*

In the event the Company cannot find development and acquisition targets required for its growth, it can pay dividends to its shareholders - if the profits so allow -subject to specific decisions of the Board of Directors.

### *Optimum capital structure*

On 15 January 2018 the Board of Directors decided to privately issue 858.318 pieces of new dematerialized ordinary shares where all rights attached to the new shares were identical to the previously issued ordinary shares (series 'A") with a nominal value of HUF 100 per shares, at an issue price of HUF 607 per shares and thus increasing the share capital to HUF 1.460.127.900. The Company's leverage ratio has significantly improved by the HUF 521 000 000 increase of capital, which the Company intends to maintain in order to mitigate its liquidity risk in the face of the unpredictability of financial markets.

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 were fully paid-in until 20 October 2022. The increased share capital is HUF 1.685.063.100 the date of the amended Articles of Incorporation is 20 October 2022.

### *Continuous operations*

To ensure the efficiency of its financial operations, the Company makes continuous efforts to prolong the payment terms of transactions and contracts with its suppliers in order to compensate for payment delays by its debtors.

## **30. CONTINGENT LIABILITIES AND COMMITMENTS**

### *Tender Commitments*

The Company does not have any still ongoing, unclosed tenders as of 31 December 2022.

### *Litigations and extrajudicial cases launched by the Company*

There is no litigation initiated against or initiated by the Company and there are not any ongoing legal processes.

## **31. RESEARCH AND DEVELOPMENT ACTIVITIES**

The Company did not have any research and development activities.

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**32. EQUITY MATCHING SCHEDULE**

	Note	Share capital	Treasury Shares	Share Premium	Comprehensive income	Retained earnings	Profit/(loss) for the year	Equity, total
Equity matching in accordance with section 114/B of the Accounting Law		Share Capital	Capital Reserve	Capital Reserve	Valuation Reserve	Retained Earnings	Profit/(loss) for the year after tax	Equity total
<b>1 January 2022</b>		<b>1 460 128</b>	<b>(831 097)</b>	<b>2 318 248</b>	<b>(851 319)</b>	<b>477 692</b>	<b>928 200</b>	<b>3 501 852</b>
Profit for the year	3	224 935		8 788 579			2 267 731	2 267 731
Other comprehensive income - CCIRS	19				(69 088)			9 013 514 (69 088)
Prior year's profit or loss reclassified						928 200	(928 200)	0
Redeemed treasury shares	7		486 586 (11 386)			(486 586)		0
Dividends paid						(799 471)		(799 471)
ESOP consolidation			(422 475)			(3 180)		(425 655)
ESOP allowance (2020)	33		(68 140)			68 140		0
ESOP allowance (2021)	33		65 619					65 619
<b>31 December 2022</b>		<b>1 685 063</b>	<b>(780 893)</b>	<b>11 106 827</b>	<b>(920 407)</b>	<b>184 795</b>	<b>2 267 731</b>	<b>13 543 116</b>

The presentation of transaction listed in points a); b); c); d); e); f); g) and h) of subsection 4 of section 114/B of the Accounting Law is not relevant.

'\* Capital subscribed at the Registration Court equals with share capital in accordance with IFRS.

'\*\* Retained earnings usable to pay dividend is HUF 2.452.526 thousands.

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	Note	Share capital	Treasury Shares	Share Premium	Comprehensive income	Retained earnings	Profit/(loss) for the year	Equity, total
Equity matching in accordance with section 114/B of the Accounting Law		Share Capital	Capital Reserve	Capital Reserve	Valuation Reserve	Retained Earnings	Profit/(loss) for the year after tax	Equity total
<b>1 January 2021</b>		<b>1 460 128</b>	<b>(50 542)</b>	<b>2 318 249</b>	<b>(243 792)</b>	<b>751 115</b>	<b>364 543</b>	<b>4 599 701</b>
Profit for the year	3						928 200	928 200
Other comprehensive income - CCIRS	19				(607 528)			(607 528)
Prior year's profit or loss reclassified						364 543	(364 543)	0
Redeemed treasury shares	7		(560 914)					(560 914)
Dividends paid						(633 017)		(633 017)
ESOP consolidation			(170 027)					(170 027)
ESOP allowance (2020)	33		(113 834)					
ESOP allowance (2021)	33		64 220			(4 949)		59 271
<b>31 December 2021</b>		<b>1 460 128</b>	<b>(831 097)</b>	<b>2 318 249</b>	<b>(851 319)</b>	<b>477 692</b>	<b>928 200</b>	<b>3 501 852</b>

The presentation of transaction listed in points a); b); c); d); e); f); g) and h) of subsection 4 of section 114/B of the Accounting Law is not relevant.

'\* Capital subscribed at the Registration Court equals with share capital in accordance with IFRS.

'\*\* Retained earnings usable to pay dividend is HUF 1.405.892 thousands.

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**33. MASTERPLAST EMPLOYEE SHARED OWNERSHIP PROGRAM**

Masterplast Nyrt. established the MASTERPLAST Employee Shared Ownership Program ("ESOP") on 14 December 2016. The ESOP organization is based in: 1062 Budapest, Andrásy út 100. Masterplast Nyrt. (Founder) has established the ESOP organization to efficiently conduct incentive remunerations related to Masterplast's business goals (Participants). According to IFRS 2, the ESOP organization is 100% recorded in its books as an extension, as it determines the operation of the ESOP 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 2020/2021 programme, ESOP participants are employees of Masterplast Nyrt. and its fully owned subsidiaries (Masterplast Medical Ltd., Masterplast Hungaria Kft., Masterplast International Kft. and Masterfoam Kft.), who are covered by the company's Remuneration Policies. The Company has included those managers of the aforementioned companies as Participants in the ESOP 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 ESOP in exchange for Masterplast shares and financial instruments allocated as non-cash contributions by the Founder.

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.

In determining the value of the benefit, account is taken of the option right expected to be exercised.

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

	<b>ESOP 2021/2022</b>	
Grant date	-	07 April 2021
Fair value of share option at grant date:	HUF/piece	2 620
Fair value of share option at grant date:	EUR/piece	7,2687
Expected number of shares purchased through options	piece	21 072
Expected value of shares purchased through options	EUR	137 935

A nem a 2022-es évhez kapcsolódó (LTI) program elszámolása és várható kifizetése az alábbiak szerint alakul:

		<b>LTI 2020</b>	<b>LTI 2021</b>
Grant date	-		07 April 2021
Pieces of share	db	14 850	8 564
Fair value of share option at grant date:	HUF/piece	616	483
Option price	piece	100	100
Expected value of shares purchased through options (fair value)	EUR	22 855	10 335

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For the calculation of the risk-free yield, the Company used zero-coupon yields and the exchange rate changes of Masterplast Nyrt. shares in BÉT for volatility.

The fulfillment of the KPI's prescribed in the MPR remuneration policy (not belong for the consolidated EBIT 2022) was as follows:

KPI name	Fulfillment %
Increase of the consolidated profit after tax compared to previous year	97,7%
Increase of the consolidated profit after tax compared to the strategic plan	95,2%

If the following KPI's are met, the a precondition for the benefit is that the sales revenue included in the 2022 consolidated financial statements exceeds 2020.

KPI name	Fulfillment %
<i>Group turnover increase compared to 2020</i>	<i>164,50%</i>
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 per subsidiaries are the following:

Name of entity	31 December 2022	31 December 2021
Masterplast Hungária Kft.	25.430	12 187
Masterplast International Kft.	15.707	9 313
Masterplast Medical Kft.	1.679	7 431
Masterfoam Kft.	0	0
<b>Total</b>	<b>42.816</b>	<b>28 931</b>
Masterplast Nyrt	22.802	35 289
<b>Total</b>	<b>65.618</b>	<b>64 220</b>

Receivables of HUF 42.816 thousand are presented as „Other current financial assets” in the balance sheet, while expected personnel costs of HUF 22.802 thousand to the Company's employees are accounted through profit and loss as „payments to personnel”. The total option value of HUF 65.618 thousand is accounted for through equity as „treasury shares”.

As the Company and the ESOP entity are launching 2-year programmes, the 2022/2023 remuneration programme has been launched in 2022, in which the vesting period is the second year after the start of the programme, i.e. 2023, so the launch of this programme has no impact on the consolidated accounts for 2022.

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The share purchase option for the program related to financial year 2020 was evaluated based on the following factors:

<b>ESOP 2020/2021</b>		
Grant date	-	23 April 2020
Maturity date	-	17 June 2022
Option price	HUF/piece	100
Fair value of share option at grant date:	HUF/piece	483
Fair value of share option at grant date:	EUR/piece	1,3089
Risk-free yield	p.a.	1,3%
Expected number of shares purchased through options	piece	135 211
Expected value of shares purchased through options	EUR	176 983

### 34. EARNINGS PER SHARE BASED ON CONSOLIDATED DATA

Consolidated data are presented in EUR.

	<b>2022</b>	<b>2021</b>
Shareholders' share of the consolidated profit/(loss) for the year (EUR)	15 691 150	15 860 834
Weighted average of ordinary shares (pieces)	14 874 208	14 398 805
Consolidated profit/(loss) for the year per share (basic) (EUR)	1,05	1,10
Shareholders' share of the modified consolidated profit/(loss) for the year (EUR)	15 691 150	15 860 834
Weighted average of ordinary shares (pieces)	14 874 330	14 399 257
Shareholders' share of the diluted consolidated profit/(loss) for the year (EUR)	1,05	1,10*

\*2022-ben megvalósított tőke kibocsátás következtében, az összehasonlíthatóság érdekében a 2021-es hígított EPS mutató a 2022-es év során forgalomban lévő részvények súlyozott átlag db számával kalkulálva 1,07.

Treasury shares do not constitute to be ordinary shares for the calculation of earnings per share as a consequence they are not included in the weighted average stock of ordinary shares.

In accordance with IAS 33.4 the earnings per share of the Company equals with the earnings per share of the consolidated Group. In accordance with this interpretation the earnings per share calculation is based on the consolidated profit/(loss) for the year.

The consolidated profit for the year per share is EUR 1,05. The calculated diluted earnings per share (EUR 1,05) could not be higher than the basic earnings per share in accordance with IFRS. In the value of the calculated diluted EPS, the shares transferred to the ESOP are considered to have a dilutive effect, as they are expected to increase the weighted average stock of ordinary shares if they are drawn down in the future. The dilution effect is less than EUR 0.01.

The weighted average stock of ordinary shares (taking into account the above) was calculated as follows:

<b>2022</b>					
<i>Date</i>	<i>Issued ordinary shares (piece)</i>	<i>Treasury shares (piece)</i>	<i>Traded ordinary shares (piece)</i>	<i>Number of days</i>	<i>Weighted average</i>
31.12.2021	14 601 279	205 000	14 396 279	365	14 389 606
31.12.2022	16 850 631	70 537	16 780 094	365	14 874 208

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2021

<i>Date</i>	<i>Issued ordinary shares (piece)</i>	<i>Treasury shares (piece)</i>	<i>Traded ordinary shares (piece)</i>	<i>Number of days</i>	<i>Weighted average</i>
31.12.2020	14 601 279	240 204	14 361 075	366	14 389 100
31.12.2021	14 601 279	205 000	14 396 279	365	14 389 606

### 35. IMPACT OF COVID-19

Masterplast Group faced the current situation triggered by the spread of the COVID-19 virus with strong market embeddedness and a stable liquidity situation. With regard to the industry, it is now clear that the construction and building materials industries are less severely affected by the situation, however the indirect effects of the pandemic cause disruptions to the functioning of supply chains, which means further increases in raw material prices and potential supply difficulties for market actors. The supply of raw materials and goods continued to be a great challenge, but cooperation with several suppliers, well-designed inventory management and the steadily high level of orders ensured the operation of the plants and the service of the customers – despite the increasingly typical significant supplier delays. Demand has increased particularly for several products, mainly due to piling up inventories in the face of expectations for further price increases.

The operating environment has not become impossible anywhere as targeted governmental programmes helped to reduce significantly the risks. Further increases in energy prices and a high inflation environment will have a significant impact on operating costs which is expected to trigger the renovation market in order to achieve the EU's energy targets.

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

### 36. RUSSIAN-UKRAINIAN WAR

As a result of the Russian-Ukrainian war launched in February 2022, the Group temporarily ceased operations in Ukraine then, after securing equipment and resources, tried to continue operations in the non-war-torn areas. The potential impact of this on the Group's profitability is considered marginal due to the territorial positions of the Group's involvement. In the medium and long term, Masterplast - as a manufacturer of building and insulation materials, which has been present in the Ukrainian market for a long time - has the potential to offset its losses during the war by profits of the re-building after the war.

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

Further increases in energy prices and high inflation will have a significant impact on operating costs. The increased prices are likely to have a negative impact on the new housing market in the coming years, but the Group expects even stronger economic activity in terms of the renovation market than previously expected. The REPowerEU package adopted by the EU in response to the Russian-Ukrainian war, with the aim of helping the EU to become independent from Russian fossil fuels, treats the renovation of the European buildings as the same priority as providing alternative gas sources and investing in renewables.

### **37. SUBSEQUENT EVENTS**

The bonuses for the parent company's senior and middle management in the previous financial year are worth HUF 22,802 thousand, which is expected to be paid in May 2023 under the remuneration programme. The cost of these bonuses is included in the annual financial statements.

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

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

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

The Company purchased the remaining 49% share of MASTERWOOL MW-1 d.o.o on 21 March 2023. and as a result became its sole owner.

The Company purchased a nominal stake of EUR 89,000 of MASTERPLAST Italia S.r.l. representing 44.5% of its stock on 16 March 2023 and as a result became its 95.5% owner.

Dividend approved by the general meeting may be paid in connection with the financial year 2022. Payment can be made after approval by the general meeting in accordance with the current articles of association of Masterplast Nyrt

### **38. STATEMENTS FOR THE FUTURE**

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

Estimates and assumptions are reviewed regularly. Changes to accounting estimates are presented in the period of adjustment of the estimate if the change affects only the year in question, or in the period of the amendment as well as in subsequent periods, if the amendment affects both current and later years.

### **39. ASSUMPTION OF RESPONSIBILITY**

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

### **40. APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

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



MASTERPLAST PLC.  
MANAGEMENT AND BUSINESS REPORT 2022

Company registration number: 07-10-001342  
Tax number: 13805300-4-07

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

## MANAGEMENT AND BUSINESS REPORT

Business year: 1 January 2022 – 31 December 2022

Sárszentmihály, 27 April 2023



.....  
CEO

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## **Introduction**

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

## **Short summary of business data**

The Company's registered seat is at: Árpád u. 1/a., 8143 Sárszentmihály, Hungary.

Masterplast Ltd. was founded by individuals in 1997 with the purpose of selling building materials and was transformed into a private company limited by shares on 29 September 2006 through reorganisation. In order to enter the stock market, it was transformed into a public company limited by shares on 20 April 2011. Its shares were technically introduced at the Budapest Stock Exchange on 29 November 2011.

Owing to the dynamic growth in the period since its foundation, the Company's principal activity today is the management of its subsidiaries and properties, however it is also involved in real estate management. As an asset manager the Company hold investments in subsidiaries of the Masterplast Group thus changes in the construction industry have a significant impact on the Company's profitability through the profitability and capital structure of its subsidiaries.

The Company's real estate management activity is linked to its properties in Sárszentmihály and Kál. The Company owns several buildings and other properties in these two locations, which are rented primarily to the Company's subsidiaries but also – to a lesser extent – to third parties independent from the Group.

In addition of the above the Company grants intercompany loans to its subsidiaries, obtains bank loans for the Group and signs purchasing contracts in the name of the Group. Group management as well as employees carrying out various group-level activities are employed by Masterplast Nyrt. As a consequence group-level functions are supervised by the Company, thus it is the Company that manages the Group.

The most important data of the balance sheet included in the supplement – prepared in accordance with the International Financial Reporting Standards (IFRS) as approved and implemented by the European Union (EU) - are as follows:

1. Annual domestic net sales: HUF 982,953 thousands (2021: HUF 755,788 thousands)
2. The Company has an annual operation loss of HUF 773,650 thousands (2020: HUF 626,403 thousands), while it has profit before tax of HUF 2,464,138 thousands (2021: HUF 918,354 thousands)
3. Total assets amount to HUF 42,147,466 thousands (2021: HUF 27,825,111 thousands).
4. Equity was HUF 13,543,116 thousands (2021: HUF 3,501,852). During the capital increase of the Company, the share capital increased to HUF 1,685,063 thousand compared to HUF 1,460,128 million in the financial year 2021.

## **Financial and other management indicators**

<b>Name of the indicators and their calculation</b>		<b>2022</b>	<b>2021</b>
Ratio of non-current assets	<u>Non-current assets</u> Total assets	0,73	0,85
Equity ratio	<u>Equity</u> Total equity and liabilities	0,32	0,13
Liquidity indicator I.	<u>Current assets</u> Current liabilities	2,57	1,25
Liquidity indicator II.	<u>Cash and cash equivalents</u> Current liabilities	1,61	0,91
Efficiency of equity	<u>Profit for the year</u> Equity	0,17	0,27
Operating Efficiency	<u>Operating profit/(loss)</u> Equity	0,06	0,18

## **Distribution of Share Capital**

Share capital consists of 16,850,629 registered ordinary shares each with a face value of HUF 100. Shares are issued in the form of dematerialised shares.

ISIN identification number: HU0000093943

		<b>2022</b>	<b>2021</b>
1	Tibor Dávid	454 805 700 HUF	454 805 700 HUF
2	Ács Balázs	387 725 900 HUF	387 725 900 HUF
3	LPH Kft., SOH Kft.*	0 HUF	79 886 900 HUF
4	Nádasi Róbert	10 562 000 HUF	6 779 900 HUF
5	Additional minority owners	804 424 100 HUF	497 446 400 HUF
6	Repurchased shares	27 545 400 HUF	33 483 100 HUF
<b>Total</b>		<b>1 685 063 100 HUF</b>	<b>1 460 127 900 HUF</b>

\* Identified among minority owners in 2022

## **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.

## **Board of Directors**

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

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

**Members of the Board of Directors on 31 December 2021:**

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

**Audit Committee**

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

Members of the Audit Committee:

- Dezse Margaret
- Dirk Theuns
- Fazekas Bálint

The Audit Committee is responsible for:

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

**Internal audit**

The Company has an internal audit. In 2022, the Company's internal audit was performed by Katalin Csemák.

**General Meeting**

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

## Subsidiaries

On 31 December 2021, Masterplast Nyrt. had fully owned subsidiaries in 9 countries through which had an indirect share in the regions's construction industry. The Company had the following subsidiaries:

Company name	Place of registration	Date of foundation
Masterplast Romania S.R.L.	Romania	2001
Masterplast YU D.o.o.	Serbia	2002
Master Plast S.r.o.	Slovakia	1999
Masterplast d.o.o.	Croatia	2002
MasterPlast TOV	Ukraine	2005
Masterplast Sp zoo	Poland	2005
MasterFoam Kft.	Hungary	2004
Masterplast Medical Kft.	Hungary	2007
Green MP Invest	Ukraine	2012
Masterplast Hungária Kft.	Hungary	2016
Masterplast Modulhouse Kft.	Hungary	2016
Masterplast International Kft.	Hungary	2016
Fidelis Bau Kft.	Hungary	2020
Masterplast Nonwoven GmbH	Germany	2020
Masterplast D.o.o. *	Macedonia	2002/2022

\* In 2022, the Company acquired 80% Masterplast YU and 10% externally owned shares, this made Masterplast Nyrt the 100% owner of the Macedonian company

### Indirect relationship:

Masterplast Proizvodnja D.o.o.	Serbia	2021
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### Affiliated undertaking:

Masterprofil Kft.	Hungary	2007
T-Cell Plasztik Kft.	Hungary	2019
Master Modul Kft.	Hungary	2021
Masterwool MW-1 d.o.o.	Serbia	2022

Masterplast Nyrt. performs the management and coordination of the Group and ensures adequate operational background (provision of central contracts, guarantees, marketing and PR material, etc.).

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

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

## **Plans for expansion**

The Company aims to maintain a dynamic growth rate, which is planned to achieve through acquisition-based expansion, greenfield investments and organic development.

Geographically, the countries of the European Union and Serbia could be the growth areas. The Company pays particular attention to identifying potential acquisition targets, where it seeks companies with the right market potential, using both internal and external resources. The aim is of the acquisitions to support the Company's development, successful operations and create synergies.

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

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

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

## **The impact of macroeconomic developments**

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

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

According to the data of the Central Statistical Office, the volume of construction production in Hungary, which has the largest weight in terms of markets of the Group, increased by 3% year-on-year. Similarly to previous years, the state's home renovation subsidy, which ends at the end of the current year, continued to play a major role in the development of industry demand, and the regulations announced in August changing the reduction in utility charges also fuelled the demand for insulation materials. At the same time, Hungary's inflation rate and

key interest rate are by far the highest among EU countries, just as the weakening of the forint in 2022 was also outstanding.

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

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

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

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

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

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

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

Percentage change in the number of construction permits 2019 - 2022:

Country	2019.	2020.	2021.	2022.
Croatia	30,8	-16,1	19,1	12,9
Hungary	-3,7	-38,1	35,0	20
Poland	4,6	3,2	23,9	-12,7
Romania	-0,4	-2,9	24,1	-7,4
Slovakia	-0,9	-6,5	5,8	-16,2
Serbia	29,1	7,4	17,6	..
Germany	3,2	2,4	3,9	..

*Forrás: EUROSTAT: Building permits percentage change*

## **Management and structural subsequent events**

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

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

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

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

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

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

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

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

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

Within the construction sector, Company's development focuses on the insulation industry. In this area, the Company plans to expand its manufacturing portfolio related to product areas where it a significant market share in sales is controlled by the Company, but does not have its own production. In the future, the Company plans to produce thermal insulation materials that will also play a role in future construction technologies. The role of recyclability in the insulation industry is planned to be enhanced. The Company currently collects and recycles its insulation material (EPS and XPS) cuttings under the Hungarocell Green Programme. In the future, the Company plans to develop insulation systems to expand its green product portfolio, which will allow for the long-term degradation, collection and recycling of insulation materials. The Group also intends to further develop its manufacturing and sales capabilities to meet the growing future energy expectations of the market and regulators. The Company is also reorganising its manufacturing and business processes, with a focus on reducing

waste and harmful emissions, specific energy consumption and the use of an increasing share of renewable energy sources. Automation and robotisation will become an important aspect of future investments and developments in production and sales. Effective use of multi-legged, wide-range supplier relationships will ensure that growing manufacturing and sales requirements are smoothly satisfied.

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

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

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

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

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

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

### **Treasury shares data**

The company form is a public company limited by shares. At the balance sheet date, the Company had 275 454 pieces of dematerialised treasury shares.

### **Research and development activities**

Masterplast's innovation work is the sum total of technical, organizational, management and commercial operations aimed at improving the efficiency and profitability of economic activity, as a result of which a new or substantially modified product is created and a new product is introduced to the market. This activity at

Masterplast mainly focuses on experimental development (even technology), which aims at the design and production of new products, processes and services, but also includes the production of prototypes that are not sold and the testing of alternative raw materials that do not result in a new product.

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

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

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

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

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

## **Overview of premises**

Masterplast Plc's site in Sárszentmihály was expanded with an additional construction industrial area in 2022. The area is registered under eight separate topographical numbers in the database of the Land Office. The properties with an average area of 10 300 m<sup>2</sup> each have been taken out of cultivation and annexed to the inner area. According to the HÉSZ, they belong to other Industrial Building Zone GIP 1. The total area of 85 852 m<sup>2</sup> has been fenced off and is in the process of being attached to the central site No. 104/12. A 4 500 m<sup>2</sup> truck parking lot and a 2500 m<sup>2</sup> paved car parking lot have been created on the new property.

In the area of the parking lot, Masterplast Modulhouse Kft.'s first office building built of modular elements was handed over, equipped with the most modern building automation devices. The floor area of the office building is 102 58 m<sup>2</sup>. At the Central Site, the 1279 m<sup>2</sup> warehouse hall opened on two longitudinal sides was built. We have obtained a legally binding occupancy permit for the building. In 2022, two warehouses in Sárszentmihály were transformed and completely renovated. Taking into account the guidelines of energy management during the renovation, keeping sustainability in mind, thermal insulation with PIR sandwich panels, heating system with energy-saving thermofans with heat pumps, and lighting with LED technology. The building stock of the Company has not changed.

The Group's own sites have 445 thousand m<sup>2</sup> plots, nearly 6 thousand m<sup>2</sup> offices, 28 thousand m<sup>2</sup> production halls, 66 thousand m<sup>2</sup> warehouses, 112 thousand m<sup>2</sup> parking lots and roads.

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

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

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

## **Environmental protection**

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

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

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

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

The year 2022 gained great momentum in the life of the Group from an environmental point of view with the permanent presence of environmental engineer at the site. Thanks to environmental awareness-raising, the members and employees of the Company take even more responsibility for the sustainability of the environment

and are committed to environmental protection. In connection with this, the organization has introduced a number of integrated environmental goals.

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

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

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

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

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

### **Energy crisis and insulation**

In Hungary, 80 % of the building stock is weakly insulated or not insulated at all, and there is no alternative to local or regional production of insulation material. The energy crisis, changes in the price of household energy and uncertainties about the future of the energy market are encouraging people to reduce their energy consumption in some way. According to a representative survey jointly conducted by GKI and Masterplast in December 2022, every eighth family plans to modernize their home to save energy (insulation, replacement of windows and doors, installation of a new heating solution) in the next year. The energy crisis has therefore confirmed that there is a massive need for insulation materials and their production in the region and that demand for insulation products is expected to remain strong even in a weaker market environment.

Insulation is an important step towards more efficient and lower energy consumption, as it means the best savings.

Masterplast offers a remedy tailored right for this situation. With the correct application of façade insulation materials, over their lifetime, one can save ~150-200 times the energy used for input/preparation.

### **Energy consumption**

Many of our subsidiaries are certified to the ISO 50001 standard. The standard provides guidance to continuously improve the energy performance of our Group, including energy efficiency, energy security, use and

consumption. We also aim to reduce our energy consumption and thus our energy costs, while also reducing greenhouse gas emissions.

Masterplast uses energy in various forms, most of it as electricity in its production process. Energy is used in the commercial service in the form of fuel for the operation of the company's own fleet of vehicles. The first pilot solar panel installation with a capacity of ~ 30 000 kWh was launched in 2022.

What energy savings concern, in 2022, sub-meters were installed at the larger consumers as a pilot project, so energy saving variables are calculated from these data.

### **Waste management**

The Masterplast Group carries out manufacturing activities in more than 10 locations in 4 countries. These production sites generate nearly 100% of the total amount of waste within the Group. As a responsible company, in the framework of our comprehensive waste management programme, we strive to recycle the waste generated at each site in the same production process. If this is not possible, we collaborate with professional companies to recycle or treat the waste.

We monitor the waste generated at group level and constantly endeavour to collect waste separately, by type. We place great emphasis on reducing its generation keeping in mind the principle of prevention. We pay attention to the recovery and disposal of the waste we produce in the nearest suitable and authorized facility. At Group level, we strive to consider the life cycle of the products we manufacture and to plan product life cycle, reusability and disposal.

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

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

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

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

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

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

Data on waste is collected in compliance with legal requirements.

Owing to the growth of our company, the volume of waste generated has changed significantly compared to the previous year, due to new investments.

The hazardous waste generated at the site was handed over for full collection to our contracted partner with the appropriate permits. The non-hazardous waste generated at the site was fully handed over to our contracted partner with the appropriate permits. The hazardous and non-hazardous waste generated at the sites is handed over to our contracted partner for recycling. In the spirit of environmental awareness, the company uses special purpose machines in the field of waste management, such as PE waste shredder, compactor - up to 1:50 compression ratio - and baler.

## **Risk management policy**

### **Total credit risk**

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

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

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

### **Interest rate risk**

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

### **Liquidity risk**

The Group's liquidity policy requires to hold sufficient liquid assets and available credit lines to implement its Financial Strategy. On 31 December 2022, the Group had HUF 19,5 billion (EUR 48,7 million) bonds issued. With the bonds issued within the framework of the bond program launched by the MNB, the Group provides adequate solvency and financial flexibility to achieve the Group's strategic goals.

### **Geographic risk**

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

### **Country risk**

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

### **Exchange rate risk**

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

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

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

### **Taxation risk**

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

### **Management of capital risks**

- **Dividend policy**

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

- **Raising capital**

Masterplast implemented a capital increase in 2022. In the future, the Company may also provide funds for the realization of its future strategic plans in the form of capital increases. The Company, with the exception of individual cases, does not plan to raise capital for its subsidiaries with shareholder approval, and funds increases in equity from annual profits.

- **Optimal capital structure**

With the capital raised in 2022, the Group's equity/liability ratio improved significantly, which it intends to maintain in the future in an effort to reduce liquidity risk (stemming from unpredictable money markets).

- **Maintaining operability**

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

### **Ethical norms**

The Group pays special attention to observe the human rights, fight against corruption and prevent bribery. The Group 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 Group 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 Group, among other things, the prohibition of insider trading, the handling of confidential information held by the Group, the protection of corporate property, and the intellectual properties of the Group.
- In relation to the Group and the society, public participation, prohibition of child and forced labor, corporate social responsibility and environmentally awareness.

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

### **Labour force management**

The group-level human resources management and strategic objectives of Masterplast are responsive to the changes in our fast-evolving world. According to our philosophy, we can be successful if our ability to change and adapt speeds up and our agility increases. Expanding our management team with international experience and

developing the organization's capacity for integration is therefore key to achieving our strategic goals. Another key human resource management commitment is to identify the potential of our employees, to recognize and retain the performance of talented employees who are of high importance to the company, and to motivate them continuously, even by further development of their skills and competences. Ensuring a sustained inflow of young people is necessary for the competitiveness of the organization.

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

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

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

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

### **Equal Opportunities Guidelines**

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

### **Respect for human rights**

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

### **Short-term plans**

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

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

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

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

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

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

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

### **Corporate Social Responsibility**

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

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

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

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

The Company joined the KÉPES programme as a supporter; the programme was created in 2013 by a group of Székesfehérvár-based companies and the municipal government of Székesfehérvár. The KÉPES programme, or the Community Value Creation Programme — Together for Székesfehérvár! aims to come up with solutions that create lasting value for the local community as a joint effort between the business world and the municipal government. Masterplast provides product and expert support for the program's projects and its employee team contributes with voluntary work.

The company's core business of improving the energy efficiency of buildings is closely linked to the achievement of climate protection goals and the creation of a sustainable future. For Masterplast, it is of utmost importance

to transfer green thinking into construction practice, which is why in 2020 it launched the "Hungarocell Green Program" initiative, the first in the Hungarian construction industry to implement a circular economy model. The aim of the programme is to ensure that the residues generated by the use of the insulation materials sold by the company do not generate environmentally harmful waste, but are recycled and reused as insulation materials, reducing the energy demand and carbon footprint of buildings throughout their life cycle.

### **Corporate governance**

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

The Group will do its best to operate in accordance with the statutory and regulatory requirements and in line with the principles of ethical business conduct. Therefore, the Company places particular emphasis on the corporate governance recommendations of the Budapest Stock Exchange in its day-to-day operations and regulation. The documents available on the following website:

[https://www.masterplastgroup.com/document\\_folder/tarsasagiranyitasi-dokumentumok/](https://www.masterplastgroup.com/document_folder/tarsasagiranyitasi-dokumentumok/).

### **Corporate governance statement**

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

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

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

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

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

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

The managing body of the Company is the Board of Directors which has 5 members. The responsibilities of the Board of Directors shall include decisions that are related to the governance of a legal person, and are beyond the competence of the General Meeting, and such decisions which are delegated to the power of the Board of Directors by the Articles of Association and the legal rules. The rules of procedure, scope of authority and

responsibilities of the Board of Directors are regulated in detail by the Section VIII. of the Articles of Association and the Rules of Procedure of the Board of Directors which can be read on the webpage of the Company. The Company's Board of Directors continuously monitors the company's operations, receives continuous information about the operation of the company from the Management and the CEO.

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

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

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

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

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

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

The Company has a three-member audit committee, whose members are elected by the General Meeting from among the independent members of the Board of Directors for the same term as their members of the Board of Directors. The Audit Committee shall elect its chairman from among its members and shall take its decisions by simple majority vote. In 2022, Margaret Elizabeth Dezse filled this position.

Members of the Audit Committee until April 30, 2022:

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

Members of the Audit Committee from May 1, 2022:

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

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

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

Members of the Management:  
President David Tibor  
Balázs Ács Vice-President  
Róbert Nádasi CEO

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

The daily operational work and work organization of the Company and the provision of the conditions necessary for the activities of the Company are directed and controlled by the CEO within the framework determined by law, the General Meeting and the decisions of the Board of Directors. The CEO is not a member of the Board of Directors and participates in its meetings as a permanent invitee. The employer's rights over the employees of the Company are exercised by the CEO. His professional career and presentation can be viewed on the Company's website.

In 2022, the Board of Directors held 6 meetings with 100% participation and 1 meeting with 80% participation. The presence took place in person or by electronic means of public communication. There is no Supervisory Board at the Company.

The Audit Committee held 2 meetings with 100% attendance and 1 meeting with 66.66% participation in 2022. The presence took place in person or by electronic means of public communication. The Board of Directors shall function as a body and take decisions. When the Company went public, it defined its own operations in a rules of procedure, which were last updated in March 2019 to maintain best practice.

The order of business shall include:

- the tasks and powers of the Management Board,
- the main duties of the Chairman and Vice-Chairman of the Board of Directors,
- the schedule and preparation of Board meetings, decision-making system, control over the implementation of decisions, rules on conflicts of interest.

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

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

There is no Supervisory Board at the Company.

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

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

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

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

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

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

The internal control function of the Company is performed by Katalin Csemák, internal auditor. It reports on the results of its investigations to the Audit Committee and to the management of the Company. Audits are carried out on the basis of an internal audit plan for the current year, approved by the Audit Committee with the agreement of the CEO.

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

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

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

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

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

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

The official channels of communication with shareholders are regular information: the annual report, the half-yearly report and quarterly results, as well as extraordinary briefings. In addition, shareholders are informed about the business, results and strategy at the Annual General Meeting and the Annual Investor Meeting. The company always pays special attention to comply with best practice provide a wide range of information to the capital market.

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

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

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

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

Stakeholders are expected to:

- not to acquire or dispose of, directly or indirectly, for his own account or for the account of a third party, shares or other financial instruments in possession of inside information, to withdraw or amend, to instruct or instruct any other person to do so, to induce third parties to do so, and not to advise or accept decisions relating to those financial instruments;
- not to divulge inside information unless they have written authorisation to do so;

- even within the Company's employees, they should be careful about sharing inside information, disclosing information only with permission and to the extent necessary for work, and protecting inside information from accidental disclosure.

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

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

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

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

### **Equal opportunity and diversity**

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

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

Masterplast Nyrt. established the MASTERPLAST Employee Shared Ownership Program on 14 December 2016. The MRP organization is based in: 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 2022 were the employees of Masterplast Nyrt. and of by 100% controlled Masterplast Kft., Masterplast Hungária Kft., Masterplast International Kft. and Masterfoam Kft, where the Company's Remuneration Policies are applied and covered. The Founder assigned those leaders of the aforementioned companies to the Participants, who had the greatest impact on the achievement of the company's business goals set out in the Remuneration Policies.

### **Subsequent events**

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

The Company concluded a strategic cooperation agreement with KÉSZ Holding Zrt. on 31 January 2023 for the joint development of a steel frame system of modular buildings manufactured by MASTERPLAST Modulhouse Kft. Based on the strategic cooperation agreement, the joint development and utilization is related to the modular building element manufacturing business of the Company, within the framework of which KÉSZ Holding Zrt. and its affiliated companies designated to participate in the cooperation can support the goals of the

Company partly as suppliers of steel structures and partly as buyers of modules manufactured with jointly developed frames. For the success of the cooperation, KÉSZ Holding Zrt. provides decades of experience and capacity in the production of steel structures, while Masterplast provides its thermal insulation material manufacturing knowledge, building energy expertise and know-how achieved in the design and manufacture of modular building elements.

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

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

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

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

### **Summary**

The year started strongly for Masterplast, despite the Russia-Ukraine war and the global energy crisis, favorable industry trends prevailed in the construction industry in the first half of the year, but with inflation and interest rates soaring around the world, the industry deteriorated significantly by the third quarter. On a year-on-year basis, the Company's revenue grew by 5% to over EUR 200 million, driven by strong performance in the construction segment, which compensated the decline in sales of healthcare products. The decline in the share of healthcare products and increased manufacturing (typically energy) costs led to a decrease in gross margin, but the company's annual EBITDA still exceeded EUR 20 million (EUR 20 592 thousand, 10.2% EBITDA margin).

Favourable currency movements for the Company improved the Group's financial results. As a result, the EUR 15 700 thousand annual profit after tax was only 2% below the record profitability base previous year. In the financial year, the Company raised capital for HUF 9.2 billion (EUR 22 359 thousand) in order to implement its investment plans. Although the recession in the construction industry resulted in a more moderate period of performance for the Company in the short, operating in an energy-conscious and thus crisis-resistant thermal insulation industry supports the achievement of growth goals in the medium and long term.

**MASTERPLAST**

