

Annual Report | 2017





Foreword to the Annual Report

Traditionally, the annual report begins with a foreword. However, according to its genre, it is rather an afterword or postscript, since what we are now reporting on is the past, the year 2017 we left behind. On the following pages, you will find numbers, indexes and tables detailing the main indicators of the 2017 record-earning year allowing for a comparison with the previous year. The net sales of the ANY Group were HUF 26,181 million. This means a 5% increase.

Our company has a 167 year history. However, for the shareholders, the last 13 years are more exciting: our shares were listed on the Budapest Stock Exchange in December 2005.

In 2005, the Company's revenue was HUF 11,557 million, equivalent to USD 54 million at the exchange rate at that time. Export represented 5% of sales. Last year, our sales exceeded USD 100 million, with an export ratio exceeding 40%.

Our revenue has doubled, and growth was mainly due to foreign activity.

What did the shareholders get?

HUF 673 will be/has been paid as a dividend after the 2017 profit. The share price has risen from HUF 560 to HUF 1,395 (data as of 12 April 2018). This means that those who put their belief in the operation and management of the State Printing House in December 2005 achieved a 369% yield. Their investment of HUF 560 is worth HUF 2,068 in dividends and share value as these lines are being written.

Therefore, when our esteemed shareholders look at the results and processes of the year 2017, I suggest that they should look a little further away. We hope that this rate of progress will continue apace in the years to come. Although past successes are not a guarantee for the future, they establish the hope that the expertise, dynamism and dedication that characterise the staff of ANY Security Printing Company PLC will further enhance the profit and value of the Company.

Dr Ákos Erdős
Chairman of the Board

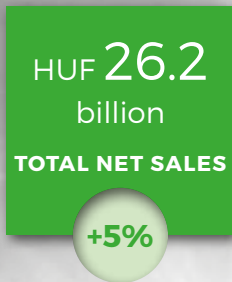
Budapest, 12 April 2018

A new record year driven by foreign sales at the Printing Company

Sales revenue and net income of ANY Security Printing Company increased by 5% in 2017. EPS amounted to HUF 79. The AGM of the Company decided to pay total net income as dividend.

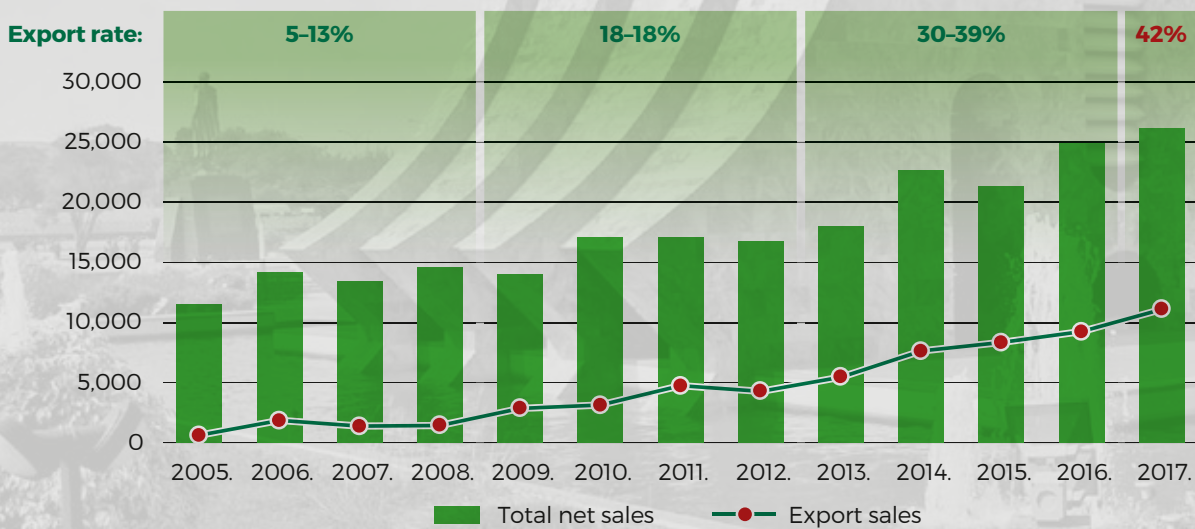
Sales revenue of ANY Group amounted to HUF 26.2 billion in 2017 increased by 5%, compared to previous year. Export

sales revenue was HUF 11.1 billion with an increase of 21%, which is 42% export ratio compared to total ANY Group sales. EBITDA increased by 1%, it was HUF 24 million higher than the adjusted income of the previous year. EBITDA margin is still 12%. EPS is HUF 79.

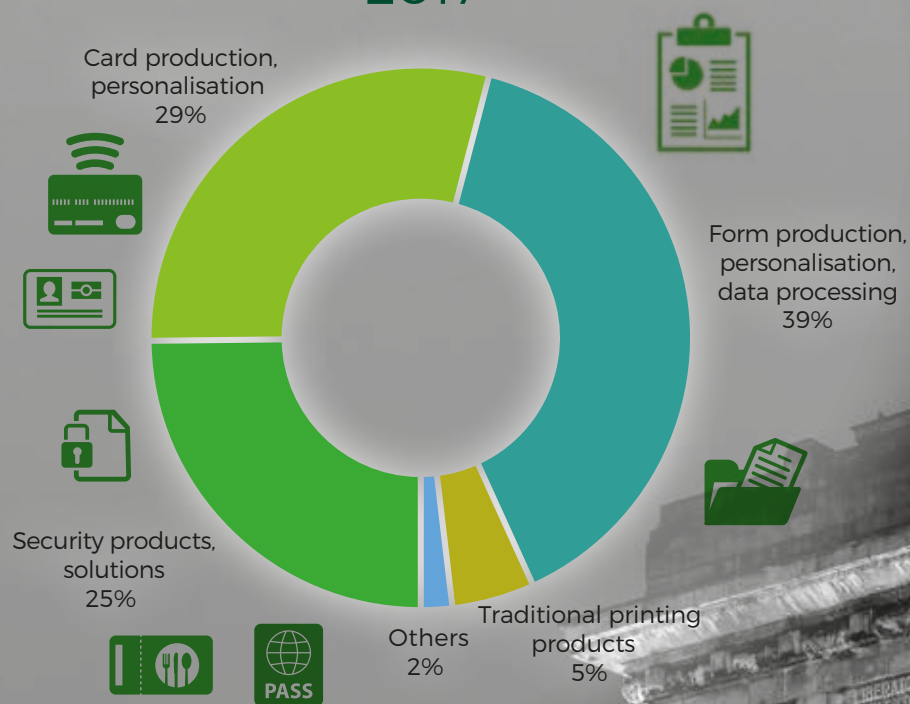


In case of strategic product segments sales of security products and solutions came to HUF 6.5 billion, which means a decrease of HUF 0.2 billion compared to 2016; revenues from card production and personalisation totalled HUF 7.7 billion, which is HUF 1.7 billion higher than last year. Revenues from form production, personalisation and data processing segment came to HUF 10.3 billion, HUF 0.5 billion lower than in 2016. Rate of strategic product segments among total net sales was 93%.

Total net sales, export net sales, 2005–2017



Sales ratio by product segments, 2017



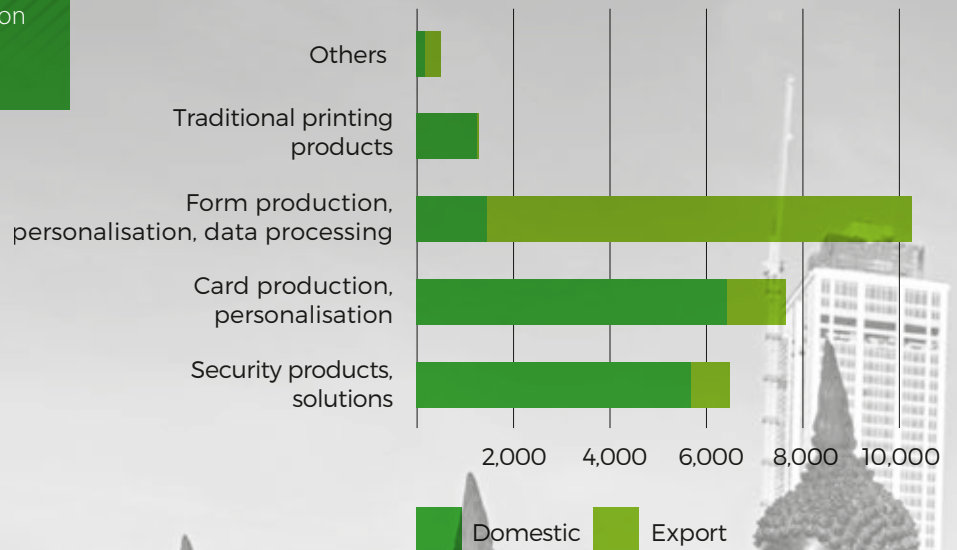
Export sales amounted to HUF 11.1 billion, which is a 21% increase compared to a year earlier, representing a 5% increase in the 42% export sales ratio.

Net sales of security products and solutions were HUF 788 million, which is HUF 317 million higher than in 2016 that was given by increasing turnover of meal vouchers. Card production and personalisation sales were HUF 1,202 million, which is HUF 884 million higher than previous year due to the document card increasing.

Sales categories	2016 Q1–Q4 HUF millions (A)	2017 Q1–Q4 HUF millions (B)	Change (B–A)	Change % (B/A–1)
Security products and solutions	6,680	6,500	(180)	(2,69%)
Card production and personalisation	5,937	7,652	1,715	28,89%
Form production and personalisation, data processing	10,715	10,253	(462)	(4,31%)
Traditional printing products	1,143	1,288	145	12,69%
Other	436	488	52	11,93%
Total net sales:	24,911	26,181	1,270	5,10%

In the field of form production, personalisation and related logistics services export sales amounted to HUF 8,779 million, increased by HUF 678 million compared to last year.

Sales ratio by products segments, 2017



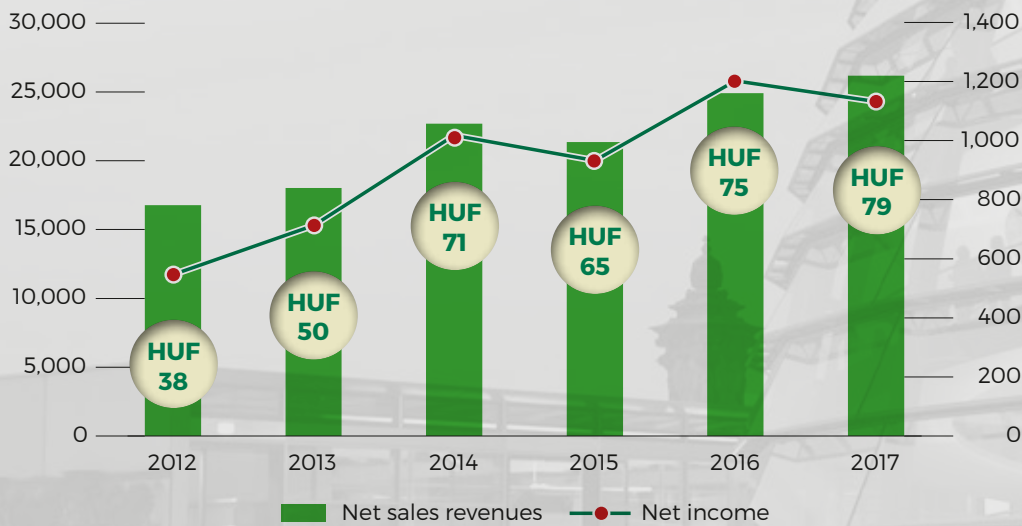
Sales categories	2016 Q1–Q4 HUF millions (A)	2017 Q1–Q4 HUF millions (B)	Change (B–A)	Change % (B/A–1)
Security products and solutions	471	788	317	67.30%
Card production and personalisation	318	1,202	884	277.99%
Form production and personalisation, data processing	8,101	8,779	678	8.37%
Traditional printing products	10	23	13	130.00%
Other	328	328	–	0.00%
Total net sales:	24,911	26,181	1,270	5.10%
Total export sales:	9,228	11,120	1,892	20.50%

EPS is HUF 79

In 2017 consolidated EBITDA amounted to HUF 3,068 million, which represents an increase of HUF 24 million (1%) compared to the adjusted EBITDA in 2016. Consolidated operating income is HUF 1,998 million, which is HUF 38 million higher

than the adjusted profit for previous year. Consolidated net income after interest income, taxation, non-controlling interest is HUF 1,132 million, which shows an increase of HUF 56 million (5%) compared to the previous year.

Sales revenues, income, EPS, 2012-2017



Net sales totalled HUF 26,181 million in 2017, which is HUF 1,270 million (5%) increase compared to the figure for the same period of last year. Operating income is HUF 1,998 million, which is HUF 38 million higher than in 2016. Gross profit totalled HUF 7,993 million, which means a 31% gross margin. General (SG&A) expenses amounted to HUF 6,006 million in 2017, which equals 23% of net sales.

Material expenses increased by HUF 1,125 million ,7% in the current period, due to increase in sales. The capitalized value of own performance line shows the capitalized value of assets produced and the change in inventories manufactured. These figures were driven mainly by the change in inventories in both periods presented; the most significant of these

is the value of unfinished production connected with security and card products. Personnel expenses totalled HUF 5,957 million, which is 6% higher than in the base period due to the higher turnover and the general increase in wages and salaries. EBITDA amounted to HUF 3,068 million due to the change in operating income and depreciation, which represents an increase of HUF 24 million (8%) compared to previous period's adjusted EBITDA. Therefore EBITDA margin is 12%.

Net interest income amounted to HUF 93 million in 2017. Net income – after financial operations, taxation and minority interest – came to HUF 1,132 million in 2017, an increase of 5% compared to the adjusted profit of 2016.

Description	2016 Q1–Q4 in HUF millions	2016 Q1–Q4 in HUF millions (adjusted)*	2017 Q1–Q4 in HUF millions	Change	Change %
Net sales	24,911	24,911	26,181	1,270	5.10%
Capitalized value of assets produced	258	258	104	(154)	(59.69%)
Material expenses	16,145	16,145	17,270	1,125	6.97%
Personnel expenses	5,601	5,601	5,957	356	6.36%
Depreciation	1,008	1,008	1,070	62	6.15%
Other expenses	253	379	(10)	(389)	(102.64%)
Operating income	2,162	2,036	1,998	(38)	(1.87%)
Net profit:	1,202	1,076	1,132	56	5.20%
EBITDA	3,170	3,044	3,068	24	0.79%
EBITDA margin (%):	12,73%	12,22%	11,72%		

*After the elimination of one-off other revenue was accounted for in accordance with IFRS rules because of the purchase of ANY Ingatlanhasznosító Kft.

Board of Directors

Dr. Ákos Erdős chairman

Gábor Zsámboki vice-chairman

Tamás Erdős

György Gyergyák

Péter Kadocsa till 30th April, 2018

Dr. Gábor Kepecs from 1st May, 2018

Erwin Fidelis Reisch

SUPERVISORY BOARD

Dr. Tamás Sárközy chairman

Dr. Istvánné Gömöri vice-chairman

Ferenc Berkesi

Dr. Erzsébet Novotny

Dr. Imre Repa

Dr. János Stumpf

MANAGEMENT

Gábor Zsámboki | chief executive officer

László Balla | deputy chief executive officer

Ferenc Berkesi | chief security officer

Tamás Karakó | chief financial officer

Gábor Péter | chief information officer

Dr. Lajos Székelyhídi | chief research and development officer

Zoltán Tóth | chief technical and production officer

MAIN FINANCIAL DATA AND INDICATORS

(IFRS consolidated)

Name	FY 2016 in HUF millions	FY 2017 in HUF millions
Financial situation		
Non-current assets	7,620	7,949
Total assets	15,374	17,673
Shareholder's equity	7,374	7,215
Main categories of results		
Net sales	24,911	26,181
EBITDA	3,044	3,067
Profit after tax	1,076	1,132
Main indicators		
Return on sales (ROS) %	4.3%	4.3%
Return on equity (ROE) %	14.6%	15.7%
Earning per share (EPS) HUF	75	79

Sales of product groups

The breakdown of net sales by category is presented in the table below:

Sales categories	FY 2016 in HUF millions	FY 2017 in HUF millions	Change in HUF millions	Change %
Security products and solutions	6,680	6,500	(180)	-2.69%
Card production and personalization	5,937	7,652	1,715	28.89%
Form production and personalization, data processings	10,715	10,253	(462)	-4.31%
Traditional printing products	1,143	1,288	145	12.69%
Other	436	488	52	11.93%
Total net sales:	24,911	26 181	1 270	5.10%

ANY PLC had consolidated net sales of HUF 26,181 million in Q1-Q4 2017, which is HUF 1,270 million (5%) higher than the sales for the base period.

Sales of **security products and solutions** came to HUF 6,500 million in Q1-Q4 2017 which means an decrease of HUF 180 million (3%) compared to the base period.

The Company's revenues from **card production and personalisation** totalled HUF 7,652 million in the period of reference, a HUF 1,715 million increase compared to similar period of year 2016. Higher volume of document card sales is behind the change.

The Company's revenues from form **production, personalisation and data processing came** to HUF 10,253 million in 2017, a HUF 462 million lower than the sales for the base period. Missing sales revenue from last year's referendum causes the decrease, which could be partly compensated by export sales increase.

Sales of **traditional printing products** amounted to HUF 1,288 million in the period of reference, which means a HUF 145 million increase compared to the previous year's similar period.

Other sales totalled HUF 488 million in Q1-Q4 2017, which is a increase of HUF 52 million (12%). This segment mainly comprises revenues from the sale of commercial materials and goods.

EXPORT SALES BY CATEGORIES

Sales categories	FY 2016 in HUF millions	FY 2017 in HUF millions	Change in HUF millions	Change %
Security products and solutions	471	788	317	67.30%
Card production and personalizations	318	1,202	884	277.99%
Form production and personalization, data processings	8,101	8,779	678	8.37%
Traditional printing products	10	23	13	130.00%
Other	328	328	0	0.00%
Total export sales:	9,228	11,120	1,892	20.50%
Export %:	37.04%	42.47%		

Export sales amounted to HUF 11,120 million as at December 31, 2017, which is a 21% increase compared to a year earlier, representing a 5% increase in the 42% export sales ratio.

Net sales of security products and solutions were HUF 788 million, which is HUF 317 million higher, than the same period of the last year. Increasing turnover of meal vouchers was the reason for that.

Card production and personalization sales were HUF 1,202 million, which is HUF 884 million higher than previous year due to the document card increasing.

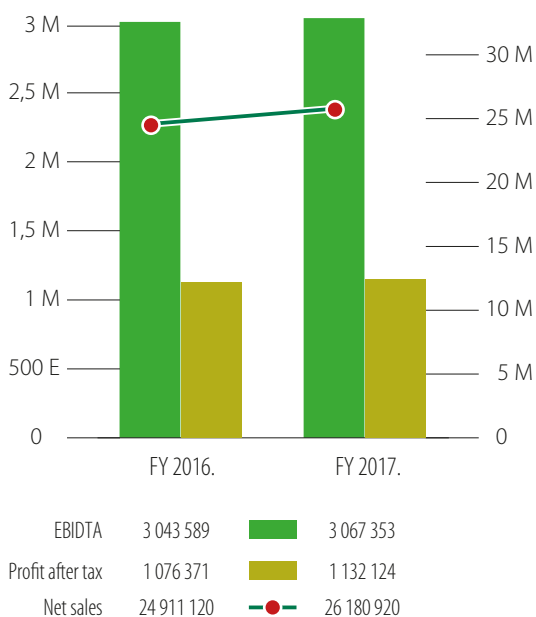
There was a growth (8%) in the field of form production, personalisation and related logistics services, in the end of the period was HUF 8,779 million, increased by HUF 678 million compared to the base period.

Financial analysis

The table below presents the calculation of operating income according to the so-called "total cost accounting" method.

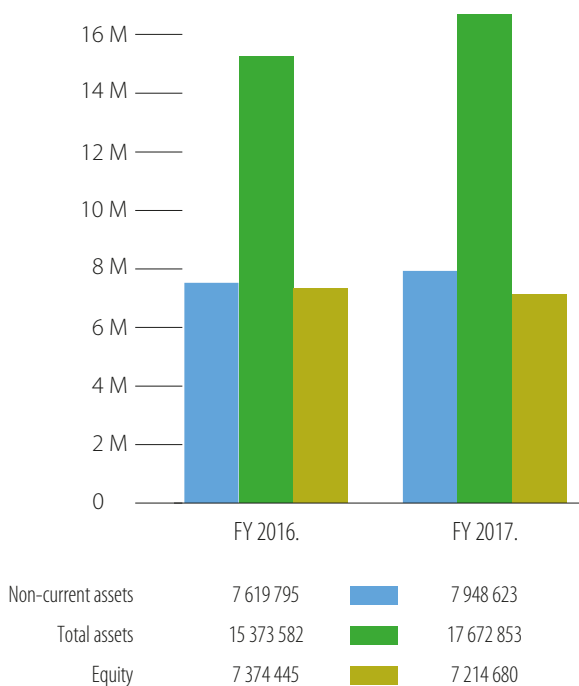
Description	2016 Q1-Q4 in HUF millions (A)	2016 Q1-Q4 in HUF millions (adjusted)* (B)	2017 Q1-Q4 in HUF millions (C)	Change (C-B)	Change % (C/B-1)
Net sales	24,911	24,911	26,181	1,270	5.10%
Capitalized value of assets produced	258	258	104	(154)	-59.69%
Material expenses	16,145	16,145	17,270	1,125	6.97%
Personnel expenses	5,601	5,601	5,957	356	6.36%
Depreciation	1,008	1,008	1,070	62	6.15%
Other expenses	253	379	(10)	(389)	-102.64%
Operating income	2,162	2,036	1,998	(38)	-1.87%
Net profit	1,202	1,076	1,132	56	5.20%
EBITDA	3,170	3,044	3,068	24	0.79%
EBITDA margin (%)	12.73%	12.22%	11.72%		

PROFITABILITY OF ANY GROUP IN THE YEARS 2016 AND 2017



Net sales totalled HUF 26,181 million in Q1-Q4 2017, which is HUF 1,270 (5%) million increase compared to the figure for the same period of last year. EBITDA amounted to HUF 3,068 million due to the change in operating income and depreciation, which represents an increase of HUF 24 million (1%) compared to previous period's adjusted EBITDA. Therefore EBITDA margin is 12%. Net income came to HUF 1,132 million in Q1-Q4 2017, an increase of 5% compared to the adjusted profit of the previous year's similar period.

FINANCIAL SITUATION OF ANY GROUP IN THE YEARS 2016 AND 2017

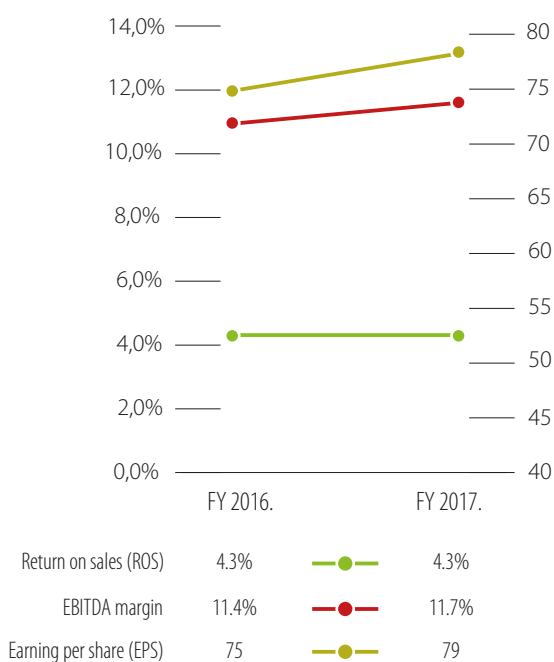


The Company had total assets of HUF 17,673 million on 31 December 2017, which increased by HUF 2,299 million compared to the previous year-end.

The Company had non-current assets of HUF 7,949 million on 31 December 2017, which increased by HUF 329 million compared to the previous year-end.

CHANGES IN EQUITY ITEMS (IN HUF MILLIONS)

HUF millions	Share capital	Capital reserve	Retained earnings	Treasury shares	Total
January 1, 2016.	1,450	251	4,764	(455)	6,010
Dividend	0	0	(962)	0	(962)
Profit / (loss) for the year	0	0	1,202	0	1,202
December 31, 2016	1,450	251	5,004	(455)	6,250
January 1, 2017	1,450	251	5,004	(455)	6,250
Dividend	0	0	(1,243)	0	(1,243)
Profit for the year	0	0	1,132	0	1,132
Other comprehensive income	0	0	(92)	0	(92)
December 31, 2017	1,450	251	4,802	(455)	6,047



MAIN INDICATORS OF ANY GROUP IN THE YEARS 2016 AND 2017

Higher profitability of ANY Security Printing Company Group in 2017 is mainly the result of the strategic product segments. EBITDA margin amounted to 12% while return on sales was 4.3%. Earnings per share are HUF 79.

The Board of Directors has examined the operation of the Company's internal controls and concluded that it was effective. It has not found any event when there was a deviation from internal controls.



Independent Auditors' Report and Consolidated Financial Statements

31ST DECEMBER 2017

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This is a translation of the Hungarian Report
Independent Auditors' Report

To the Shareholders of ANY Biztonsági Nyomda Nyilvánosan Működő Részvénytársaság

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying 2017 consolidated financial statements of ANY Biztonsági Nyomda Nyilvánosan Működő Részvénytársaság ("the Company") and its subsidiaries (altogether "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017 - showing a balance sheet total of HUF 17,672,853 thousand and a total comprehensive income for the year of HUF 1,446,334 thousand -, the related consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and has been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for consolidated financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the consolidated financial statements section” of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of Goodwill

The Group’s goodwill represents HUF 335.8 million, which is approximately 2% of total assets. Valuation of goodwill is a significant judgmental area. Management annually assesses if goodwill is impaired in accordance with EU IFRSs. This is a key audit matter as significant judgement is involved to determine if the goodwill is impaired.

Our audit procedures included, among others, evaluating assumptions and methodologies used by the Group to assess whether goodwill is impaired. We assessed the accuracy of key inputs used in the model, such as management’s primary cash-flow assumptions, the applied discount- and growth rates. We reconciled the model to the approved business plan of the subsidiaries and also assessed historical accuracy of management’s estimates. We assessed the compliance of the valuation method with EU IFRSs and the consistency of application compared to the prior year. We assessed the adequacy of the Group’s disclosures about goodwill in accordance with EU IFRSs including information how the impairment is evaluated by the Group.

The Group’s accounting policy and disclosures about its goodwill and related impairment are included Notes 2 and 8 to the consolidated financial statements.

Other matters

The consolidated financial statements as at 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 6 March 2017.

Other information

Other information consists of the 2017 consolidated business report of the Group, which we obtained prior to the date of this auditor's report and the Annual Report of the Group, which is expected to be made available to us after that date. Management is responsible for the other information, including preparation of the consolidated business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether 1) the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the consolidated business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Our opinion on the consolidated business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available and whether the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

In our opinion, the consolidated business report of the Group, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2017 is consistent, in all material respects, with the 2017 consolidated financial statements of the Group and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Group further requirements with regard to its consolidated business report, we do not express opinion in this regard.

We also confirm that the Group have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Group and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the other information, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as statutory auditor by the General Assembly of Shareholders of the Company on 6 April 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 1 year.

Consistency with Additional Report to Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the consolidated business report and in the consolidated financial statements, no other services were provided by us to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Zsuzsanna Bartha.

Budapest, 9 March 2018

Zsuzsanna Bartha
engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Zsuzsanna Bartha
Registered auditor
Chamber membership No.: 005268

Consolidated Statement of Financial Position as at December 31, 2017 and December 31, 2016

In HUF thousands:	Notes	December 31, 2017	December 31, 2016
Current assets			
Cash and bank	3	866,748	865,496
Accounts receivables	4	4,658,577	3,445,270
Inventories	5	2,803,643	2,143,714
Other current assets and prepayments (without current tax receivable)	6	1,225,614	1,121,160
Current tax receivables	6	169,648	178,147
Total current assets:		9,724,230	7,753,787
Non-current assets			
Property, plant and equipment	7	7,571,426	7,229,706
Goodwill	8	335,857	335,009
Intangibles	9	36,578	50,066
Other assets		4,762	5,014
Total non-current assets:		7,948,623	7,619,795
Total assets:		17,672,853	15,373,582
Current liabilities			
Short term part of lease liabilities		2,658,748	2,467,331
Rövid lejáratú lízingskötelezettségek	22	323,518	264,267
Other payables and accruals (without current tax liabilities)	10	1,565,412	965,991
Current tax liabilities	10	519,814	692,962
Short term loans	11	3,159,950	1,035,947
Total current liabilities:		8,227,442	5,426,498
Long term liabilities			
Deferred tax liability	18	314,531	302,121
Long term part of lease liabilities	22	376,385	515,231
Long term loans	11	1,445,016	1,632,839
Derivative financial liabilities	23	87,214	–
Other long term liabilities		7,585	122,448
Total long term liabilities:		2,230,731	2,572,639
Shareholders' equity			
Share capital	12	1,449,876	1,449,876
Capital reserve	14	250,686	250,686
Retained earnings	14	4,904,329	5,014,957
Treasury shares	13	(455,048)	(455,048)
Other comprehensive income	19	(102,123)	(10,383)
Total owners' equity:		6,047,721	6,250,088
Non controlling interest	14	1,166,959	1,124,357
Total shareholders' equity:		7,214,680	7,374,445
Total liabilities and shareholders' equity:		17,672,853	15,373,582

Consolidated Statement of Comprehensive Income as at December 31, 2017 and December 31, 2016

In HUF thousands	Notes	FY 2017	FY 2016
Net sales	15	26,180,920	24,911,120
Cost of sales	17	(18,187,629)	(17,219,214)
Gross profit:		7,993,291	7,691,906
Selling general and administration	17	(6,005,532)	(5,276,526)
Gain on sale of fixed assets		7,286	8,087
Foreign currency (loss) / gain		(8,850)	10,700
Other expense, net	16	11,415	(272,167)
Operating income:		1,997,610	2,162,000
Interest income		8,811	15,862
Interest expense		(102,296)	(118,862)
Profit before tax and non-controlling interest:		1,904,125	2,059,000
Deferred tax income / (expense)	18	(7,912)	(58,058)
Income tax expense	18	(352,179)	(405,470)
Profit after tax:		1,544,034	1,595,472
Other comprehensive income for the year	19	(97,700)	(10,383)
out of which: fair value effect of derivative financial liability		(87,214)	–
out of which: revaluation effect of non-monetary SOFP items in other currency than HUF based on IAS 21		(5,988)	(9,609)
out of which: deferred tax recognized in other comprehensive income		(4,498)	(774)
Total comprehensive income for the year:		1,446,334	1,585,089
Profit after tax attributable to			
Shareholders of the Company:		1,132,123	1,203,202
Non controlling interests		411,911	392,270
Other comprehensive income attributable to			
Shareholders of the Company		(91,740)	(727)
Non controlling interests		(5,960)	(9,656)
Earnings per share (EPS)			
Basic (HUF per share)	20	79	84
Fully diluted (HUF per share)	20	79	84
Dividend per share paid (DPS):		86	67

Consolidated Statement of Changes in Shareholders' Equity as at December 31, 2017 and December 31, 2016

In HUF thousands	Issued Capital	Capital Reserve	Retained Earnings	Treasury Shares	Other compre- hensive income	Non controlling Interest	Total
January 1, 2016	1,449,876	250,686	4,763,751	(455,048)	–	882,809	6,892,074
Dividend paid (after FY 2015)	–	–	(961,652)	–	–	–	(961,652)
Dividend paid to minority shareholders (after FY 2015 income)	–	–	–	–	–	(127,374)	(127,374)
Change in equity attributed to minority shareholders	–	–	–	–	–	368,922**	368,922
Other comprehensive income	–	–	–	–	(10,383)	–	(10,383)
Total comprehensive income	–	–	1,212,858	–	–	–	1,212,858
December 31, 2016	1,449,876	250,686	5,004,574	(455,048)	(10,383)	1,124,357	7,374,445
Dividend paid (after FY 2016)	–	–	(1,242,751)	–	–	–	(1,242,751)
Dividend paid to minority shareholders (after FY 2016 income)	–	–	–	–	–	(336,755)	(336,755)
Change in equity attributed to minority shareholders	–	–	–	–	–	(23,441)	(23,441)
Change in non-controlling interests due to share purchase in subsidiary	–	–	–	–	–	(3,152)	(3,152)
Profit after tax attributable to non- controlling interests	–	–	–	–	–	411,911	411,911
Other comprehensive income attributable to non-controlling interests	–	–	–	–	–	(5,960*)	(5,960)
Profit after tax attributable to owners of the Company	–	–	1,132,123	–	–	–	1,132,123
Other comprehensive income attributable to owners of the Company	–	–	–	–	(91,740*)	–	(91,740)
December 31, 2017	1,449,876	250,686	4,904,329	(455,048)	(102,123)	1,166,959	7,214,680

* Items of the profit and loss statement line 'other comprehensive income'.

**It contains in aggregate for 2016 the fx difference of dividend in value of HUF –546 thousands, the fx difference of changes in equity in value of HUF –13,146 thousands and the total comprehensive income attributed to minority shareholders in value of HUF 382,614 thousands.

Consolidated Statement of cash-flow as at December 31, 2017 and December 31, 2016

In HUF thousands	Notes	FY 2017	FY 2016
Cash-flows from operating activities			
Profit before tax and non-controlling interest		1,904,125	2,059,000
of which foreign currency (loss) / gain		2,133	(10,700)
IFRS effect of negatives goodwill		–	(126,104)
Depreciation cost of fixed assets	7	1,056,255	977,325
Amortization cost of intangibles	9	13,488	30,368
Foreign exchange differences on the line of the other comprehensive income		(5,988)	(9,609)
Changes in provisions		33,152	75,539
Gain on sale of property, plant and equipment		(7,286)	(8,087)
Interest expense		102,296	118,862
Interest income		(8,811)	(15,862)
Operating cash-flow before working capital changes		3,087,231	3,101,432
Changes in accounts receivable and other current	4, 6	(1,360,119)	(239,764)
Changes in inventories	5	(700,758)	(219,747)
Changes in accounts payables and accruals	10	619,653	198,955
Cash provided by operations		1,646,007	2,840,876
Interest income		(104,261)	(119,617)
Interest expense		18,651	14,792
Taxes paid, net	18	(303,483)	(459,676)
Net cash provided by operating activities		1,256,914	2,276,375
Cash-flows from investing activities			
Purchase of property, plant and equipment		(1,425,518)	(4,429,209)
Proceeds on sale of property, plant and equipment		34,829	89,053
Development costs	9	(4,000)	–
Changes in loans to employees		252	3,712
Net cash-flow used in investing activities		(1,394,437)	(4,336,444)
Cash-flows from financing activities			
Non-controlling interest changes		(360,196)	(141,066)
Changes in short term loans	11	2,124,003	1,035,866
Increase in long term debt	11	–	2,025,022
Repayment of long term debts	11	(302,686)	(313,498)
Increase in capital lease liabilities	22	135,268	603,037
Repayment of lease liabilities	22	(214,863)	(137,020)
Dividend paid		(1,242,751)	(961,652)
Net cash-flow used in financing activities		138,775	2,110,689
Changes in cash and cash equivalents		1,252	50,620
Cash and cash equivalents at beginning of period		865,496	814,876
Cash and cash equivalents at end of the period	3	866,748	865,496

SUPPLEMENTARY NOTES

to the Consolidated Financial Statements Dec. 31, 2017

1

General

ANY Security Printing Company Public Limited Company by Shares (ANY PLC or the Company) is a limited liability company incorporated under the laws of the Republic of Hungary. The Company operated as a State enterprise until 1992 when it was transformed into a limited liability company (Rt.). The Company's registered office is located at Halom u. 5, Budapest, District 10. The Company's webpage: www.any.hu.

As of December 31, 2017 – based on the Company's share book – the following owners have more than 5% voting right or the following groups of investors own the Company:

Investor	Voting right (%)	Ownership (%)
Owners above 5% share		
EG CAPITAL LLC (*)	11,98%	11,62%
DIGITAL FOREST LLC (**)	6,97%	6,76%
AEGON ALFA SZÁRMAZTATOTT ALAP	7,43%	7,20%
Owners below 5% share		
Domestic Institutional Investors	26,24%	25,45%
Foreign Institutional Investors	20,96%	20,32%
Foreign Individual Investors	0,35%	0,34%
Domestic Individual Investors	22,67%	21,98%
Management, employees	3,03%	2,93%
Treasury shares	0,00%	3,03%
Other	0,37%	0,37%

(*) The Chairman of the Board of Directors of ANY Security Printing Company PLC as owner of EG Capital LLC has a further indirect ownership through Fortunarum Kft.

(**) Based on the AGM of March 31, 2014 Tamás Erdős has been elected as a member of the Board of Directors of ANY Security Printing Company PLC has indirect ownership.

ANY PLC produces security products and solutions (tax stamps, stickers with security elements), plastic and paper cards (document cards, bank and telephone cards, as well as commercial cards), personalized business and administration forms, as well as conventional printing products.

The consolidated subsidiaries of the Company at December 31, 2017 are as follows:

Name of the Company		Equity	Share of ownership (%)	Voting right ¹	Classification ²
Gyomai Kner Nyomda Zrt.	Hungary	HUF 200,000,000	99,48%	99,48%	L
Specimen Zrt.***	Hungary	HUF 100,000,000	100,00%	100,00%	L
ANYpay Fizetési Megoldások Zrt.****	Hungary	HUF 50,000,000	100,00%	100,00%	L
Techno-Progress Kft.	Hungary	HUF 5,000,000	100,00%	100,00%	L
ANY Ingatlanhasznosító Kft.*****	Hungary	HUF 3,000,000	100,00%	100,00%	L
Zipper Services SRL*****	Romania	RON 2,060,310	50,00%	50,00%	L*
Tipo Direct Serv SRL**	Moldavian Democratic Republic	30.308 MDL	50,00%	50,00%	L
Direct Services OOD	Bulgaria	BGN 570,000	50,00%	50,00%	L*
Slovak Direct SRO	Slovakia	SKK 1,927,000	100,00%	100,00%	L

¹ Voting rights that entitle the holder to participate in decision making at the general meeting of the company included in consolidation.

² Fully controlled subsidiaries (L); Joint ventures (K); Associated undertakings (T).

(*) Classification as subsidiary is the result of the co-operational agreement signed by the co-owner of the Company.

(**) 100 per cent subsidiary of Zipper Services SRL, it has been consolidated since 1st January, 2011.

(***) Specimen Zrt. has been 100% owned subsidiary of ANY Security Printing Company Plc. since 1st June, 2013.

(****) 100 per cent subsidiary of Specimen Zrt., it has been consolidated since 21th November, 2013.

(*****) The name of the company changed from Tipo Direct SRL to Zipper Services SRL in 17th June, 2014.

(*****) ANY Ingatlanhasznosító Kft. has been 100% owned subsidiary of ANY Security Printing Company Plc. since 3rd March, 2016.

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Significant accounting policies

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU"). The Parent Company, ANY Security Printing Company Plc. prepares its separate financial statements in accordance with International Financial Reporting Standards from January 1, 2017. Its domestic subsidiaries prepare their financial statements in accordance with Hungarian Accounting Law, while foreign subsidiaries prepare their financial statements according to accounting principles generally accepted in their own countries, that are adjusted in accordance with IFRS from the consolidation package through the consolidation process.

The consolidated financial statements are mainly prepared due to the regulations related to listed companies based on the accounting act, so it contains reclassifications and adjustments through which it complies with IFRS.

IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB), except for portfolio hedge accounting under IAS 39 which has not been approved by the EU. The Company does not have any transactions which would qualify as a portfolio hedge.

The reporting currency of the Group is the Hungarian Forint ("HUF").

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies are set out below.

Financial Statements are prepared based on the assumption of going concern of the activity of the Group in the foreseeable future.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of ANY PLC and its subsidiaries after elimination of all intercompany transactions and balances, including unrealized intercompany profits. Subsidiaries are those companies in which one company of the Group has control over the subsidiary, so the company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to effect those returns through its power over the subsidiary.

On acquisition, the assets and liabilities of a subsidiary are measured in the consolidated statements at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net assets of a subsidiary at the date of acquisition. Goodwill is included as intangible in the balance sheet, to which impairment loss is calculated, if necessary. For the purpose of impairment test, the value of goodwill is allocated to those Cash Generating Units (hereinafter: CGU) of the Group that probably will have positive effects from the synergies. Those CGU-s, to which goodwill is allocated are subject to goodwill impairment test annually or more often if circumstances indicate any loss in the value of the Unit. If the book value of the goodwill is higher than the fair value of the CGU, impairment loss is accounted on the goodwill. The impairment loss decreases mainly the value of the goodwill allocated on the CGU, then the remaining amount decreases the net book value of the CGU's other assets, in proportion of the book value of the assets. The goodwill impairment loss once accounted cannot be reversed in the future. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal. The goodwill impairment calculation is based upon companies' budgets containing more financial years. Present value of net sales and earnings before interest, tax and depreciation are calculated to the date of year end, using the companies' expected net sales and earnings before interest, tax and depreciation ratio as a discount factor. Thus enterprise values are calculated by using the enterprise value based on the market share price effective on the date of preparing the financial statements and net sales ratio and by using the enterprise value based on the market share price effective on the date of preparing the financial statements and earnings before interest, tax and depreciation ratio of ANY Security Printing Company Plc as a listed company operating in the same sector, which are assessed by the Group in proportion of the ownership regarding the proportional equity and accounted goodwill of the given subsidiary.

The results of subsidiaries acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The transactions between the associated enterprises, including unrealized gains and losses as well as realized intra-group gains, were eliminated during consolidation.

The equity and net income attributable to minority interests are shown as separate items in the consolidated financial statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at bank in hand, balances of bank accounts and short-term deposits with an original maturity of three months or less and the risk of their impairment is not significant.

CONSOLIDATED STATEMENT OF CASH-FLOWS

For the cash-flow statement the cash and cash equivalents include cash and the value of bank deposits, as well as other short term (a term of three months or less at the time of their purchase) liquid investments, which may be immediately exchanged for the amount indicated on them, and their conversion does not come with the risk of a change in their value. Statement of cash-flow is prepared based upon the indirect cash-flow method.

INVENTORY

Inventory is stated at the lower of cost or net realizable value after making loss-in-value for any obsolete or slow moving items. Cost is determined at standard cost adjusted to actual purchase price at period end. For purchased inventories cost comprises purchase price, possible additional customs, delivery costs, non-refundable taxes and any other costs related to acquiring the inventory. For finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate allocation of manufacturing fixed and variable overheads.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. Freehold land is not depreciated. Depreciation is provided using the straight-line method at rates calculated to write off the cost of the asset over its expected economic useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The rates used are as follows:

Buildings	2% to 3%
Machinery and equipment	14.5 to 33%

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication in accordance with internal or external information that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of such an impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

INTANGIBLE ASSETS

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with infinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Amortization is provided at rates between 16.7% and 33% per year.

An item of intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of intangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

GOODWILL

On acquisition, the assets and liabilities of a subsidiary are measured in the consolidated statements at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Goodwill arising on consolidation represents the excess of the

cost of acquisition over the Group's interest in the fair value of the identifiable net assets of a subsidiary at the date of acquisition. Goodwill is included as intangible in the balance sheet, to which impairment loss is calculated, if necessary. For the purpose of impairment test, the value of goodwill is allocated to those Cash Generating Units (hereinafter: CGU) of the Group that probably will have positive effects from the synergies. Those CGU-s, to which goodwill is allocated are subject to goodwill impairment test annually or more often if circumstances indicate any loss in the value of the Unit. If the book value of the goodwill is higher than the fair value of the CGU, impairment loss is accounted on the goodwill. The impairment loss decreases mainly the value of the goodwill allocated on the CGU, then the remaining amount decreases the net book value of the CGU's other assets, in proportion of the book value of the assets. The goodwill impairment loss once accounted cannot be reversed in the future. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal. The goodwill impairment calculation is based upon companies' budgets containing more financial years. Present value of net sales and earnings before interest, tax and depreciation are calculated to the date of year end, using the companies' expected net sales and earnings before interest, tax and depreciation ratio as a discount factor. Thus enterprise values are calculated by using the enterprise value based on the market share price effective on the date of preparing the financial statements and net sales ratio and by using the enterprise value based on the market share price effective on the date of preparing the financial statements and earnings before interest, tax and depreciation ratio of ANY Security Printing Company Plc as a listed company operating in the same sector, which are assessed by the Group in proportion of the ownership regarding the proportional equity and accounted goodwill of the given subsidiary.

FINANCIAL INSTRUMENTS

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of financial instruments, consisting of cash, receivables, payables, and obligations under debt instruments, equal to their carrying values.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash-flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash-flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

DERECOGNITION OF FINANCIAL ASSETS

The Group derecognises a financial asset only when the contractual rights to the cash-flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair

value is positive and as financial liabilities when the fair value is negative. Any gain or losses arises from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash-flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item effects profit or loss.

TAXATION

The amount of company tax is based on the taxation obligation defined according to the law on corporate income tax and dividend taxes, which is modified by the deferred tax.

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to realize or settle the carrying amount of its assets and liabilities. The conditions of netting deferred tax liabilities and deferred tax assets are met, as deferred tax arises only as deferred tax assets and deferred tax liabilities under the legislation of Hungarian tax authorities.

Deferred tax assets are recognized only if it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the Group re-assesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The Group recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilized. The Company classifies the local taxes and innovation contribution to corporate tax in profit and loss statement based on IAS 12 requirement.

TREASURY SHARES

Shares repurchased are included in shareholders' equity. Premiums and discounts arising on sale of treasury shares, and differences on repurchase, are credited or debited to retained earnings.

REVENUE RECOGNITION

Revenue is recognized at the time goods are dispatched and services rendered by the Group, as this is the point at which the significant risks and rewards of ownership of the goods and services are transferred to the customer.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is separated into five different product segment by the Group. The management considers these product segments strategically important. These segments are monitored and these are the basis of evaluating the performance. However, classification of turnover by product segments do not mean that these products can be produced in a clearly separable way in terms of assets and liabilities. According to this preparation of segment reporting under IFRS 8 is not possible.

DIVIDEND AND INTEREST REVENUE

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). (Dividend realized within the Group will be eliminated during consolidation.)

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

THE GROUP AS LESSEE

Assets held under finance leases are initially recognised as assets of the Group (with similar rights and liabilities as the assets owned by the Group) at lower of present value of minimum lease payments or their fair value at the inception of the lease, and they are amortised during their economic useful life.

The principal is accounted as decrease of liability from the lease contract, while interest is accounted as an expense.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In case when operative lease contract is cancelled before the contractual term is over, all the amounts paid to the lessor as a charge for cancelling the contract are recognised as an expense in the relevant period. Fixed assets mean the cover in Group's leasing transactions.

PROVISIONS

The Group is involved in a low number of ongoing legal disputes. Based upon historical experience and expert reports, the Group assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. The Group recognises provision in case when:

- an entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The Group is involved only in limited number of legal cases. Based on past experiences and reports of experts the Group estimates the expected outcome, the probability and the amount of possible financial losses of these legal cases, on which appropriate reserves have been raised.

CONTINGENT LIABILITIES ACQUIRED IN A BUSINESS COMBINATION

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 Revenue.

GOVERNMENT GRANTS

Assistance by the government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to operating activities of the entity. Grants related to income should be recognised in the income statement on a systematic basis that matches them with the related.

EARNINGS PER SHARE

Basic earnings per share data is calculated based on the weighted average number of shares outstanding during the period excluding treasury held by the Company and employee shares. Fully diluted earnings per share is calculated based on the weighted average number of shares outstanding as calculated for basic earnings per share and as adjusted for giving effect to the assumed issuance of all potentially dilutive securities. Net income is adjusted in the fully diluted earnings per share calculation for any income or expense associated with the potentially dilutive securities.

FOREIGN CURRENCIES

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (HUF) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Currency Units using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period.

From the foreign subsidiaries of the Group Zipper Services S.R.L. prepares (and Zipper Data SRL prepared until 2016) their financial statements in Romanian Lei, Tipo Direct SERV S.R.L. in Moldavian Lei, Direct Services O.O.D. in Bulgarian Leva, while Slovak Direct S.R.O. prepares its financial statement in EURO (presentational currency). The balances of foreign currency assets and liabilities of the foreign subsidiaries of the Group are retranslated at the relevant MNB (National Bank of Hungary) foreign exchange rate in the consolidated financial statements in the parent company's presentational currency (HUF), which is the functional currency of the Group at the same time. The details of the conversion have been presented in table 27 Risk Management.

THE EFFECT OF ADOPTING NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS EFFECTIVE FROM 1 JANUARY, 2017

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

Amendments to IAS 7 “Statement of cash-flows” - Disclosure Initiative – adopted by EU on 6 November, 2017 (effective for annual periods beginning on or after 1 January, 2017),

Amendments to IAS 12 “Income Taxes” - Recognition of Deferred Tax Assets for Unrealised Losses – adopted by EU on 6 November, 2017 (effective for annual periods beginning on or after 1 January, 2017),

Amendments to IFRS 12 due to “Improvements to IFRSs (cycle 2014–2016)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February, 2018 (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January, 2017).

NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BY IASB AND ADOPTED BY THE EU BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

IFRS 9 “Financial Instruments” – The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting,

IFRS 15 “Revenue from Contracts with Customers” and amendments to IFRS 15 “Effective date of IFRS 15” – The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard’s requirements will also apply to the recognition and measurement of gains and losses on the sale of some nonfinancial assets that are not an output of the entity’s ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates,

IFRS 16 “Leases” – The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged,

Amendments to IFRS 15 “Revenue from Contracts with Customers” – The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB’s intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the “separately identifiable” principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach,

Amendments to IFRS 1 and IAS 28 due to “Improvements to IFRSs (cycle 2014–2016)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and

clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the consolidated financial statements in the period of initial application.

STANDARDS AND INTERPRETATIONS ISSUED BY IASB BUT NOT YET ADOPTED BY THE EU

IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021),

Amendments to IFRS 2 “Share-based Payment” – Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),

Amendments to IFRS 9 “Financial Instruments” – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),

Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

Amendments to IAS 19 “Employee Benefits” – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),

Amendments to IAS 28 “Investments in Associates and Joint Ventures” – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),

Amendments to IAS 40 “Investment Property” – Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

Amendments to various standards due to “Improvements to IFRSs (cycle 2015–2017)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (effective for annual periods beginning on or after 1 January 2018),

IFRIC 23 “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019).

Hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, remains unregulated.

According to the Group’s estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: “Financial Instruments: Recognition and Measurement”, would not significantly impact the consolidated financial statements, if applied as at the balance sheet date.

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the consolidated financial statements in the period of initial application.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES BY APPLYING THE ACCOUNTING POLICY

The process of preparing financial statements in accordance with International Financial Reporting Standards requires the use of estimates and assumptions regarding the carrying amounts of assets and liabilities presented in the consolidated financial statements and the Notes.

CRITICAL ASSUMPTIONS BY APPLYING THE ACCOUNTING POLICY

The Management of the Group had certain assumptions when applying the accounting policy, that can influence the carrying amounts of assets and liabilities presented in the consolidated financial statements (apart from the impact of the estimates, presented at the next point). These assumptions are presented in details in the Notes, but the most important ones are the following:

- The temporary differences calculated with deferred tax liabilities will reverse in the foreseeable future, and the corporate tax rate is 9%, which is effective from 1st January 2017.
- The outcome of certain contingent liabilities.
- Zipper Services Srl, and Direct Services Ood are subsidiaries of the Group although the Group only owns a 50% ownership interest in these companies. Based on the contractual arrangements between the Group and other investors, the Group has the power to appoint and remove the majority of the board of management of these companies that has the power to direct the relevant activities of these companies. Therefore, the management of the Company concluded that the Group has the practical ability to direct the relevant activities of these companies unilaterally and hence the Group has control over these companies.

UNCERTAINTIES IN THE ESTIMATES

The process of preparing consolidated financial statements in accordance with International Financial Reporting Standards requires the use of estimates and assumptions regarding the carrying amounts of assets and liabilities presented in the consolidated financial statements and the Notes. These estimates are based on the best knowledge of the Management, in spite of this actual results may differ from estimated amounts. These estimates are presented in details in the Notes, but the most important ones are the following:

Ezen becslések a megfelelő jegyzetekben részletesen kifejtésre kerülnek, de a leglényegesebbek az alábbiak:

- Determining the fair value of Financial Instruments
- Determining the economic useful life of fixed assets
- Calculating the impairment loss on fixed assets and goodwill
- Calculating provisions

3

Cash and bank

In HUF thousands	December 31, 2017	December 31, 2016
Cash and cash equivalents	866,748	865,496
Total cash and cash equivalents	866,748	865,496

4

Accounts receivables

In HUF thousands	December 31, 2017	December 31, 2016
Trade receivables	4,664,229	3,458,599
Allowance for doubtful debts	(5,652)	(13,329)
Total	4,658,577	3,445,270

The carrying value of trade receivables is fair value. Balance of trade debtors is HUF 4,659 million, which is HUF 1,214 million (35%) higher than at the end of 2016.

Movement of the allowance in doubtful debts is broken down below:

In HUF thousands	December 31, 2017	December 31, 2016
Balance at the beginning of the year	13,329	42,045
Impairment losses recognised on receivables	4,473	5,996
Impairment losses reversed	(12,150)	(968)
Derecognition of receivables as uncollectable debt	0	(33,744)
Balance at the end of the year	5,652	13,329

5

Inventories

In HUF thousands	December 31, 2017.	December 31, 2016
Raw materials	1,947,564	1,310,396
Work in progress	594,174	623,156
Finished goods	528,086	436,517
Goods	42,936	41,933
Cumulated loss in value for inventories	(309,117)	(268,288)
Total	2,803,643	2,143,714

The total amount of inventories is HUF 2,804 million, which increased by HUF 660 million (30.8%) compared to 31 December 2016. The amount of raw materials and consumables increased by HUF 637 million (49%) compared to the prior period, caused by the higher raw material needs of security products.

6

Other current assets and prepayments

In HUF thousands	December 31, 2017	December 31, 2016
Prepayments	529,199	582,283
Of which: revenue recognized but not invoiced	340,610	428,806
Of which: prepaid interest	17,411	28,631
Of which: rental fee of softwares	48,945	31,189
Guarantee receivables	395,846	371,434
Advances paid	210,821	10,094
Of which: advances paid for PP&E	190,013	7,591
Of which: other advances paid	20,808	2,503
Employee loans	32,445	32,635
Other receivables	57,303	124,714
Total other current assets and prepayments	1,225,614	1,121,160

In HUF thousands	December 31, 2017.	December 31, 2016
VAT receivable	123,328	85,905
Corporate income tax receivable	20,715	70,634
Other taxes receivable	25,605	21,608
Total current tax receivables	169,648	178,147

Year-end balance of current tax receivables is HUF 8 million lower than in previous period which caused by the HUF 37 million increase of VAT receivables, HUF 50 million decrease of corporate income tax receivables and the HUF 4 million increase of other tax receivables.

The significant increase in the amount of prepayments is caused by not invoiced items until preparation of balance sheet at the Romanian subsidiaries. Interest in employees loans are the same for each employee, Hungarian prime rate + 5%.

Property, Plant and Equipment

In HUF thousands	Land and buildings	Machinery and equipment	Property rights	Vehicles and other equipments	Capital projects	Total
Cost						
January 1, 2016.	729,654	11,142,525	10,767	1,649,747	279,679	13,812,372
Capitalization	216,872	1,811,731	–	281,600	(2,310,203)	–
Additions	3,636,653	–	–	–	2,075,580	5,712,233
Disposals	(78)	(366,998)	–	(13,180)	–	(380,256)
December 31, 2016	4,583,101	12,587,258	10,767	1,918,167	45,056	19,144,349
January 1, 2017	4,583,101	12,587,258	10,767	1,918,167	45,056	19,144,349
Capitalization	61,470	976,824	–	260,572	1,351,029	2,649,895
Additions	–	–	–	–	(1,298,866)	(1,298,866)
Disposals	–	(325,429)	–	(3,444)	–	(328,873)
December 31, 2017	4,644,571	13,238,653	10,767	2,175,295	97,219	20,166,505
Accumulated depreciation						
January 1, 2016	270,994	8,464,653	10,767	1,308,318	–	10,054,732
Charge for year	99,705	758,228	–	119,392	–	977,325
Additions	969,723	–	–	–	–	969,723
Disposals	(5,133)	(76,072)	–	(5,932)	–	(87,137)
December 31, 2016	1,335,289	9,146,809	10,767	1,421,778	–	11,914,643
January 1, 2017	1,335,289	9,146,809	10,767	1,421,778	–	11,914,643
Charge for year	108,428	791,431	–	156,396	–	1,056,255
Impact of IAS 36 revaluation	(53,096)	–	–	–	–	(53,096)
Disposals	–	(313,006)	–	(9,717)	–	(322,723)
December 31, 2017	1,390,621	9,625,234	10,767	1,568,457	–	12,595,079
Net book value						
January 1, 2016	458,660	2,677,872	–	341,429	279,679	3,757,640
December 31, 2016	3,247,812	3,440,449	–	496,389	45,056	7,229,706
December 31, 2017	3,253,950	3,613,419	–	606,838	97,219	7,571,426

Fair value of the PP&E exceeds book value, therefore no impairment loss was calculated. Real estates owned by ANY Ingatlanhasznosító Kft. are on the line Additions in 2016. UniCredit Bank Zrt. has EUR 6,500,000 mortgage right on the real estates, covering the risk of the loan of ANY Ingatlanhasznosító Kft. Asset increase was mainly due to machinery and equipment purchases in 2017.

8

Goodwill

In HUF thousands	December 31, 2017	December 31, 2016
Cost	335,857	335,009
Goodwill	335,857	335,009

COST

In HUF thousands	December 31, 2017	December 31, 2016
Balance at beginning of year	335,009	335,009
Balance at end of year	335,857	335,009

ACCUMULATED IMPAIRMENT LOSSES

At the end of the year the Group examined goodwill's remunerative value and recognized that there was no need to account impairment losses on the goodwill.

9

Intangibles

In HUF thousands	Research and development costs	Total intangibles
Historical cost		
January 1, 2016	269,161	269,161
December 31, 2016	269,161	269,161
January 1, 2017	269,161	269,161
December 31, 2017	269,161	269,161
Accumulated amortisation		
January 1, 2016	188,727	188,727
Amortisation	30,368	30,368
December 31, 2016	219,095	219,095
January 1, 2017	219,095	219,095
Amortisation	13,488	13,488
December 31, 2017	232,583	232,583
Net book value		
January 1, 2016	80,434	80,434
December 31, 2016	50,066	50,066
December 31, 2017	36,578	36,578

Other payables and accruals

In HUF thousands	December 31, 2017	December 31, 2016
Accrued management bonuses	269,930	360,527
Other accruals	653,007	256,825
Of which: accrued creditors	448,488	113,921
Social security	29,388	30,733
Salaries and wages	238,326	185,898
Advance payments from customers	219,300	24,440
Other short term liabilities	155,561	107,568
Other payables and accruals	1,565,412	965,991

In HUF thousands	December 31, 2017.	December 31, 2016
VAT	301,839	363,866
Personal income tax	59,109	68,852
Other taxes	158,866	260,244
Total current tax liabilities	519,814	692,962

Total current tax liabilities, other payables and accruals amounts to HUF 2,088 million, which increased by HUF 429 million (26%) compared to December 31, 2016, due to the higher balance of the current tax liabilities and accruals, liabilities connected to salaries and wages.

Short term and long term loans

In HUF thousands	December 31, 2017	December 31, 2016
Bank overdraft of the Parent Company	2,946,317	835,529
Total overdrafts	2,946,317	835,529
Short term part of long term loan of subsidiaries	197,563	197,563
Other short term loans of subsidiaries	16,070	2,855
Total short term loans and overdrafts	3,159,950	1,035,947
Long term loan of subsidiary	1,445,016	1,632,839
Total investment loans and borrowings	1,445,016	1,632,839
Total loans and borrowings	4,604,966	2,668,786

The carrying value of loans and overdrafts is fair value. The Group has overdraft limit (market interest rate, based on 1 month BUBOR) in value of HUF 5.2 billion from which the utilised amount at the end of 2017 is HUF 2,946 million. Amount of the long term loan taken during the purchase of ANY Ingatlanhasznosító Kft., that owns the real-estates was HUF 2,025 million, while HUF 1,630 million was the year-end balance, of which HUF 1,432 million was long term part and HUF 198 million was short term part. For further details about the loan please see Note 21 contingent liabilities.

12

Share capital

Share capital (at par value, in HUF thousands) authorized, issued and outstanding at year-end:

In HUF thousands	December 31, 2017		December 31, 2016	
	Issued	Treasury	Issued	Treasury
Registered shares	1,449,876	43,683	1,449,876	43,683
Total	1,449,876	43,683	1,449,876	43,683

The number of shares issued by the Company is 14,794,650 of which par value is HUF 98 per share.

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Treasury shares

Number of treasury shares held by the Company on 31st December 2017 is 448,842 which were purchased at an average price of HUF 1,014 per share.

14

Retained earnings, non-controlling interest

Retained earnings available for distribution are based on the unconsolidated financial statements of the Company prepared in accordance with IFRS and related Hungarian Accounting and Civil Law. The amount of the retained earnings in the Company's IFRS financial statement is HUF 3,400,079 thousands of which not distributable HUF 901,909 thousands. Retained earnings available for distribution is HUF 2,498,170 thousands.

Non-controlling interest is a part of the Shareholders' equity, which belongs to the owners of the subsidiaries other than the parent Company in the proportion of their ownership

Sales segments	2017	2016
Security products and solutions	6,499,438	6,679,876
Card production and personalization	7,652,416	5,937,030
Form production and personalization. data processing	10,252,528	10,715,223
Traditional printing products	1,288,203	1,142,871
Other	488,335	436,120
Total net sales	26,180,920	24,911,120

Total revenue in 2017 by countries:

Revenue by Countries	2017	2016
Hungary	15,061,543	15,682,752
Romania	7,667,372	7,207,817
Bulgaria	1,289,291	1,278,301
Germany	999,347	38,164
Slovakia	268,032	212,805
Africa	262,366	109,387
Czech Republic	210,017	223,747
Moldova	109,693	46,399
Austria	88,325	8,032
Norway	56,397	–
Sri Lanka	48,407	–
Poland	42,656	2,778
Iceland	19,657	18,481
United Kingdom	15,313	2,218
Italy	12,349	5,881
Cyprus	8,589	10,021
Finland	8,075	320
Saint Vincent and the Grenadines	4,759	14,104
Netherlands	2,711	2,294
Switzerland	166	2,935
Albania	–	41,415
Other	5,855	3,269
Total net sales	26,180,920	24,911,120

Other incomes and expenses	2017	2016
Derecognition of provision	69,211	137,555
Reversed impairment accounted earlier to P&L based on IAS 36	53,095	–
Reversed loss in value for trade receivables	16,654	4,070
Reversed loss in value for inventories	111	–
Negative goodwill	–	126,104
Allowances received	–	7,957
Other items	39,944	57,100
Total other incomes	179,015	332,786
Loss in value for inventories	57,966	240,122
Building tax, land tax	36,035	28,740
Permanent cash contribution	35,840	23,506
Fines, penalties	4,842	64,489
Loss in value for trade receivables	4,472	1,849
Provision raised	–	216,971
Other items	28,445	29,276
Total other expenses	167,600	604,953
Total	11,415	(272,167)

The customers' and inventories' impairment haven't been occurred in one company so the presentation of current years' impairment and impairment reversal on a net basis is not possible.

In line with IAS 12 Company reclassifies local income tax and innovation contribution to corporate tax P&L line from.

Cost of sales and selling general and administration costs

Breakdown of cost of sales and selling general and administration cost is the following:

In HUF thousands	2017	2016
Material type expenditures	17,270,028	16,145,257
Personal type expenditures	5,957,398	5,601,147
Depreciation and amortization	1,069,743	1,007,693
Changes in inventory and own performance	(104,008)	(258,357)
Total cost and expenditures	24,193,161	22,495,740
Cost of sales	18,187,629	17,219,214
Selling general and administration	6,005,532	5,276,526
Total direct and indirect cost of sales	24,193,161	22,495,740

The average number of employees of the Group during the year was 888 (2016: 842).

Taxation

In HUF thousands	December 31, 2017	December 31, 2016
Current year local business tax	179,905	189,369
Current year corporate income tax	169,402	212,832
Innovation contribution	2,872	3,269
Current year tax expense	352,179	405,470
Deferred tax (income) / expense	7,912	58,058
Total tax expense	360,091	463,528

Based on the decision of the Hungarian Parliament, 9% corporate tax rate has to be applied for the Hungarian companies from the calendar year of 2017. In case of the domestic subsidiaries we applied the new 9% corporate tax rate when calculating deferred tax. The tax liability of the foreign companies of the Group is taken into consideration with the effective tax legislation of their country of incorporation.

Under the tax legislation the Company is allowed to establish a tax-deductible development reserve. Assets acquired using this reserve then do not qualify for tax depreciation up to the value of the reserve. Therefore this is effectively a form of accelerated depreciation. Development reserves have been established based on the Company's current year and previous years pre-tax profit and a deferred tax liability has been recognized on the deferred tax effect of the accounting and tax depreciation difference of the assets. The Company decreased its deferred tax liabilities by the valuation difference for treasury shares based on the Hungarian Accounting Standards.

Tax losses can be carried forward up to the next years offset future taxable profits (until its 50%). Deferred tax assets relating to tax losses are netted off against deferred tax liabilities. The company raised deferred tax asset on write-off for bad debts in 2016.

ANY PLC and its subsidiaries are subject to periodic audits by the Hungarian Tax Authority (NAV). Since the application of tax laws and regulations may be susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities. In 2015 the Parent Company was subject to a comprehensive audit by NAV (National Tax and Customs Administration) for the years 2010, 2011 and 2012 to all kind of taxes. No material misstatement was explored by the Tax Authority.

In line with IAS 12 Company reclassifies local income tax and innovation contribution to corporate tax P&L line.

In HUF thousands	December 31, 2017	December 31, 2016
Opening deferred tax liability	335,944	247,448
Deferred tax liability due to development reservet	4,498	(774)
Deferred tax on accounting and tax depreciation difference of assets not connected to development reserve	3,016	88,838
Deferred tax arising from treasury shares valuation	–	277
Deferred tax on residual value of financial lease assets	–	155
Closing deferred tax liability	343,458	335,944

In HUF thousands	December 31, 2017	December 31, 2016
Opening deferred tax assets	33,823	4,159
Deferred tax asset on write-off for bad debts	(846)	(3,005)
Deferred tax asset on deferred yearly losses	(4,050)	32,669
Closing deferred tax assets	28,927	33,823

In HUF thousands	December 31, 2017	December 31, 2016
Opening deferred tax liability net	302,121	243,289
Closing deferred tax liability net	314,531	302,121

The effective income tax rate defers from the statutory income tax rate due to the following items:

In HUF thousands	December 31, 2017	December 31, 2016
Profit before tax and non-controlling interest	1,904,125	1,866,362
Tax at statutory rate of 9%(*)	171,371	186,636
Other permanent differences	(1,969)	26,196
Corporate income tax expense	169,402	212,832

* The foreign tax rules were not considered in this calculation. The differences from that method can be find in row of Other permanent differences (net). In this calculation 9% tax rate valid in 2017 has been applied.

Other comprehensive income for the year

Other comprehensive income for the year	31 December, 2017	31 December, 2016
Fair value effect of derivative financial liability	(87,214)	–
Revaluation effect of non-monetary SOFP items in other currency than HUF based on IAS 21	(5,988)	(9,609)
Deferred tax recognized in other comprehensive income	(4,498)	(774)
Total other comprehensive income for the year	(97,700)	(10,383)

Earnings per share

Weighted average shares outstanding, net income used in the calculation of earnings per share and calculated earning per share details are set out below: (number of weighted average shares and net income is the same both at 'Basic' and 'Fully diluted' EPS calculation):

In HUF thousands	December 31, 2017	December 31, 2016
Weighted average shares outstanding for:	14,345,808	14,345,808
Net income used in the calculation	1,132,123	1,203,202
Basic and diluted earnings per share		
Basic (HUF per share)	79	84
Fully diluted (HUF per share)	79	84

Contingent liabilities

The Company has arranged bank guarantees. The guarantees largely relate to commitments under Government and corporate tenders. Guarantees are provided up to a maximum limit of HUF 1,190 million. The Company uses HUF 561 million from its guarantee limit which is connected to tenders.

Real estates of ANY Ingatlanhasznosító Kft. secured by mortgage in favour of Unicredit Bank Zrt. in the value of EUR 6,5 million, relating to this loan ANY Biztonsági Nyomda Nyrt. provided a guarantee to the Unicredit Bank Zrt. Furthermore ANY Biztonsági Nyomda Nyrt. provided a guarantee to the Unicredit Bank Zrt. in the value of EUR 2,5 million in connection with the credit line agreement for the treasury transaction of ANY Ingatlanhasznosító Kft.

The Company reclassified HUF 500 million to the restricted reserves in 2012, in 2013, in 2014, in 2015 and in 2016 to finance future capital expenditures, which has not been utilised yet. Corporate tax base was decreased by this amount in line with the relevant Hungarian regulations under the condition, that this amount will be spent for capital expenditures in the following six years, otherwise the deducted corporate tax has to be repaid to the Hungarian Tax Authority grossed up with its fines and interests.

Short term and long term part of lease liabilities

Short term and long term financial lease principal liabilities belong to parent company and foreign subsidiary lease contracts for machineries, of which short term part is HUF 323,518 thousands and long term part is HUF 376,385 thousands, due in the next years.

Financial lease liabilities (in HUF thousands)	31 December, 2017	31 December, 2016
Short term part (within 1 year)	323,518	264,267
Long term part (within 1–5 years)	376,385	515,231
Total	699,903	779,498

The book value of the leased assets is fair value. The estimated present value of the minimum lease payments equals to the book value of the lease liabilities. Fixed assets are the cover in Group's leasing transactions.

OPERATIVE LEASE

The Company leases some vehicles from third party company. Operative lease expenses were amounted to HUF 42,814 thousands in 2017. Related to these operative lease contracts the following future lease payments are expected:

Operative lease (in HUF thousands)	In 1 year	1-5 years	Over 5 years
Vehicle lease	42,814	14,271	–
Total	42,814	14,271	–

Derivative financial liabilities

The Group hedged its variable interest long-term loan with an interest rate swap transaction that matures at the same time with the loan. The fair value of the interest rate swap was recognised as a derivative financial liability in value of HUF 87,214 thousands in 2017.

The fair value of the derivative financial liability was measured based on market prices without deducting transaction costs effective as at the date of the Statement of Financial Position. Based on IFRS 13 Fair value standard it is a Level 1 measurement.

The derivative financial liability derives from a cash-flow hedge related to the long term loan. The cash-flow hedge transaction contains an interest rate swap which covers the risk of variable HUF interest loan. The cash-flow of the variable interest loan equals to the cash-flow of the interest rate swap in each quarter until the maturity (until 2026), that means a 100% effective hedge accounting.

Related party transactions

Related party transactions (in HUF thousands)	FY 2017 in HUF thousands	FY 2016 in HUF thousands
Balance of intercompany receivables and accrued assets eliminated	803,983	517,526
Balance of intercompany liabilities and accrued liabilities eliminated	801,946	517,525
Balance of intercompany revenues eliminated	841,920	1,490,099
Balance of intercompany expenditures eliminated	841,979	1,489,625

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Through related party transactions mainly ANY Security Printing Company PLC (the Company) sells finished goods to the other members of the Group, who resell them to third party companies. Related party transactions also consist of short term intercompany loans and rental fee for machineries. The Company purchased management services from EG Capital in value of HUF 143 million in 2017.

Remuneration of the members of the Supervisory Board and the Board of Directors

HUF 9,912 thousands remuneration was paid to the Supervisory Board, while HUF 6,120 thousands to the Board of Directors in 2017

The following table presents the beginning and the end of the assignment of the members of the Board of Directors, the members of the Supervisory Board and the senior officers. The number of shares hold in ANY Security Printing Company PLC is also presented as at 31 December 2017.

Type ¹	Name	Position	Assignment started	Assignment ends	Treasury stock owned (no.)**
BD	Dr. Ákos Erdős ²	Chairman of Board of Directors	1993*	May 31, 2019	2,195,253
BD	Gábor Zsámboki	Deputy chairman of Board of Directors**	August 11, 2005*	May 31, 2019	143,923
BD	György Gyergyák	Member of Board of Directors	1994*	May 31, 2019	200,000
BD	Péter Kadocsa	Member of Board of Directors	April 30, 2010*	May 31, 2019	–
BD	Tamás Erdős ³	Member of Board of Directors	May 31, 2014	May 31, 2019	1,000,001
BD	Erwin Fidelis Reisch	Member of Board of Directors	May 31, 2014	May 31, 2019	–
SB	Dr. Tamás Sárközy	Chairman of Supervisory Board	March 30, 2007*	May 31, 2019	–
SB	Dr. Istvánné Gömöri ⁴	Deputy chairman of Supervisory Board	August 11, 2005*	May 31, 2019	536,703
SB	Ferenc Berkesi	Member of Supervisory Board	August 11, 2005*	May 31, 2019	–
SB	Dr. Erzsébet Novotny	Member of Supervisory Board	April 30, 2010*	May 31, 2019	5,320
SB	Dr. Imre Repa	Member of Supervisory Board	March 30, 2007*	May 31, 2019	–
SB	Dr. János Stumpf	Member of Supervisory Board	April 19, 2011*	May 31, 2019	–
Number of shares hold, TOTAL					4,081,200

1 Employee in a strategic position (SP), Board of Directors member (BD), Supervisory Board member (SB)

2 Dr. Ákos Erdős controls ANY shares indirectly through EG Capital LLC and Fortunarum Kft.

3 Tamás Erdős controls ANY shares indirectly through Digital Forest LLC.

4 Dr. Istvánné Gömöri controls ANY shares indirectly through BELU S.A.R.L.

* Re-elected by the Annual General Meeting held on 31st March, 2014.

** Gábor Zsámboki has been the deputy chairman of the Board of Directors since 11th August, 2014.

*** Number of shares shown above

The Group has EU subsidy for purchasing special printing systems and developing workflow management and on-line sales portal as at 31 December 2017. The EU subsidy won in amount of HUF 70,980 thousands from which still accrued HUF 30,401 thousands. The initial cost of capital projects were HUF 128,785 thousands, that have a carrying amount of HUF 60,802 thousands as at 31 December 2017.

FOREIGN CURRENCY RISK

Among foreign currency transactions of the Group EURO based transactions are the most important ones. Foreign currency liabilities mainly occur from raw material purchases, which are hedged by the receivables from the export sales in foreign currency as a natural hedge. Due to the balance of foreign currency receivables and liabilities the foreign currency risk of the Group is moderate.

ANY Group	Currency	December 31, 2017	December 31, 2016
Foreign currency receivables	EUR	4 150,242	860,464
	BGN	945,609	1,292,170
	RON	33,691,963	31,364,708
	MDL	961,461	837,012
	DKK	44,839	–
	SEK	–	–
Total (in HUF thousands)		3,696,457	2,633,913
Foreign currency cash	EUR	458,589	298,788
	USD	8,167	4,579
	GBP	–	828
	BGN	1,588	1,454,527
	RON	1,723,050	6,201,369
	MDL	4,244,910	1,114,804
Total (in HUF thousands)		735,575	767,026
Foreign currency liabilities	EUR	1,819,189	1,339,712
	USD	18,689	–
	CHF	17,500	7,126
	BGN	707,557	871,238
	RON	19,432,962	20,275,485
	MDL	503,979	540,848
Total (in HUF thousands)		1,999,849	1,953,369
Impact of a possible 1% foreign exchange rate decrease in each foreign currency (in HUF thousands)		December 31, 2017	December 31, 2016
Impact on foreign currency assets		44,320	34,009
Impact on foreign currency liabilities		(19,999)	(19,534)
Total impact of possible foreign exchange rate change		24,321	14,475

The fair value of the financial instruments equals the book value. The Group holds no financial assets held to maturity or available for sale.

INTEREST RATE RISK

Due to the moderate level of debts in the Group potential interest rate changes would not influence significantly the amount of interests to be paid by the Group. Based on the balance of Credits of the Group, a potential interest rate increase of 100 basis points relevant to our credits would increase our interest expenses by approximately HUF 46,084 thousands in the year 2017. (This was HUF 26,688 thousands in the year 2016.)

LIQUIDITY RISK

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash-flows and by matching the maturity profiles of financial assets and liabilities.

Liquidity risk of the Group, due to the high balance of net working capital, is low.

The maturity of trade payables, lease liabilities and credits is shown in the next table:

ANY Group FY 2017	In 1 month	1–3 months	3 months– 1 year	1–5 years	Over 5 years	Total
Trade payables	2,127,096	523,454	8,075	123	–	2,658,748
Lease liabilities	27,265	54,865	241,388	376,385	–	699,903
Credits	144,674	21,698	2,993,578	12,684	1,432,332	4,604,966
Other liabilities and accruals (without taxes)	1,089,982	154,447	320,898	85	–	1,565,412
Current tax liabilities	511,704	8,110	–	–	–	519,814
Total	3,900,721	762,574	3,563,939	389,277	1,432,332	10,048,843

ANY Group FY 2016	In 1 month	1–3 months	3 months– 1 year	1–5 years	Over 5 years	Total
Trade payables	2,347,515	84,165	33,006	2,645	–	2,467,331
Lease liabilities	59,506	127,939	76,822	515,231	–	779,498
Credits	–	51,510	984,437	1,632,839	–	2,668,786
Other liabilities and accruals (without taxes)	497,953	89,036	379,002	–	–	965,991
Current tax liabilities	637,27	9,809	45,879	–	–	692,962
Total	3,542,248	362,459	1,519,146	2,150,715	–	7,574,568

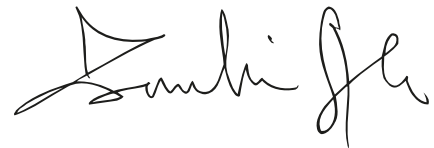
CREDIT RISK

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Trade receivables consist of a large number of costumers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The financial discipline of the debtors of the Group is really good, which is also represented by the low portion of cumulated provision on trade receivables compared to the gross amount of trade receivables: 0.12%. (This was 0.39% in 2016.) The more than 90 days overdue receivables out of total aged receivables of the Group is 2%.

The Consolidated Financial Statements were accepted by the Board of Directors of ANY Nyrt. on 5th March, 2018.

Budapest, 5th March 2018



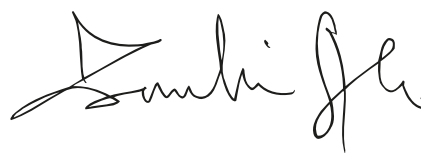
Gábor Zsámboki
Chief Executive Officer



STATEMENT OF RESPONSIBILITY

Gábor Zsámboki, as the CEO of ANY Security Printing Company Plc., I hereby declare that the consolidated annual report based on the applicable accounting rules and on our best knowledge gives a true and fair view about the assets, liabilities, financial position, profit and loss of the issuer and the legal entities involved into the consolidation, furthermore the consolidated management report gives a true and fair view about the position, development, and achievement of the issuer and the legal entities involved into the consolidation while reviewing the main risks and uncertainty factors.

Budapest, 27th April 2018



Gábor Zsámboki
Chief Executive Officer



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