ÁLLAMI NYOMDA
STATE PRINTING COMPANY

State Printing House Public Company Limited by Shares

Independent Auditors' Report and Consolidated Financial Statements

for the year ended December 31, 2011

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

State Printing House Public Company Limited by Shares

Audited Consolidated Financial Statements

December 31, 2011

Table of content

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

INDEPENDENT AUDITORS' REPORT

Deloitte.

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Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

Translation of the Hungarian original

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Állami Nyomda Nyrt.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Állami Nyomda Nyrt. (the "Company") for the year 2011, which financial statements comprise the consolidated balance sheet as at December 31, 2011 - which shows total assets of 9,337,621 thHUF, - and the statement of comprehensive income – which shows a retained profit for the year of 691,724 thHUF -, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Hungarian National Standards on Auditing and effective Hungarian laws and other regulations pertaining to audit. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit clause (opinion).

Clause (Opinion)

We have audited the consolidated financial statements of Állami Nyomda Nyrt., including its sections and items and the supporting accounting records and certificates thereof, in accordance with the applicable National Standards on Auditing and have obtained reasonable assurance that the consolidated financial statements have been prepared pursuant to the International Financial Reporting Standards as adopted by the European Union. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Állami Nyomda Nyrt. as at December 31, 2011, in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Reporting Obligation on the Consolidated Business Report

We have examined the accompanying consolidated business report of Állami Nyomda Nyrt. for the year 2011.

Management is responsible for the preparation of this consolidated business report in accordance with the Hungarian Accounting Act.

Our responsibility is to assess whether the accounting information in the consolidated business report is consistent with that contained in the consolidated financial statements prepared for the same business year. Our work with respect to the consolidated business report was limited to assessing the consistence of the consolidated business report with the consolidated financial statements, and did not include a review of any information other than that drawn from the audited accounting records of the Company.

In our opinion, the consolidated business report of Állami Nyomda Nyrt. for the year 2011 corresponds to the figures included in the consolidated financial statements of Állami Nyomda Nyrt. for the year 2011.

Budapest, February 3, 2012

The original Hungarian version has been signed.

Gábor Gion	Tamás Horváth
Deloitte Könyvvizsgáló és Tanácsadó Kft. 1068 Budapest Dózsa György út 84/C. 000083	registered statutory auditor 003449

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

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FÜGGETLEN KÖNYVVIZSGÁLÓI JELENTÉS

Az Állami Nyomda Nyrt. részvényesei részére

A konszolidált pénzügyi kimutatásokról készült jelentés

Elvégeztük az Állami Nyomda Nyrt. (a „Társaság") mellékelt konszolidált pénzügyi kimutatásainak a könyvvizsgálatát, amely pénzügyi kimutatások a 2011. december 31-i fordulónapra elkészített konszolidált mérlegből – melyben az eszközök és források egyező végösszege 9.337.621 eFt - , az ezen időponttal végződő évre vonatkozó konszolidált átfogó eredménykimutatásból – melyben a részvényesekre jutó nettó eredmény 691.724 eFt nyereség –, konszolidált saját tőke változás kimutatásból és konszolidált cash flow-kimutatásból, valamint a jelentős számviteli politikák összefoglalásából és az egyéb magyarázó információkból állnak.

A vezetés felelőssége a konszolidált pénzügyi kimutatásokért

A vezetés felelős a konszolidált pénzügyi kimutatásoknak az Európai Unió által elfogadott Nemzetközi Pénzügyi Beszámolási Standardokkal összhangban történő elkészítéséért és valós bemutatásáért, valamint az olyan belső kontrollokért, amelyeket a vezetés szükségesnek tart ahhoz, hogy lehetővé váljon az akár csalásból, akár hibából eredő lényeges hibás állításoktól mentes konszolidált pénzügyi kimutatások elkészítése.

A könyvvizsgáló felelőssége

A mi felelősségünk a konszolidált pénzügyi kimutatások véleményezése könyvvizsgálatunk alapján. Könyvvizsgálatunkat a magyar Nemzeti Könyvvizsgálati Standardok és a könyvvizsgálatra vonatkozó – Magyarországon érvényes – törvények és egyéb jogszabályok alapján hajtottuk végre. Ezek a standardok megkövetelik, hogy megfeleljünk bizonyos etikai követelményeknek, valamint hogy a könyvvizsgálatot úgy tervezzük meg és végezzük el, hogy kellő bizonyosságot szerezzünk arról, hogy a konszolidált pénzügyi kimutatások mentesek-e a lényeges hibás állításoktól.
A könyvvizsgálat magában foglalja olyan eljárások végrehajtását, amelyek célja könyvvizsgálati bizonyítékot szerezni a konszolidált pénzügyi kimutatásokban szereplő összegekről és közzétételekről. A kiválasztott eljárások, beleértve a konszolidált pénzügyi kimutatások akár csalásból, akár hibából eredő, lényeges hibás állításai kockázatának felmérését is, a könyvvizsgáló megítélésétől függnek. A kockázatok ilyen felmérésekor a könyvvizsgáló a konszolidált pénzügyi kimutatások Társaság általi elkészítése és valós bemutatása szempontjából releváns belső kontrollt azért mérlegeli, hogy olyan könyvvizsgálati eljárásokat tervezzen meg, amelyek az adott körülmények között megfelelőek, de nem azért, hogy a Társaság belső kontrolljának hatékonyságára vonatkozóan véleményt mondjon. A könyvvizsgálat magában foglalja továbbá az alkalmazott számviteli alapelvek megfelelőségének és a vezetés által készített számviteli becslések ésszerűségének, valamint a konszolidált pénzügyi kimutatások átfogó prezentálásának értékelését is. Meggyőződésünk, hogy a megszerzett könyvvizsgálati bizonyíték elegendő és megfelelő alapot nyújt könyvvizsgálói záradékunk (véleményünk) megadásához.

Záradék (vélemény)

A könyvvizsgálat során az Állami Nyomda Nyrt. konszolidált pénzügyi kimutatásait, annak részeit és tételeit, azok könyvelési és bizonylati alátámasztását az érvényes nemzeti könyvvizsgálati standardokban foglaltak szerint felülvizsgáltuk, és ennek alapján elegendő és megfelelő bizonyosságot szereztünk arról, hogy a konszolidált pénzügyi kimutatásokat az Európai Unió által elfogadott Nemzetközi Pénzügyi Beszámolási Standardokban foglaltak szerint készítették el. Véleményünk szerint a konszolidált pénzügyi kimutatások az Állami Nyomda Nyrt. 2011. december 31-én fennálló vagyoni, pénzügyi és jövedelmi helyzetéről megbízható és valós képet adnak összhangban az Európai Unió által elfogadott Nemzetközi Pénzügyi Beszámolási Standardokkal.

Egyéb jelentéstételi kötelezettség az üzleti jelentésről

Elvégeztük az Állami Nyomda Nyrt. mellékelt 2011. évi konszolidált üzleti jelentésének a vizsgálatát.
A vezetés felelős a konszolidált üzleti jelentésnek a számviteli törvényben foglaltakkal összhangban történő elkészítéséért.
A mi felelősségünk a konszolidált üzleti jelentés és az ugyanazon üzleti évre vonatkozó konszolidált pénzügyi kimutatások összhangjának megítélése. A konszolidált üzleti jelentéssel kapcsolatos munkánk a konszolidált üzleti jelentés és a konszolidált pénzügyi kimutatások összhangjának megítélésére korlátozódott és nem tartalmazta egyéb, a Társaság nem auditált számviteli nyilvántartásaiból levezetett információk áttekintését.
Véleményünk szerint az Állami Nyomda Nyrt. 2011. évi konszolidált üzleti jelentése az Állami Nyomda Nyrt. 2011. évi konszolidált pénzügyi kimutatásainak adataival összhangban van.

Budapest, 2012. február 3.

....	....
Gion Gábor	Horváth Tamás
Deloitte Könyvvizsgáló és Tanácsadó Kft.	kamarai tag könyvvizsgáló
1068 Budapest Dózsa György út 84/C.	003449
000083	

Consolidated Statement of Financial Position as at December 31, 2011 and December 31, 2010

In HUF thousands:	Notes	December 31, 2011	December 31, 2010
Current assets			
Cash and bank	3	388,436	362,528
Accounts receivable	4	3,505,076	4,845,146
Inventory	5	1,419,333	1,539,083
Other current assets and prepayments (without current tax receivable)	6	245,661	151,244
Current tax receivable	6	121,310	263,572
Total current assets		**5,679,816**	**7,161,573**
Non-current assets			
Property, plant and equipment	7	3,212,895	3,013,452
Investments	8	-	68
Goodwill	9	335,009	58,778
Intangibles	10	97,465	82,631
Other assets		12,436	14,272
Total non-current assets		**3,657,805**	**3,169,201**
Total assets		**9,337,621**	**10,330,774**
Current liabilities			
Trade accounts payables	13	1,690,349	2,167,426
Short term part of lease liabilities	23	208,031	80,049
Other payables and accruals (without current tax payables)	11	340,672	609,926
Current tax payables	11	196,879	101,789
Short term debt	12	31,319	914,597
Total current liabilities		**2,467,250**	**3,873,787**
Long term liabilities			
Deferred tax liability	20	246,712	241,441
Long term part of lease liabilities	23	268,927	136,657
Long term debt	12	11,504	4,027
Other long term liabilities		21,667	10,030
Total long term liabilities		**548,810**	**392,155**
Shareholders' equity			
Share capital	14	1,449,876	1,449,876
Capital reserve	16	250,686	250,686
Retained earnings	16	4,723,979	4,618,379
Treasury shares	15	(449,667)	(449,667)
Non controlling interest	16	346,687	**195,558**
Total shareholders' equity		**6,321,561**	**6,064,832**
Total liabilities and shareholders' equity		**9,337,621**	**10,330,774**

Consolidated Statement of Comprehensive Income as at December 31, 2011 and December 31, 2010

In HUF thousands:	Notes	FY 2011	FY 2010
Net sales	17	17,121,781	17,129,082
Cost of sales		(12,905,519)	(12,719,267)
Gross profit		**4,216,262**	**4,409,815**
Selling general and administration		(3,260,946)	(3,387,638)
Gain on sale of fixed assets		15,572	837
Dividend income		-	2,727
Foreign currency gain / (loss)		16,063	(1,310)
Other expense	18	(200,398)	(138,226)
Operating income	19	**786,553**	**886,205**
Interest income / (expense), net		(38,992)	(13,792)
Profit before tax and non-controlling interest		**747,561**	**872,413**
Deferred tax income / (expense)	20	(5,271)	106,606
Income tax expense	20	(50,566)	(74,059)
Profit after tax		**691,724**	**904,960**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**691,724**	**904,960**
Profit attributable to			
Owners of the Company		**623,413**	***860,120***
Non controlling interests		*68,311*	*44,840*
Earnings per share (EPS):			
Basic (HUF per share)	21	**43**	**60**
Fully diluted (HUF per share)	21	**43**	**60**

Consolidated Statement of Changes in Shareholders' Equity as at December 31, 2011 and December 31, 2010

	Issued Capital	Capital Reserve	Retained Earnings	Treasury Shares	Non controlling Interest	Total
January 1, 2010	**1,449,876**	**250,686**	**3,758,259**	**(436,975)**	**170,896**	**5,192,742**
Dividend paid	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	(12,692)	-	(12,692)
Dividend paid to minority shareholders (after FY 2009 income)	-	-	-	-	(16,328)	(16,328)
Non-controlling interest change From proceed of interest in formerly owned subsidiary	-	-	-	-	(3,850)	(3,850)
Total comprehensive income attributable to non-controlling interests	-	-	-	-	44,840	44,840
Total comprehensive income attributable to owners of the Company	-	-	860,120	-	-	860,120
December 31, 2010	**1,449,876**	**250,686**	**4,618,379**	**(449,667)**	**195,558**	**6,064,832**
Dividend paid	-	-	(517,813)	-	-	517,813
Dividend paid to minority shareholders (after FY 2010 income)	-	-	-	-	(56,410)	(56,410)
Non-controlling interest from purchasing investment	-	-	-	-	139,228	139,228
Total comprehensive income attributable to non-controlling interests	-	-	-	-	68,311	68,311
Total comprehensive income attributable to owners of the Company	-	-	623,413	-	-	623,413
December 31, 2011	**1,449,876**	**250,686**	**4,723,979**	**(449,667)**	**346,687**	**6,321,561**

All amounts in HUF thousands unless if otherwise indicated. The Supplementary Notes are inseparable parts of the consolidated financial statements.

Consolidated Statement of Cash-flow as at December 31, 2011 and December 31, 2010

In HUF thousands:	Notes	FY 2011	FY 2010
Cash flows from operating activities			
Profit before tax and non-controlling interest		747,561	872,413
of which foreign currency gain/(loss)		*16,063*	(1,310)
Depreciation cost of fixed assets	7	752,483	674,536
Amortization cost of intangibles	10	-	4,014
Changes in provisions		158	(8,277)
Gain on sale of property, plant and equipment		(15,572)	(837)
Non controlling interest changes		226,821	(17,368)
Interest expense		63,271	33,757
Interest income		(24,279)	(19,965)
Operating cash-flow before working capital changes:		**1,750,443**	**1,538,273**
Changes in accounts receivable and other current assets	4,6	1,331,816	(1,816,654)
Changes in inventories	5	137,326	365,063
Changes in accounts payables and accruals	11;13	(644,272)	901,681
Cash provided by operations		**2,575,313**	**988,363**
Interest income		21,144	19,620
Interest expense		(70,242)	(27,503)
Taxes paid, net		(12,852)	(146,828)
Net cash provided by operating activities		**2,513,363**	**833,652**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,012,350)	(777,931)
Proceeds on sale of property, plant and equipment		75,997	2,144
Development costs	10	(14,834)	(29,534)
Purchase of investments	8	(420,234)	-
Net cash flow used in investing activities		**(1,371,421)**	**(805,321)**
Cash flows from financing activities			
Changes in short term loans	12	(883,278)	(16,527)
Purchase of treasury shares	15	-	(12,692)
Changes in loans to employees		1,836	39
Changes in long term debt	12	22,969	(6,341)
Changes of capital lease obligations	23	260,252	(105,271)
Dividend paid		(517,813)	-
Net cash flow used in financing activities		**(1,116,034)**	**(140,792)**
Changes in cash and cash equivalents		**25,908**	**(112,461)**
Cash and cash equivalents at beginning of period		**362,528**	**474,989**
Cash and cash equivalents at end of the period	3	**388,436**	**362,528**

Supplementary Notes to the Consolidated Financial Statements Dec. 31, 2011

1 General

State Printing House Public Company Limited by Shares (State Printing House 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.

As of December 31, 2011 – 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 SA	22.19%	21.53%
AEGON KÖZÉP EURÓPAI RÉSZVÉNY BEFEKTETÉSI ALAP	8.20%	7.95%
Genesis Emerging Markets Opportunities Fund Limited	6.72%	6.52%
Owners below 5% share		
Domestic Institutional Investors	23.89%	23.18%
Foreign Institutional Investors	10.17%	9.86%
Domestic Individual Investors	9.85%	9.56%
Foreign Individual Investors	0.03%	0.03%
Management. employees	7.70%	7.47%
State investors	2.96%	2.88%
Treasury shares	0.00%	2.96%
Other	8.29%	8.06%

State Printing House 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.

All amounts in HUF thousands unless if otherwise indicated.

The consolidated subsidiaries of the Company at December 31, 2011 are as follows:

Subsidiary	Principal Activity	Country of Incorporation	Ownership at December 31, 2011	Ownership at December 31, 2010
Specimen Zrt.	Printing	Hungary	90.00%	90.00%
Gyomai Kner Nyomda Zrt.	Printing	Hungary	98.98%	98.98 %
Technoprogress Kft.	Sales	Hungary	100.0%	100.00%
TipoDirect SRL	Printing. Sales	Romania	50.00%	50.00%
TipoDirect SERV Moldova SRL (*)	Printing. Sales	Moldova	50.00%	-
Zipper Data SRL (**)	Printing. Sales	Romania	50.00%	-
Direct Services OOD	Printing. Sales	Bulgaria	50.00%	50.00%
Slovak Direct SRO	Sales	Slovakia	100.00%	100.00%

* 100 per cent subsidiary of Tipo Direct SRL, it has been consolidated since 1st January, 2011

** Zipper Data SRL has been consolidated since 1st February, 2011. The name of the company changed from GPV Mail Services SRL to Zipper Data SRL in October 2011.

The Company prepares consolidated financial statement for the whole group.

All amounts in HUF thousands unless if otherwise indicated.

2 Significant accounting policies

Basis of preparation

The accounting records of the companies comprising the Group are compiled according to accounting principles generally accepted in Hungary ("HAS"). These supplementary consolidated financial statements have been compiled primarily for the requirements of relevant sections of Hungarian Act on Accounting to companies listed on the Stock Exchange, and therefore contain reclassifications and alterations in order to they comply with the International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU"). 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 State Printing House Plc. and its significant subsidiaries after elimination of all material intercompany transactions and balances, including unrealized intercompany profits. Subsidiaries are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations.

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, associate or jointly controlled entity 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 impairment loss once accounted can not be reversed in the future. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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.

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 rates used are as follows:

Buildings	2% to 3%
Leasehold improvements	6%
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 or, where shorter, the term of the relevant lease.

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.

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 fair values of financial instruments, consisting of cash, receivables, payables, and obligations under debt instruments, are approximated to their carrying values. The fair values of the Group's existing investments are not readily determinable as the underlying shares are not frequently traded in a well-established and organized market.

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 and finance lease receivables, 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.

Investments

Investments are carried at cost, less provision for any permanent diminution in value.

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.

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.

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.

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 their fair value at the inception of the lease, and they are amortised during their economic useful life. The present value of the minimum lease payment is lower than their fair value they are recognized at that.
The principal is accounted as decrease of liability from the lease contract, while interest is accounted as an expense, so that the lease liability decreases at a constant rate during the term of the lease contract.
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.

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.

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

The Group applies for government grants in order to purchase assets or to finance R+D activities. In both cases government grants are accounted and accrued as other revenue, then accrued revenue is reversed in proportion of the accounted depreciation of the asset purchased or of the R+D capitalised.

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 (foreign currencies) 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 and joint ventures of the Group TipoDirect S.R.L. keeps its books in Romanian Lei. Direct Services O.O.D. in Bulgarian Leva, while Slovak Direct S.R.O. keeps its books in Slovakian Crown. The balances of foreign currency assets and liabilities of the foreign subsidiaries and joint ventures of the Group are retranslated at the relevant MNB (National Bank of Hungary) foreign exchange rate in the consolidated financial statements.

Standards and Interpretations effective in the current period

The following modifications were made in the standards and interpretations issued by IASB and IFRIC until the date of approval of these financial statements. These amendments, as well as the new standards and interpretations did not significantly affect the Group's consolidated financial statements.

I) IFRS 1 (revised) First-time adoption of IFRS	Effective for periods starting on or after1 July 2009

II) IFRS 3 (revised) Business Combinations costs	Effective for periods starting on and after 1 July 2009
III) Amendments to IFRS 1 First-time adoption of IFRS – additional exemptions for first-time adopters	Effective for periods starting on or after 1 January 2010
IV) Amendments to IFRS 2 Share-based payments – group cash-settled share-based payment transactions	Effective for periods starting on or after 1 January 2010
V) Amendments to IAS 27 Consolidated and Separate Financial Statements	Effective for periods starting on or after 1 July 2009
VI) Amendments to IAS 39 Financial Instruments Recognition and Measurements – eligible hedge items	Effective for periods starting on or after 1 July 2009
VII) IFRIC 17 Distributions of non-cash assets to owners	Effective for periods starting on and after 1 July 2009
VIII) IFRIC 18 Transfers of assets from costumers	Effective for transfer of assets from costumers received on or after 1 July 2009
IX) Amendments in various standards and interpretations (IFRS 2, IFRS 5, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) as a result of the outcome of the Annual Improvement Project published on 16 April 2009, primarily with a view to removing inconsistencies and clarify wording	Most of the amendments are to be applied for annual periods beginning on or after 1 January 2010.

Standards and Interpretations in issue not yet adopted

The following IFRS standards and interpretations were not yet adopted on the reporting date.

I. Amendments to IFRS 7 (Disclosures – Transfer of Financial Instruments)	Effective for periods starting on or after 1 July 2011.
II.) IFRS 9 Financial Instruments	Effective for periods starting on or after 1 January 2011.
III) Amendments to IFRS 10 (Consolidated Financial Reports)	Effective for periods starting on or after 1 January 2011
IV.) IFRS 11 (Common Arrangements)	Effective for periods starting on or after 1 January 2011.
V) IFRS 12 (Mandatory Disclosures to the interest of other firm)	Effective for periods starting on or after 1 January 2011.
VI) IFRS 13 (Evaluation at Real Value)	Effective for periods starting on or after 1 January 2011
VII) Amendments to IAS 1 (Presentation of other overall profit's components)	Effective for periods starting on or after 1 July 2012
VIII) Amendments to IAS 12: (Deferred Tax - Return of Secondary assets	Effective for periods starting on or after 1 January 2012.
IX.) Amendments to IAS 19 (modification of 2011) (Benefits of employees)	Effective for periods starting on or after 1 January 2011
X.) Amendments to IAS 27 (modification of 2011) (Consolidated and non-consolidated financial reports)	Effective for periods starting on or after 1 January 2011
XI.) Amendments to IAS 28 (Investments in affiliated corporations and in joint ventures)	Effective for periods starting on or after 1 January 2011

All amounts in HUF thousands unless if otherwise indicated.

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 will remain 19%, which is effective from 1st January 2010.
- The outcome of certain contingent liabilities.

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:

- 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 cash equivalents

	December 31, 2011	December 31, 2010
Cash and cash equivalents	388,436	362,528
Bank overdraft	-	886,870
Total cash and cash equivalents netted by bank overdrafts:	**388,436**	**(524,342)**

4 Accounts receivables

	December 31, 2011	December 31, 2010
Trade receivables	3,570,856	4,889,405
Allowance for doubtful debts	*(65,780)*	*(44,259)*
Total:	**3,505,076**	**4,845,146**

The carrying value of trade receivables approximates fair value. Balance of trade debtors is HUF 3,505 million, which is HUF 1,340 million (28%) lower than at the end of 2010. The main reason for the change is the decreased balance of trade receivables to the most important client of the Company. The Company holds no receivables pledged.

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

	December 31, 2011	December 31, 2010
Balance at the beginning of the year	**44,259**	**50,825**
Impairment losses recognised on receivables	50,920	31,020
Impairment losses reversed	(29,399)	(37,586)
Balance at the end of the year	**65,780**	**44,259**

All amounts in HUF thousands unless if otherwise indicated.

5 Inventories

	December 31, 2011	December 31, 2010
Raw materials	1,061,058	1,132,153
Goods	26,979	79,139
Work in progress	173,557	188,995
Finished goods	227,459	226,092
Cumulated loss in value for inventories	(69,720)	(87,296)
Total:	**1,419,333**	**1,539,083**

Inventories totalled HUF 1,419 million, which is by HUF 120 million (8%) lower compared to the 31 December 2010 figure. The change of inventories is due to the decrease of purchasing raw materials because of lower net sales turnover at the end of FY 2011 The Company holds no inventories pledged.

6 Other current assets and prepayments

	December 31, 2011	December 31, 2010
VAT receivable	77,378	159,954
Corporate income tax receivable	36,110	73,824
Other taxes receivable	7,822	29,794
Total current tax receivables	**121,310**	**263,572**
Employee loans	5,344	6,510
Advances paid	24,602	16,885
Other receivables	128,710	73,703
Prepayments	87,005	54,146
Total:	**245,661**	**151,244**

All amounts in HUF thousands unless if otherwise indicated.

7 Property, Plant and Equipment (PP&E)

	Land and buildings	Machinery and equipment	Property rights	Vehicles and other equipments	Capital projects	Total
Cost:						
January 1, 2010	**425,418**	**7,828,512**	**10,771**	**1,157,009**	**55,367**	**9,477,077**
Additions	84 ,935	598,211	-	166,655	807,924	**1,657,725**
Disposals and transfers	-	(65,259)	(4)	(34,238)	(849,801)	**(949,302)**
December 31, 2010	**510,353**	**8,361,464**	**10,767**	**1,289,426**	**13,490**	**10,185,500**
January 1, 2011	**510,353**	**8,361,464**	**10,767**	**1,289,426**	**13,490**	**10,185,500**
Additions	20,851	783,639	-	78,921	880 730	**1,764,141**
Additions from purchase of interests	50,625	293,183	-	10,917	-	**354,725**
Disposals and transfers	(3,771)	(101,737)	-	(183,397)	(883,411)	**(1,172,316)**
December 31, 2011	**578,058**	**9,336,549**	**10,767**	**1,195,867**	**10,809**	**11,132,050**
Accumulated depreciation:						
January 1, 2010	**75,633**	**5,567,462**	**10,771**	**911,843**	**-**	**6,565,709**
Charge for year	19,959	560,847	-	93,730	-	**674,536**
Disposals	-	(33,271)	(4)	(34,922)	-	**(68,197)**
December 31, 2010	**95,592**	**6,095,038**	**10,767**	**970,651**	**-**	**7,172,048**
January 1, 2011	**95,592**	**6,095,038**	**10,767**	**970,651**	**-**	**7,172,048**
Charge for year	39,760	623,750	-	88,973	-	**752,483**
Change from purchase of interests	29,627	137,923	-	2,672	-	**170,222**
Disposals	(886)	(65,268)	-	(109,444)	-	**(175,598)**
December 31, 2011	**164 093**	**6,791,443**	**10,767**	**952,852**	**-**	**7,919,155**
Net book value:						
January 31, 2010	**349,785**	**2,261,050**	**-**	**245,166**	**55,367**	**2,911,368**
December 31, 2010	**414,761**	**2,266,426**	**-**	**318,775**	**13,490**	**3,013,452**
December 31, 2011	**413,965**	**2,545,106**	**-**	**243,015**	**10,809**	**3,212,895**

Fair value of the PP&E exceeds book value, therefore no impairment loss was calculated. The Company holds no PP&E pledged.

All amounts in HUF thousands unless if otherwise indicated.

8 Investments

State Printing House signed a quota sales contract for the purchase of 50-percent quota in S.C. GPV Mail Services S.R.L. (hereunder GPV) on July 30, 2010. Following the approval of the Romanian Competition Office, the State Printing House's acquisition of property was registered by the Romanian Registration Court on January 20, 2011. The purchase price of EUR 1 527 900 was transferred by the Corporation to DBR Holding S.A. as per the contract, by which the acquisition process was officially closed. The control of GPV has been taken over by State Printing House from February 2011, and it has been included into the consolidation circle according to the contract. GPV Mail Service SRL name has modified to Zipper Data SRL as of October 10, 2011 and the company has been operating under this name since then.

The Moldavian subsidiary Tipo Direct SERV S.r.l, which was founded by Tipo Direct S.r.l. having a 100 per cent ownership in it, has been consolidatied since January 1, 2011.

9 Goodwill

	December 31, 2011	December 31, 2010
Cost	335,009	58,778
Accumulated impairment losses	-	-
Goodwill	**335,009**	**58,778**

Cost

	December 31, 2011	December 31, 2010
Balance at beginning of year	58,778	58,778
Additional amount recognised from business combinations occurring during the year	276,231	-
Derecognized on disposal of a subsidiary note	-	-
Balance at end of year	**335,009**	**58,778**

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

All amounts in HUF thousands unless if otherwise indicated.

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

10 Intangible assets

	Capitalised research and development costs	Total
Cost:		
January 1, 2010	**165,476**	**165,476**
Additions	29,534	29,534
Disposals and transfers	-	-
December 31, 2010	**195,010**	**195,010**
January 1, 2011	**195,010**	**195,010**
Additions	14,834	14,834
Disposals and transfers	-	-
December 31, 2011	**209,844**	**209,844**
Accumulated depreciation:		
January 1, 2010	**108,365**	**108,365**
Charge for year	4,014	4,014
Disposals	-	-
December 31, 2010	**112,379**	**112,379**
January 1, 2011	**112,379**	**112,379**
Charge for year	-	-
Disposals	-	-
December 31, 2011	**112,379**	**112,379**
Net book value:		
January 1, 2010	**57,111**	**57,111**
December 31, 2010	**82,631**	**82,631**
December 31, 2011	**97,465**	**97,465**

All amounts in HUF thousands unless if otherwise indicated.

11 Other payables and accruals

	December 31, 2011	December 31, 2010
VAT	131,248	19,727
Personal income tax	61,037	78,135
Other taxes	4,594	3,927
Total current tax liabilities	**196,879**	**101,789**
Wages	93,209	81,379
Social security	109,711	96,011
Advance payments from customers	31,611	19,486
Other short term liabilities	24,973	24,931
Accrued management bonuses	-	279,527
Accruals of EU subsidy	-	22,020
Accruals of research and development subsidy	11,794	14,280
Accruals of VAT of EU subsidized equipment	-	5,515
Other accruals	69,374	66,777
Other payables and accruals	**340,672**	**609,926**

Other payables of the Company decreased by HUF 269 million (44 per cent) compared to December 31, 2010, because management bonuses were not accrued at the end of FY 2011.

12 Loans and borrowings

	December 31, 2011	December 31, 2010
Bank overdraft of parent company	-	886,870
Bank overdraft of subsidiaries	-	0
Total bank overdraft	**-**	**886,870**
Total bank overdraft	-	886,870
Other short term loans of subsidiaries	31,319	27,727
Total short term loans	**31,319**	**914,597**
Long term loan of subsidiary	11,504	4,027
Total investment loans and borrowings	**11,504**	**4,027**
Total loans and borrowings:	**42,823**	**918,624**

The carrying value of overdrafts and loans approximates fair value.

All amounts in HUF thousands unless if otherwise indicated.

13 Trade accounts payables

	December 31, 2011	December 31, 2010
Trade payables	1,690,349	2,167,426
Other	-	-
Total trade accounts payables	**1,690,349**	**2,167,426**

14 Issued Share Capital

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

	December 31, 2011		December 31, 2010	
	Issued	Treasury	Issued	Treasury
Registered shares	1,449,876	42,988	1,449,876	42,988
Employee shares	-	-	-	-
	1,449,876	**42,988**	**1,449,876**	**42,988**

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

15 Treasury shares

Number of treasury shares held by the Company on 31st December 2011 is 438,651, which were purchased at an average price of HUF 1,024 per share. In 2009, in 2010, and in 2011 the Company calculated impairment on treasury shares in the statutory financial statement of the parent company prepared according to the Hungarian Accounting Law due to the long term significant share price decrease on the Budapest Stock Exchange in value of HUF 56,002 thousands in 2009, HUF 62,483 thousands in 2010, and HUF 69,746 thousands in 2011 therefore the accumulated impairment value is HUF 188,231 thousands. Book value of the treasury shares in the financial statement of the parent company is HUF 596 per share, which was the current share price of the Stock Exchange at the date of preparing the statement of financial position. Impairment of treasury shares did not influence the consolidated profit of the Group according to the International Financial Reporting Standards, as the impairment with all of its tax effect was eliminated during consolidation.

16 Retained earnings, capital reserve, non-controlling interest

Retained earnings available for distribution are based on the unconsolidated financial statements of the Company prepared in accordance with Hungarian accounting law as opposed to these accounts prepared under IFRS. On December 31st 2011 the financial statements of State Printing House Plc. not consolidated, prepared in accordance with Hungarian accounting standards indicated total retained earnings of HUF 2,347,857 thousands.

Restricted reserve is not available for distribution based on the Hungarian Accounting Standards. In 2011 the Company transferred HUF 1,139,452 thousands to restricted reserve representing the value of reorganization, research and development, an amount representing development reserve (refer to Note 16) and the amount used for repurchasing treasury shares, in line with Hungarian Accounting Standards.

Capital reserve is created by the accumulated capital surplus of the Company.

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.

17 Net sales

Sales segments (in HUF millions)	**December 31, 2011**	**December 31, 2010**
Security products and solutions	6,409	6,697
Card production and personalization	3,837	3,609
Form production and personalization. data processing	5,366	5,347
Traditional printing products	927	965
Other	583	511
Total net sales	**17,122**	**17,129**

18 Other incomes and expenditures

Other incomes and expenditures	**December 31, 2011**	**December 31, 2010**
Reversed loss in value for trade receivables	29,399	37,586
Reversed loss in value for inventories	26,917	17,756
EU subsidy dissolved	22,021	22,950
Allowances received	4,116	7,310
Research and development subsidy dissolved	2,486	2,483
VAT reclaim of EU subsidy	-	5,748
Other	32,048	80,511
Total other incomes	***116,987***	***174,344***
Local operational tax	151,636	156,308
Loss in value for trade receivables	50,920	31,019
Loss in value for inventories	16,447	51,304
Allowances given	9,500	16,286
Other	88,882	57,653
Total other expenditures	***317,385***	***312,570***
Total	**(200,398)**	**(138,226)**

19 Operating income

The following expense items have been charged against revenue to arrive at operating income:

	Notes	December 31, 2011	December 31, 2010
Net sales	17	17,121,781	17,129,082
Changes in inventory and own performance		35,059	175,388
Material cost		(11,758,074)	(11,804,322)
Staff cost		(3,690,967)	(3,799,421)
Depreciation		(752,483)	(678,550)
Gain on sale of fixed assets		15,572	837
Foreign currency losses		16,063	(1,310)
Dividend income		-	2,727
Other expense		(200,398)	(138,226)
Operating income		**786,553**	**886,205**

The average number of employees of the Group during 2011 was 857 (2010: 819).

All amounts in HUF thousands unless if otherwise indicated.

20 Taxation

	December 31, 2011	December 31, 2010
Current year corporate income tax	50,566	74,059
Deferred tax expense	5,271	(106,606)
Total tax expense	**55,837**	**(32,547)**

	December 31, 2011	December 31, 2010
Opening deferred tax liability	**246,251**	358,564
Deferred tax liability due to development reserve	16,068	(112,967)
Deferred tax on accounting and tax depreciation difference of assets not connected to development reserve	(14,092)	(332)
Deferred tax arising from treasury shares valuation	6,975	2,888
Deferred tax on residual value of financial lease assets	(1,912)	(1,902)
Closing deferred tax liability	**253,290**	**246,251**
	December 31, 2011	**December 31, 2010**
Opening deferred tax assets	**4 810**	10,517
Deferred tax asset on write-off for bad debts	2,152	(5,232)
Deferred tax asset on provisions	(384)	(475)
Closing deferred tax assets	**6,578**	**4,810**
	December 31, 2011	**December 31, 2010**
Opening deferred tax liability net	**241,441**	**348,047**
Closing deferred tax liability net	**246,712**	**241,441**

Based on the decision of the Hungarian Parliament, dual corporate tax rate has to be applied for the companies from the calendar year of 2011. 10% corporate tax rate has to be applied below HUF 500 million tax base and 19% tax rate over it. As the adjusted profit before tax will expectedly be not higher than HUF 500 million at the domestic entities, we applied the new 10% 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 2011 and 2010 pre tax profits and a deferred tax liability has been recognized for the unused development reserves. as well as for the residual value of financial lease assets. The Company decreased its deferred tax liabilities by the deferred tax effect of the accounting and tax depreciation difference of assets not connected to development reserve.

All amounts in HUF thousands unless if otherwise indicated.

Tax losses can be carried forward up to five years to offset future taxable profits. 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 and provisions in 2011.

State Printing House Plc. and its subsidiaries are subject to periodic audits by the Hungarian Tax Authority (APEH). 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. The Parent Company was not audited by the Tax Authority in 2011.

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

	December 31, 2011	December 31, 2010
Profit before tax and non-controlling interest	**747,561**	**872,411**
Tax base increasing items[1]		
Depreciation and amortization based on accounting law	633,041	623,362
Other tax base increasing items	94,247	49,571
Total tax base increasing items	**727,288**	**672,933**
Tax base decreasing items[1]		
Depreciation and amortization based on tax law	321,590	355,740
Creation of development reserve	400,000	300,000
Dividend received	410,843	305,645
Other tax base decreasing items	115,920	89,075
Total tax base decreasing items	**1,248,353**	**1,050,460**
Adjusted profit before tax (tax base)	**226,496**	**494,884**
Tax at statutory rate of 10%[2]	22,650	49,488
Deferred tax	(5,271)	106,606
Other permanent differences (net)	33,187	(82,035)
Corporate income tax expense	**50,566**	**74,059**

[1] Tax base increasing and decreasing items contain only items of the Parent Company.

[2] Foreign tax regulations were not taken into consideration during calculation. Differences due to this were recognized for Other temporary differences.

All amounts in HUF thousands unless if otherwise indicated.

21 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)

	December 31, 2011	December 31, 2010
Weighted average shares outstanding for:	14,355,999	14,370,659
Net income used in the calculation	623,413	860,120
Basic and diluted earnings per share:		
Basic (HUF per share)	43	60
Fully diluted (HUF per share)	43	60

22 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 750 million.

The Company reclassified HUF 1,038 million to the restricted reserves in 2009, in 2010 and 2011 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.

The Company leases and rents various facilities and properties under non-cancellable arrangements expiring in 2025. These contracts contain indexation clauses based on a percentage of inflation in Hungary. Future lease and rental payments under these non-cancellable operating agreements as of December 31. 2011 are as follows:

Periods	Amounts in EUR
2012	786,867
2013	802,604
2014	818,656
2015	835,030
2016	851,730
Later years	8,474,477
Total minimum payments	12,569,364

All amounts in HUF thousands unless if otherwise indicated.

23 Financial lease

The Group purchased more machines connected to card production or printing that are partly leased from BAWAG Leasing Zrt. from BRD Sogelease IFN S.A, Unicredit Leasing Corporation IFN S.A. The capitalized value of the machineries was HUF 1,444,496 thousands, while net book value at December 31. 2011 was HUF 971,666 thousands. Short term and long term financial lease principal liabilities are as follows:

Financial lease liabilities	FY 2011 in HUF thousands	FY 2010 in HUF thousands
Short term part	208,031	80,049
Long term part	268,927	136,657
Total	**476,958**	**216,706**

The fair value of the leased assets approximates book value.

24 Related party transactions

Related party transactions	FY 2011 in HUF thousands	FY 2010 in HUF thousands
Balance of intercompany receivables eliminated	356,727	627,196
Balance of intercompany liabilities eliminated	359,365	625,929
Balance of intercompany revenues eliminated	545,149	528,850
Balance of intercompany expenditures eliminated	543,433	528,850

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Through related party transactions mainly Állami Nyomda Nyrt. (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.

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

HUF 9,454 thousands remuneration was paid to the Supervisory Board, while HUF 10,342 thousands to the Board of Directors in 2011.

26 Risk management

<u>Foreign currency risk</u>
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. The balance of foreign currency receivables and liabilities are almost the same within the Group, therefore the foreign currency risk of the Group is not significant.

Állami Nyomda Group	Currency	December 31, 2011	December 31, 2010
Foreign currency assets	EUR	1,766,483	1,453,369
	USD	474	4,973
	GBP	216	740
	BGN	1,409,436	961,527
	RON	6,317,409	3,440,231
	MDL	619,982	-
	CZK	-	9,183
	DKK	11,408	**-**
Total (in HUF thousands)		**1,241,786**	**767,418**
Foreign currency liabilities	EUR	1,460,692	1,585,781
	USD	7,950	5,858
	CHF	23,741	-
	GBP	-	3,035
	BGN	100,574	99,856
	RON	4,454,353	2,552,580
	MDL	170,841	**-**
	DKK	7,705	**-**
Total (in HUF thousands)		**803,088**	**624,570**
Impact of a possible 10% foreign exchange rate decrease in each foreign currency (in HUF thousands)		**2011.12.31.**	**2010.12.31.**
Impact on foreign currency assets		**124,179**	**76,742**
Impact on foreign currency liabilities		**(80,309)**	**(62,457)**
Total impact of possible foreign exchange rate change		**43,870**	**14,285**

The fair value of the financial instruments approximates the book value.

The balances of foreign currency assets and liabilities of the subsidiaries and joint ventures of the Group are not significant. From the foreign subsidiaries and joint ventures of the Group TipoDirect S.R.L. and Zipper Data S.R.L. keeps its books in Romanian Lei, TipoDirect SERV S.R.L. in Moldavian Lei Direct Services O.O.D. in Bulgarian Leva, while Slovak Direct S.R.O. keeps its books in EURO. The balances of foreign currency assets and liabilities of the foreign subsidiaries and joint ventures of the Group are retranslated at the relevant national bank foreign exchange rates in the consolidated financial statements.

Interest rate risk

Due to the low balance 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 428 thousands in the year 2012. (This was HUF 9,186 thousands in the year 2011.)

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:

Állami Nyomda Group FY 2011	**In 1 month**	**1 - 3 months**	**3 months - 1 year**	**1 - 5 years**	**Over 5 years**	**Total:**
Trade payables*	1,347,694	313,894	23,009	5,705	47	**1,690,349**
Lease liabilities	17,647	50,698	139,686	268,927	-	**476,958**
Credits	-	-	31,319	11,504	-	**42,823**
Other liabilities and accruals (without taxes)	290,399	33,680	16,593	-	-	**340,672**
Current tax liabilities	196,879	-	-	-	-	**196,879**
Total	**1,852,619**	**398,272**	**210,607**	**286,136**	**47**	**2,747,681**

Állami Nyomda Group FY 2010	**In 1 month**	**1 - 3 months**	**3 months - 1 year**	**1 - 5 years**	**Over 5 years**	**Total:**
Trade payables*	1,358,364	511,716	293,319	4,027	-	**2,167,426**
Lease liabilities	6,671	20,012	53,366	136,657	-	**216,706**
Credits	-	-	914,597	4,027	-	**918,624**
Other liabilities and accruals (without taxes)	292,247	283,700	28,814	5,165	-	**609,926**
Current tax liabilities	100,026	-	1,763	-	-	**101,789**
Total	**1,757,308**	**815,428**	**1,291,859**	**149,876**	**-**	**4,014,471**

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 divers 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: 1.84%. (This was 0.91% in 2010.)

27 Significant events after the reporting period

No event occurred at the Group after the reporting period, which could influence the consolidated financial statements significantly.

All amounts in HUF thousands unless if otherwise indicated.

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

28 Indices

Indicators (% or HUF thousands)		2011	2010	Change	Change %
A	Current assets	5,679 816	7,161,573	(1,481,757)	-20.69%
B	Inventories	1,419,333	1,539,083	(119,750)	-7.78%
C	Owners' equity	6,321,561	6,064,832	256,729	4.23%
D	Short term debts	2,467,250	3,873,787	(1,406,537)	-36.31%
E	Total Assets / Liabilities	9,337,621	10,330,774	(993,153)	-9.61%
F	Sales revenues	17,121,781	17,129,082	(7,301)	-0.04%
G	Interest expense	63,271	33,757	29,514	87.43%
H	Operating Income	786,553	886,205	(99,652)	-11.24%
I	Profit attributable to owners of the Company	623,413	860,120	(236,707)	-27.52%
Liquidity ratios:					
Liquidity ratio: (A / D)		2.30	1.85	0,45	
Quick ratio: ((A - B) / D)		1.73	1.45	0,28	
Gearing ratios:					
Debts over Equity ratio ((E - C) / E)		32.30%	41.29%	-8.99%	
Interest cover (H / G)		12.43	26.25	(13.82)	
Profitability ratios:					
Return on Sales: ROS (I / F)		3.64%	5.02%	-1.38%	
Return on Equity: ROE (I / C)		9.86%	14.18%	-4.32%	
Return on Assets: ROA (I / E)		6.68%	8.33%	-1.65%	