

State Printing House Plc.

Annual report

for the year ended December 31, 2011

Deloitte.

Deloitte Auditing and Consulting Ltd.
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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

on the financial statements submitted for the forthcoming General Meeting
of Állami Nyomda Nyrt.

To the Shareholders of Állami Nyomda Nyrt.

Report on the Financial Statements

We have audited the accompanying financial statements of Állami Nyomda Nyrt. (the "Company") for the year 2011, which comprise the balance sheet as at December 31, 2011 - which shows total assets of 8,061,852 thHUF and a retained profit for the year of 793,421 thHUF-, and the related profit and loss account for the year then ended and the supplement comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Act and generally accepted accounting principles in Hungary, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 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 financial statements have been prepared pursuant to the Accounting Act and generally accepted accounting principles. In our opinion, the financial statements give a true and fair view of the financial position of Állami Nyomda Nyrt. as at December 31, 2011.

Other Reporting Obligation on the Business Report

We have examined the accompanying business report of Állami Nyomda Nyrt. for the year 2011. Management is responsible for the preparation of this business report in accordance with the Accounting Act and generally accepted accounting principles in Hungary. Our responsibility is to assess whether the accounting information in the business report is consistent with that contained in the financial statements prepared for the same business year. Our work with respect to the business report was limited to assessing the consistence of the business report with the 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 business report of Állami Nyomda Nyrt. for the year 2011, corresponds to the figures included in the financial statements of Állami Nyomda Nyrt. for the year 2011.

Budapest, February 3, 2012

The original Hungarian version has been signed.

Jack Bell
Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
000083

Tamás Horváth
registered statutory auditor
003449

Deloitte.

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Cg.: 01-09-071057

FÜGGETLEN KÖNYVVIZSGÁLÓI JELENTÉS

Az Állami Nyomda Nyrt. közgyűlése elé terjesztett éves beszámolóról

Az Állami Nyomda Nyrt. részvényeseinek

Az éves beszámolóról készült jelentés

Elvégeztük az Állami Nyomda Nyrt. (a „Társaság”) mellékelt 2011. évi éves beszámolójának a könyvvizsgálatát, amely éves beszámoló a 2011. december 31-i fordulónapra elkészített mérlegből – melyben az eszközök és források egyező végösszege 8.061.852 eFt, a mérleg szerinti eredmény 793.421 eFt nyereség –, és az ezen időponttal végződő évre vonatkozó eredménykimutatásból, valamint a számviteli politika meghatározó elemeit és az egyéb magyarázó információkat tartalmazó kiegészítő mellékletből áll.

A vezetés felelőssége az éves beszámolóért

A vezetés felelős az éves beszámolóban a számviteli törvényben foglaltakkal és a Magyarországon elfogadott általános számviteli elvekkel 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 éves beszámoló elkészítése.

A könyvvizsgáló felelőssége

A mi felelősségünk az éves beszámoló 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 az éves beszámoló mentes-e a lényeges hibás állításoktól.

A könyvvizsgálat magában foglalja olyan eljárások végrehajtását, amelyek célja könyvvizsgálati bizonyítékot szerezni az éves beszámolóban szereplő összegekről és közzétételekről. A kiválasztott eljárások, beleértve az éves beszámoló akár csalásból, akár hibából eredő, lényeges hibás állításai kockázatának felmérését is, a könyvvizsgáló megítélésétől függenek. A kockázatok ilyen felmérésekor a könyvvizsgáló az éves beszámoló 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 az éves beszámoló átfogó prezentálásának értékelését is. Meggyőződésünk, hogy a megszerzett könyvvizsgálati bizonyíték elegendő és megfelelő alapot nyújt könyvvizsgálói záródékunk (véleményünk) megadásához.

Záradék (vélemény)

A könyvvizsgálat során az Állami Nyomda Nyrt. éves beszámolóját, 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 az éves beszámolót a számviteli törvényben foglaltak és az általános számviteli elvek szerint készítették el. Véleményünk szerint az éves beszámoló az Állami Nyomda Nyrt. 2011. december 31-én fennálló vagyoni, pénzügyi és jövedelmi helyzetéről megbízható és valós képet ad.

Egyéb jelentéstételi kötelezettség az üzleti jelentésről

Elvégeztük az Állami Nyomda Nyrt. mellékelt 2011. évi üzleti jelentésének a vizsgálatát.

A vezetés felelős az üzleti jelentésnek a számviteli törvényben foglaltakkal és a Magyarországon elfogadott általános számviteli elvekkel összhangban történő elkészítéséért.

A mi felelőségünk az üzleti jelentés és az ugyanazon üzleti évre vonatkozó éves beszámoló összhangjának megítélése. Az üzleti jelentéssel kapcsolatos munkánk az üzleti jelentés és az éves beszámoló összhangjának megítélésére korlátozódott és nem tartalmazta egyéb, a Társaság nem auditált számviteli nyilvántartásaiból levezetett információk áttekintését.

Véleményünk szerint az Állami Nyomda Nyrt. 2011. évi üzleti jelentése az Állami Nyomda Nyrt. 2011. évi éves beszámolójának adataival összhangban van.

Budapest, 2012. február 3.



Jack Bell

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1068 Budapest Dózsa György út 84/C.
000083



Horváth Tamás

kamarai tag könyvvizsgáló
003449

Balance Sheet (in HUF thousands)

	Description	December 31, 2010	December 31, 2011
A.	FIXED ASSETS	3,114,130	3,611,969
I.	INTANGIBLE ASSETS	283,037	636,293
1.	Capitalized start-up and restructuring costs	177	-
2.	Capitalized value of research and development	82,631	97,465
3.	Concessions, licenses and similar rights and assets	139,719	198,121
4.	Intellectual property	40,001	44,583
5.	Goodwill	20,509	296,124
6.	Advances and prepayments on intangible assets	-	-
7.	Adjusted value of intangible assets	-	-
II.	TANGIBLE ASSETS	2,242,651	2,218,427
1.	Land and buildings and rights to immovable	250,041	250,250
2.	Plant and machinery, vehicles	1,691,918	1,748,761
3.	Other equipment, fixtures and fittings, vehicles	275,686	208,603
4.	Breeding stock	-	-
5.	Assets in course of construction	10,990	10,813
6.	Payment on account	14,016	-
7.	Adjusted value of tangible assets	-	-
III.	FINANCIAL INVESTMENTS	588,442	757,249
1.	Long-term participations in affiliated undertakings	574,616	746,588
2.	Long-term loan to affiliated undertakings	-	-
3.	Other long-term participations	-	-
4.	Long-term loan to independent undertakings	-	-
5.	Other long-term loans	13,826	10,661
6.	Securities signifying a long-term creditor relationship	-	-
7.	Adjusted value of financial investments	-	-

Budapest, 03 February, 2012



Chief Executive Officer

Balance Sheet for the year ended December 31, 2011

	Description	December 31, 2010	December 31, 2011
B.	CURRENT ASSETS	6,327,768	4,379,391
I.	INVENTORIES	1,368,598	1,250,149
1.	Raw materials and consumables	976,729	873,303
2.	Work in progress, intermediate and semi-finished products	161,230	140,707
3.	Animals for breeding and fattening, other livestock	-	-
4.	Finished products	209,908	219,870
5.	Goods for resale	20,680	14,522
6.	Advances and prepayments on inventories	51	1,747
II.	RECEIVABLES	4,556,213	2,807,021
1.	Accounts receivable (trade debtors)	4,197,345	2,571,762
2.	Receivables from affiliated undertakings	156,966	137,659
3.	Receivables from independent undertakings	-	-
4.	Bills of exchange receivable	-	-
5.	Other receivables	201,902	97,600
III.	SECURITIES	331,182	261,436
1.	Participations in affiliated undertakings	-	-
2.	Other participations	-	-
3.	Own shares and own partnership shares	331,182	261,436
4.	Securities signifying a creditor relation. for trading purposes	-	-
IV.	LIQUID ASSETS	71,775	60,785
1.	Cash in hand, checks	5,742	3,425
2.	Cash at bank	66,033	57,360
C.	PREPAYMENTS AND ACCRUED INCOME	53,812	70,492
1.	Accrued income	21,080	21,735
2.	Accrued costs, expenses	32,732	48,757
3.	Deferred expenses	-	-
	TOTAL ASSETS	9,495,710	8,061,852

Budapest, 03 February, 2012



Chief Executive Officer

Balance Sheet for the year ended December 31, 2011

	Description	December 31, 2010	December 31, 2011
D.	SHAREHOLDERS' EQUITY	5,187,871	5,981,292
I.	SHARE CAPITAL	1,449,876	1,449,876
	including: ownership shares repurchased at face value	42,988	42,988
II.	SHARE CAPITAL UNPAID	-	-
III.	CAPITAL RESERVE	250,686	250,686
IV.	ACCUMULATED PROFIT RESERVE	2,109,947	2,347,857
V.	TIED-UP RESERVE	1,257,435	1,139,452
VI.	REVALUATION RESERVE	-	-
VII.	PROFIT OR LOSS FOR THE YEAR	119,927	793,421
E.	PROVISIONS	3,855	-
1.	Provisions for expected liabilities	3,855	-
2.	Provisions for future expenses	-	-
3.	Other provisions	-	-
F.	LIABILITIES	3,966,318	2,036,881
I.	SUBORDINATED LIABILITIES	-	-
1.	Subordinated liabilities to affiliated undertakings	-	-
2.	Subordinated liabilities to independent undertakings	-	-
3.	Subordinated liabilities to other economic entities	-	-
II.	LONG-TERM LIABILITIES	65,223	215,403
1.	Long-term loans	-	-
2.	Convertible bonds	-	-
3.	Debts on issue of bonds	-	-
4.	Investment and development credits	-	-
5.	Other long-term credits	-	-
6.	Long-term liabilities to affiliated undertakings	-	-
7.	Long-term liabilities to independent undertakings	-	-
8.	Other long-term liabilities	65,223	215,403
III.	CURRENT LIABILITIES	3,901,095	1,821,478
1.	Short-term loans	-	-
	including: convertible bonds	-	-
2.	Other short-term credits	886,871	-
3.	Advances received from customers	17,512	21,152
4.	Accounts payable (trade creditors)	1,751,432	1,156,431
5.	Bills of exchange payable	-	-
6.	Short-term liabilities to affiliated undertakings	445,236	156,262
7.	Short-term liabilities to independent undertakings	-	-
8.	Other short-term liabilities	800,044	487,633
G.	ACCRUALS AND DEFERRED INCOME	337,666	43,679
1.	Deferred income	-	-
2.	Deferred costs, expenses	295,852	31,885
3.	Accrued income	41,814	11,794
	TOTAL EQUITY AND LIABILITIES	9,495,710	8,061,852

Budapest, 03 February, 2012



Chief Executive Officer

Profit and Loss Statement for the year ended December 31, 2011

Profit or Loss Statement (total cost method, in HUF thousands)

	Description	FY 2010	FY 2011
01.	Net domestic sales	12,270,351	10,988,003
02.	Net external sales	1,235,051	1,382,196
I.	NET SALES REVENUE	13,505,402	12,370,199
03.	Change in stocks of finished goods and work in progress	131,426	(10,561)
04.	Own work capitalized	38,787	38,276
II.	OWN PERFORMANCE CAPITALIZED	170,213	27,715
III.	OTHER INCOME	113,907	127,595
	including: loss in value marked back	46,305	48,750
05.	Cost of raw materials and consumables	5,575,890	4,608,591
06.	Cost of services	1,452,681	1,419,553
07.	Cost of other service activities	58,091	58,863
08.	Cost of goods sold	336,716	382,870
09.	Cost of services sold (intermediated)	1,991,236	1,773,549
IV.	MATERIAL COSTS	9,414,614	8,243,426
10.	Wages and salaries	2,099,938	1,966,911
11.	Other employee benefits	295,206	281,563
12.	Contributions on wages and salaries	631,977	596,278
V.	STAFF COSTS	3,027,121	2,844,752
VI.	DEPRECIATION	623,362	633,041
VII.	OTHER OPERATING CHARGES	229,830	251,811
	including: loss in value	36,087	32,005
A.	OPERATING (TRADING) PROFIT	494,595	552,479
13.	Dividends and profit-sharing (received or due)	305,645	410,843
	including: from affiliated undertakings	305,645	410,843
14.	Capital gains on investments	-	-
	including: from affiliated undertakings	-	-
15.	Interest and capital gains on financial investments	-	-
	including: from affiliated undertakings	-	-
16.	Other interest and similar income (received or due)	3,247	8,626
	including: from affiliated undertakings	292	2,988
17.	Other income from financial transactions	56,371	94,268
VIII.	Income from financial transactions	365,263	513,737
18.	Losses on financial investments	-	-
	including: to affiliated undertakings	-	-
19.	Interest payable and similar charges	59,122	61,438
	including: to affiliated undertakings	28,962	20,010
20.	Losses on shares, securities and bank deposits	62,483	69,746
21.	Other expenses on financial transactions	60,720	95,799
IX.	Expenses on financial transactions	182,325	226,983
B.	PROFIT OR LOSS ON FINANCIAL TRANSACTIONS	182,938	286,754
C.	PROFIT OR LOSS ON ORDINARY ACTIVITIES	677,533	839,233
X.	Extraordinary income	25,935	24,504
XI.	EXTRAORDINARY EXPENSES	31,561	49,839
D.	EXTRAORDINARY PROFIT OR LOSS	(5,626)	(25,335)
E.	PROFIT BEFORE TAX	671,907	813,898
XII.	TAX PAYABLE	34,167	20,477
F.	PROFIT AFTER TAX	637,740	793,421
22.	Profit reserves used for dividends and profit-sharing	-	-
23.	Dividends and profit-sharing paid (approved)	517,813	-
G.	PROFIT OR LOSS FOR THE YEAR	119,927	793,421

Budapest, 03 February, 2012



Chief Executive Officer

Profit and Loss Statement for the year ended December 31, 2011

Profit or Loss Statement (turnover cost method, in HUF thousands)

	Description	FY 2010	FY 2011
01.	Net domestic sales	12,270,351	10,988,003
02.	Net external sales	1,235,051	1,382,196
I.	TOTAL SALES (REVENUES)	13,505,402	12,370,199
03.	Prime cost of sales accounted	7,799,216	6,906,840
04.	Original cost of goods sold	336,716	382,870
05.	Value of services sold (intermediated)	1,991,236	1,773,549
II.	DIRECT COSTS OF SALES	10,127,168	9,063,259
III.	GROSS INCOME FROM SALES	3,378,234	3,306,940
06.	Sales and marketing costs	240,575	259,932
07.	Administration costs	2,333,156	2,192,497
08.	Other general overhead	193,985	177,816
IV.	INDIRECT COST OF SALES	2,767,716	2,630,245
V.	OTHER INCOME	113,907	127,595
	including: loss in value marked back	46,305	48,750
VI.	OTHER OPERATING CHARGES	229,830	251,811
	including: loss in value	36,087	39,844
A.	INCOME FROM OPERATIONS	494,595	552,479
13.	Dividends and profit-sharing (received or due)	305,645	410,843
	including: from affiliated undertakings	305,645	410,843
14.	Capital gains on investments	-	-
	including: from affiliated undertakings	-	-
15.	Interest and capital gains on financial investments	-	-
	including: from affiliated undertakings	-	-
16.	Other interest and similar income (received or due)	3,247	8,626
	including: from affiliated undertakings	292	3,988
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IX.	Income from financial transactions	365,263	513,737
18.	Losses on financial investments	-	-
	including: to affiliated undertakings	-	-
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	including: to affiliated undertakings	28,962	20,010
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X.	Expenses on financial transactions	182,325	226,983
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F.	PROFIT AFTER TAX	637,740	793,421
22.	Profit reserves used for dividends and profit-sharing	-	-
23.	Dividends and profit-sharing paid (approved)	517,813	-
G.	PROFIT OR LOSS FOR THE YEAR	119,927	793,421

Budapest, 03 February, 2012



Chief Executive Officer

State Printing House Plc.

Supplementary Notes

for the year ended December 31, 2011

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2 General information

2.1 General information on the Company

Company name:	State Printing House Public Company Limited by Shares
Abbreviate company name:	State Printing House Plc.
Seat:	1102 Budapest, Halom u. 5.
Premises of the Company:	1108 Budapest, Fátyolka utca 1-3. 3060 Pásztó, Fő utca 141.
Tax registration number:	10793509-2-44
Company registration number:	01-10-042030
Central Statistical Office reg.No:	10793509-1812-114-01
Date of Foundation:	3 rd October 1992
Share capital of the Company:	The Company's share capital is HUF 1,449,875,700, of which HUF 350,000,000 is cash contribution, while HUF 1,099,875,700 is non-cash contribution

Place of publishing the announcements:

The Company publishes its announcements on its website www.allaminyomda.hu, in the cases as set forth in the regulations, such announcements will be published in the Companies Bulletin. In addition while the registered shares of the Company are traded on the Budapest Stock Exchange (hereinafter: BSE), the Company meets its disclosure requirements in the way as set forth in the regulations of the Budapest Stock Exchange (hereinafter: BSE).

Members of the Board of Directors of the Company:

Dr. Ákos Erdős (chairman)
György Gyergyák (vice-chairman)
Doffek Tamás
Péter Kadocsa
Dr. György Karády (from April 19, 2011)
Gábor Zsámboki

Members of the Supervisory Board of the Company:

Dr. Tamás Sárközy
Dr. Istvánné Gömöri (vice-chairman)
Ferenc Berkesi
Dr. Imre Repa
Dr. János Stumpf (until April 19, 2011)
Dr. Erzsébet Novotny

Auditor of the Company: Deloitte Könyvvizsgáló és Tanácsadó Kft. (seat: 1068 Budapest, Dózsa György út 84/c) MKVK registration No.: 000083); registered statutory auditor: Tamás Horváth (MKVK registration number: 003449)

ISIN code of the share series involved in the Stock Exchange Listing of the Company:

Common shares of series "A": HU 0000093257

Name and address of the persons authorized to represent the Company, and to sign the annual report:

Gábor Zsámboki, Chief Executive Officer,
1028 Budapest, Csokonai utca 22.

Name and address of the person responsible for the accounting services:

Tamás Karakó, Chief Financial Officer,
3956 Viss, Ady Endre u. 7.

2.2 *The activities and the history of the Company*

2.2.1 *The activities of the Company*

The activities of Állami Nyomda are organized around five product groups.

Security forms and solutions include tax stamps, securities, documents of value (food/meal vouchers, other vouchers), stamps, paper-based documents, and the products and security solutions developed by the Document Security Laboratory.

The card production and personalization product group comprises the production and personalization of plastic and paper-based cards, including various card-based documents such as student ID cards, identity cards, driver's licenses, vehicle registration cards, health insurance cards and other card documents as well as bankcards, phone cards, access cards, transportation cards and commercial cards.

The business and administrative forms product group is made up of the production of forms and related personalization and data processing works. This category includes business forms, personalized forms, administrative forms, continuous stationery-based products, lottery forms and election forms as well as electronic document management and data processing tasks, such as bulk electronic archiving and contract storage.

The category of traditional printing products consists of the production and sale of hardcover and paperback books, magazines, textbooks, notes, calendars and agendas as well as the manufacturing of information and packaging materials.

The other commercial activities category includes the sale of every product or service that is not related to the core activities of Állami Nyomda and cannot be classified into any of the four categories mentioned above. Revenues from transportation services and the sale of (raw) materials are also posted here.

2.2.2 The history of the Company

The predecessor of Állami Nyomda, a subsidiary of Vienna-based Staatsdruckerei, was established in Temesvár (currently Timisoara, Romania) in 1851.

Állami Nyomda was privatised in 1993, when 70% of its shares were acquired by Láng Kiadó és Holding Rt., and 15.9% was purchased by the Company's employees under an Employee Stock Ownership Plan (ESOP). The remainder of the shares were given to municipalities where the Company's sites were located.

After the sale of the building complex in the Buda Castle District in 1994, the new printing plant – financed by the Company itself – was opened at Halom utca 5. in Budapest's 10th district on 4 October 1994. In the same year Állami Nyomda leased the machinery of SZÜV Leporello Nyomda and took over its clients and most of its employees. In the year following the takeover the Company's production portfolio was made up of the dominant business forms, security documents and lottery forms.

In 1997, the shareholders and management of Állami Nyomda set a new direction for further development: content provision, information technology and the production of plastic cards. In December 1997, Baring Central European Investments BV carried out a HUF 1.2 billion capital increase in the Company, acquiring a 43% ownership interest. The emergence of the new investor allowed the creation of a completely new business line, the production and personalisation of plastic cards. The capital investment, designed to ensure advanced technology for the new operations, was

implemented in the following year at the Company's new premises at Fátyolka street 1-3. in Budapest's 10th district.

Állami Nyomda carried out additional developments at its Fátyolka street plant in 2000, creating the conditions for manufacturing chip cards. In 2004 the Company won a HUF 150 million non-refundable grant – in part funded by the European Union – to further improve its chip card production. In 2002 Állami Nyomda also launched its electronic archiving services as a security company that has appropriate data protection, secure processing and safekeeping to offer complex services for partners that place a great emphasis on security.

Állami Nyomda and Tipoholding of Romania established a Romania joint venture, Típo Direct s.r.o. in September 2004. In Bulgaria the Company teamed up with local company Power Solution o.o.d. to set up a joint venture, Direct Services o.o.d. in February 2005. In order to strengthen its regional presence, in April 2005, Állami Nyomda took steps to form another two companies: Slovak Direct s.r.o. in Slovakia and Állami Nyomda o.o.o. in Russia which activities were broken up in 2011. State Printing PLC has purchased the 50 per cent share of GPV Mail Services SRL increasing their market segment in Romania.

Állami Nyomda obtained an ISO 9001 quality management certificate in 1997 and an ISO 14001 environmental management certificate in 2001. Since 1999 it has been licensed to produce and personalize Visa and MasterCard bankcards, and since 2006 it has certification to produce EMV bank cards. In 2002 the Company became a certified supplier to NATO. Since 2003 it has been operating in compliance with one of the most comprehensive information protection standards, ISO/IEC 27001.

The ordinary shares of Állami Nyomda were listed in Category "A" of the Budapest Stock Exchange (BSE) on 8 December 2005.

1. Table: Structure of the Shareholders

Shareholders	Total equity					
	Beginning of period (1 January 2011)			End of period (31 December 2011)		
	% ¹	% ²	Shares	% ¹	% ²	Shares
Domestic institutions	38.49%	39.66%	5,693,745	31.14%	32.10%	4,606,153
Foreign institutions	32.41%	33.40%	4,795,585	37.91%	39.07%	5,609,307
Domestic private individuals	9.55%	9.85%	1,413,611	9.56%	9.85%	1,414,419
Foreign private individuals	0.08%	0.08%	11,595	0.03%	0.03%	4,465
Employees, managing officials	7.58%	7.81%	1,120,703	7.47%	7.70%	1,105,741
Shareholders as part of the state budget	0%	0%	-	2.88%	2.96%	425,520
Own shares	2.96%	0.00%	438,651	2.96%	0.00%	438,651
Other	8.93%	9.20%	1,320,760	8.05%	8.29%	1,190,394
TOTAL:	100.00%	100.00%	14,794,650	100.00%	100.00%	14,794,650

¹ Ownership interest

² Voting rights that entitle the holder to participate in decision making at the general meeting of the issuer.

According to the share register the voting right of the shareholders listed below is over 5%, and the following groups of investors form the structure of shareholders as at December 31, 2011.

2. Table: Structure of shareholders over 5% share

Name	Voting right (%)	Ownership interest (%)
<i>Shareholders over 5% share</i>		
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%
<i>Other shareholders below 5% share</i>		
Domestic institutions	23.89%	23.18%
Foreign institutions	10.17%	9.86%
Domestic private individuals	9.85%	9.56%
Foreign private individuals	0.03%	0.03%
Employees, managing officials	7.70%	7.47%
Shareholders as part of the state budget	2.96%	2.88%
Own shares	0.00%	2.96%
other	8.29%	8.06%

The shares issued by the company are made up of the following:

Series 'A' shares: 14,794,650 pieces of registered, dematerialized ordinary shares with a nominal value of HUF 98 each.

AEGON Magyarország Befektetési Alapkezelő Zrt., as portfolio manager authorized with voting right has control all over the ordinary shares of State Printing House Plc. owned in the AEGON Group. Therefore AEGON Magyarország Befektetési Alapkezelő Zrt. has cumulated voting right of 19.97%.

2.3 Main parts of the accounting policy

According to the Act of Accounting Section no. 12, paragraph no. 3, State Printing House Plc. prepares double-entry bookkeeping. State Printing House Plc. meets its reporting obligation by preparing the annual report. The cut-off date of the annual report is December 31, 2011. Balance sheet preparation date is January 15, 2012.

Accounting principle instructions

2% of balance sheet total qualifies as major error for the period. 20% of equity disclosed in the annual report of the last financial year qualifies as error corrupting true and fair view. The principal of prudence and true and fair view dominate the accounting at the Company, these are applied beside the going concern principle, taking into consideration other accounting principles as well.

Depreciation method

The applied depreciation method is gross value based linear method, calculated from the date of put into use during the useful life of the asset. Depreciation is posted monthly.

By taking advantage of the Act of Accounting Section no. 80, paragraph no. 2, State Printing House Plc. records concessions, licenses, similar rights, intellectual properties and tangible assets under purchase value of HUF 100,000 in one amount as depreciation cost at the time of put into use.

Inventory valuation

Inventories are valued according to the Act of Accounting (paragraph no. 47-51.), decreased by the accounted loss in value and increased by the reversed loss in value. Purchased inventories are disclosed at real purchase price. Self-manufactured stocks are valued on direct cost basis supported by prime cost calculation

Foreign exchange rate applied

In case of revaluation of assets and liabilities denominated in foreign currency, the Company applies uniformly the exchange rate published by the National Bank of Hungary.

Consolidation

Due to the changes in shareholders' structure, State Printing House Plc. is obliged to prepare a consolidated annual report of the Group since 2005. When preparing the consolidated annual report, Gyomai Kner Nyomda Zrt., Specimen Zrt. Technoprogress Kft, Slovak Direct S.R.O., Tipo Direct S.R.L. (Romanian), TipoDirect Serv S.R.L (Moldavian) 100 per cent owned by Romanian TipoDirect, Zipper Data S.R.L. (Romanian, old name was GPV Mail Services S.R.L.) and Direct Services O.O.D. (Bulgarian) and are considered to be subsidiaries, while The consolidated annual report is prepared according to the International Financial Reporting Standards.

2.4 Significant achievements, events in 2011

Net sales revenue amounted to HUF 12,370 million in 2011, out of which export sales totalled HUF 1,382 million. Operating income came to HUF 552 million, a decrease of HUF 57 million (11.7%) compared to the previous year. Income before tax was HUF 814 million while EBITDA amounted to HUF 1,185 million. Net income after financial operations, extraordinary profit and taxation was HUF 793 million.

Gross profit totalled HUF 3,307 million, which means a 26.7% gross margin. General (SG&A) expenses amounted to HUF 2,630 million in 2011, which equals 21.3% of net sales. Material expenses decreased by 12.4% (HUF 1,172 million) in 2011, mainly as a result of the decreased sales revenue and the sales of the products with lower material proportion.

In 2011 dividends received from subsidiaries increased by HUF 105 million due to this factor Financial transaction result amounted to HUF 243 million in 2011, indicated a raise of HUF 61 million year on year.

Income tax expense amounted to HUF 20 million in 2011, which means a drop of HUF 14 million.

Profit after tax came to HUF 793 million, HUF 155 million higher compared to the prior year.

Following the approval of the Romanian Competition Office, the State Printing House's acquisition of 50 per cent property in GPV Mail Services S.R.L. was registered by the Romanian Registration Court on January 20, 2011. Because of acquisition the amount of Investments and Goodwill have significantly changed.

Continuing the significant developments an investments of the decade, State Printing PLC installed their '*Müller Martini Concepta*' printing machine in May 19, 2011. This 8 colours printing machine, which is unique in Hungary and the Region, significantly improves the quality of security and business printing products and highly extends the manufacturing capacity. Due to the investment State Printing PLC is also able to outstandingly complete the demands of one of the biggest luncheon voucher distributor and bank and insurance form production.

2.5 Main information on the investments of the company

3. Table: Subsidiaries and joint ventures based on the financial data of the last known year (in HUF thousands)

Investment	Seat	Year	Owner-ship interest %	Voting right %	Registered capital	Reserves	Profit for 2011	Total Equity	Qualification based on HAL
Gyomai Kner Nyomda Zrt.	Gyomaendrőd	2011	98.98%	98.98%	200,000	413,322	116,839	730,162	Subsidiary
Specimen Papír és Nyomdaipari Zrt.	Budapest	2011	90.00%	90.00%	100,000	43,260	8,593	151,853	Subsidiary
Slovak Direct S.R.O.	Bratislava	2011	100.00%	100.00%	20,122	8,827	7,360	36,309	Subsidiary
Technoprogress Kft	Budapest	2011	100.00%	100.00%	5,000	9,798	547	15,345	Subsidiary
Tipo Direct S.R.L.	Cluj-Napoca	2011	50.00%	50.00%	34,306	87,118	27,031	148,455	Subsidiary
Zipper Data S.R.L.	Bucharest	2011	50.00%	50.00%	114,121	133,756	3,063	250,940	Subsidiary
Direct Services O.O.D.	Sofia	2011	50.00%	50.00%	91,680	65,663	92,917	250,260	Subsidiary

According to the co-operational agreements, State Printing House Plc, governs and controls the joint-ventures (TipoDirect S.R.L. and Direct Services O.O.D.) from 1st January 2009 in the consolidation as 100% subsidiaries hereafter.

State Printing P.L.C. purchased a 50 per cent share in Romanian Zipper Data S.R.L. in January 20, 2011.

Based on the agreement with the co-partners, it has been consolidated as a 100 per cent subsidiary in the Consolidation of the Group.

In the year of 2011, the activity of Állami Nyomda O.O.O expired, it was not the member of the circle of subsidiaries.

3 Explanations for the balance sheet items

3.1 Intangible assets

4. Table: Movement table of intangible assets

Description	January 1, 2011	Increase	Decrease	Reclassification	December 31, 2011
Capitalized start-up and restructuring costs	54,053	-	-	-	54,053
Capitalized value of research and development	195,009	14,834	-	-	209,843
Concessions, licenses and similar rights and assets	288,611	78,486	-	-	367,097
Intellectual property	391,221	19,659	-	-	410,880
Goodwill	20,509	275,615	-	-	296,124
GROSS VALUE	949,403	388,594	-	-	1,337,997
Capitalized start-up and restructuring costs	53,876	177	-	-	54,053
Capitalized value of research and development	112,378	-	-	-	112,378
Concessions, licenses and similar rights and assets	148,892	20,084	-	-	168,976
Intellectual property	351,220	15,077	-	-	366,297
ACCUMULATED DEPRECIATION	666,366	35,338	-	-	701,704
NET VALUE	283,037	353,256	-	-	636,293

Increase of intangible assets' gross value in 2011 is mainly a result of the capitalised development cost connected to security paint researches, property rights connected to new corporal operating software, and the result of goodwill connected to purchase the 50 per cent share of Zipper Data S.R.L. (old name GPV Mail Services S.R.L.).

In 2011 impairment loss has not been accounted on intangible assets.

3.2 Tangible assets

5. Table: Movement table of tangible assets

Description	January 1, 2011	Increase	Decrease	Reclassification	December 31, 2011
Land and buildings and rights to immovable	285,064	17,547	-	-	302,611
Plant and machinery, vehicles	6,122,636	557,896	30,888	-	6,649,644
Other equipment, fixtures and fittings, vehicles	1,127,821	63,587	147,976	-	1,043,432
Assets in course of construction	10,990	639,458	639,635	-	10,813
Payment on account	14,016	14,913	28,929	-	-
GROSS VALUE	7,560,527	1,293,401	847,428	-	8,006,500
Land and buildings and rights to immovable	35,023	17,338	-	-	52,361
Plant and machinery, vehicles	4,430,718	500,881	30,716	-	4,900,883
Other equipment, fixtures and fittings, vehicles	852,135	79,637	96,943	-	834,829
ACCUMULATED DEPRECIATION	5,317,876	597,856	127,659	-	5,788,073
NET VALUE	2,242,651	695,545	719,769	-	2,218,427

Gross value of fixed assets increased by 5.9%, while net value fell by HUF 24,224 thousands because the depreciation was higher than purchases.

Increase of gross value derives mainly from purchase of 8 colours printing machine.

Impairment loss on scrapping was accounted in HUF 278 thousands of which HUF 125 thousands were connected to assets in course of construction, while HUF 153 thousands were connected to other equipments. Since we did not prepare a separate column for impairment loss, it can be found on one hand in the decrease of the assets in course of construction, on the other hand in the increase of depreciation of other equipments in the above table.

HUF 480 thousand was directly sold from assets in course of construction, without any capitalisation.

3.3 Financial assets

6. Table: Movement table of financial assets

Description	January 1, 2011	Increase	Decrease	December 31, 2011
Long-term participations in affiliated undertakings	603,944	172,040	68	775,916
Other long-term participations	-	-	-	-
Other long-term loans	13,826	1,900	5,065	10,661
GROSS VALUE	617,770	173,940	5,133	786,577
Long-term participations in affiliated undertakings	29,328	-	-	29,328
LOSS IN VALUE	29,328	-	-	29,328
NET VALUE	588,442	173,940	5,133	757,249

The change in the investments in 2011 is caused by the elimination of Allami Nyomda O.O.O and purchase of 50 per cent share quota of Zipper Data S.R.L. (formerly named GPV Mail Services S.R.L.). Foreign exchange gain of the investments denominated in foreign currency is amounted to HUF 27,420 thousand.

Long term flat-loans given to employees are represented on the line of other long term loans.

7. Table: Differences in purchase and nominal value of investments

Description	Investments'		
	net book value	purchase value	nominal value
Gyomai Kner Nyomda Zrt.	359,596	359,596	197,950
Specimen Zrt.	136,513	165,841	90,000
Slovak Direct S.r.o. (Slovakian)	19,901	12,569	12,569
Tipo Direct S.r.l. (Romanian)	17,160	14,725	14,725
Direct Services O.o.d. (Bulgarian)	45,332	37,521	37,521
Technoprogress Kft	4,491	25,000	5,000
Zipper Data S.r.l. (Romanian)	163,595	420,234	144,619
Total:	746,588	1,035,486	502,384

According to the equity valuation of the investments, the net book value of the investments is not higher than the fair market value of them, so the company did not account any loss in value in 2011 on the investments. The difference between net book value and purchase value derives from the year end revaluation of investments denominated in foreign currency beside loss in value posted in the previous years. Goodwill connected to purchase of Zipper Data S.R.L. amounted to HUF 275,615 thousand.

3.4 Inventories

8. Table: Inventories

Description	December 31, 2010	December 31, 2011	Change	Change %
Raw materials and consumables	976,729	873,303	(103,426)	-10.59%
Work in progress, intermediate and semi-finished products	161,230	140,707	(20,523)	-12.73%
Finished products	209,908	219,870	9,962	4.75%
Goods for resale	20,680	14,522	(6,158)	-29.78%
Advances and prepayments on inventories	51	1,747	1,696	3325.49%
Total:	1,368,598	1,250,149	(118,449)	-8.65%

9. Table: Loss in value for inventories

Description	December 31, 2010	Increase	Decrease	December 31, 2011
Raw materials and consumables	54,051	6,909	1,344	59,616
Finished products	8,722	1,699	8,723	1,698
Goods for resale	21,468	-	16,850	4,618
Total:	84,241	8,608	26,917	65,932

The loss in value of inventories decreased by HUF 18 million compared to the previous period in total (HUF 8,608 thousand loss in value was expensed, while HUF 26,917 thousand was reversed). Inventories amounted to HUF 1,250 million, which is a drop of HUF 118 million (8.65%) compared to the 31 December 2010 figure. The change of inventories is driven by the lower stock of raw materials due to the decreasing turnover in the last quarter.

HUF 2 thousand was posted as positive difference on stock take for goods.

3.5 Receivables

10. Table: Receivables

Description	December 31, 2010	December 31, 2011	Change	Change %
Receivables (trade debtors)	4,197,345	2,571,762	(1,625,583)	-38.73%
- domestic debtors	3,864,475	2,225,195	(1,639,280)	-42.42%
- foreign debtors	354,165	369,148	14,983	4.23%
- write-off receivables	(21,295)	(22,581)	(1,286)	6.04%
Receivables from affiliated undertakings	156,966	137,659	(19,307)	-12.30%
- subsidiary with direct control	156,966	137,659	(19,307)	-12.30%
Other receivables	201,902	97,600	(104,302)	-51.66%
Tax receivables	161,916	27,226	(134,690)	-83.19%
Receivables from employees	6,126	4,878	(1,248)	-20.37%
Advances given to services	241	296	55	22.82%
Money given for short term period	12,064	59,887	47,823	396.41%
Debit balance creditors	7,338	1,974	(5,364)	-73.10%
Other	14,217	3,339	(10,878)	-76.51%
Total:	4,556,213	2,807,021	(1,749,192)	-38.39%

The main reason for the change is the decreased net sales turnover, and the lower balance of trade receivables to the most important client of the Company.

The change in other receivables year-on-year was mainly caused by the drop in tax receivables and the increase in money given for short term period.

11. Table: Loss in value for receivables

Description	December 31, 2010	Increase	Decrease	December 31, 2011
Loss in value for receivables	21,295	23,119	21,833	22,581

3.6 Securities

12. Table: Securities

Description	January 1, 2010	Increase	Decrease	December 31, 2011
Participations in affiliated undertakings	-	-	-	-
Own shares and own partnership shares	449,667	-	-	449,667
GROSS VALUE	449,667	-	-	449,667
Participations in affiliated undertakings	-	-	-	-
Own shares and own partnership shares	118,485	69,746	-	188,231
LOSS IN VALUE	118,485	69,746	-	188,231
Participations in affiliated undertakings	-	-	-	-
Own shares and own partnership shares	331,182	(69,746)	-	261,436
NET VALUE	331,182	(69,746)	-	261,436

State Printing House Plc. states its repurchased treasury shares at a value which equals to the stock exchange rate at the date of making the balance sheet. The HUF 69.7 million depreciation of treasury shares purchased over one year is justified by the lasting difference between the registered and the market price.

13. Table: Repurchased treasury shares

Description	Shares	Nominal value	Purchase value
December 31, 2010	438,651	42,988	449,667
Purchase on Budapest Stock Exchange	-	-	-
Sales on Budapest Stock Exchange	-	-	-
December 31, 2011	438,651	42,988	449,667

3.7 Prepayments and accrued income

14. Table: Prepayments and accrued income

Description	December 31, 2010	December 31, 2011	Change	Change %
Accrued income	21,080	21,735	655	3.11%
- Interest	6,901	11,585	4,684	67.87%
- Sales revenue of the current period	866	10,150	9,284	1072.06%
- Other	13,313	-	(13,313)	-
Accrued costs, expenses	32,732	48,757	16,025	48.96%
- Licence fee of software's	27,204	17,823	(9,381)	-34.48%
- Fee related to photo processing	988	-	(988)	-100.00%
- Accrued expense of printing plate	-	16,782	16,782	-
- Other	4,540	14,152	9,612	211.72%
Deferred expenses	-	-	-	-
Total	53,812	70,492	16,680	31.00%

The rise in prepayments and accrued income in the current year is caused by the accrued sales revenue.

3.8 Equity

15. Table: Equity movement table

Description	Share capital	Capital reserve	Accumulated profit reserve	Tied-up reserve	Profit or loss for the year
Value as at December 31, 2010	1,449,876	250,686	2,109,947	1,257,435	119,927
Increase	-	-	652,744	414,834	793,421
- reclassifying last year's profit	-	-	119,927	-	-
- reversal of development reserve	-	-	-	400,000	-
- creating development reserve	-	-	458,395	-	-
- loss in value on purchase of treasury shares	-	-	69,745	-	-
- increase of tied-up reserve	-	-	-	-	-
- depreciation of foundation costs and research and development costs	-	-	177	-	-
- due to the 10% corporate tax rate in the first half of 2010	-	-	4,500	-	-
- raised for research and development costs	-	-	-	14,834	-
- current year profit	-	-	-	-	793,421
Decrease	-	-	414,834	532,817	119,927
- reclassifying last year's profit	-	-	-	-	119,927
- creating development reserve	-	-	400,000	-	-
- reversal of development reserve	-	-	-	458,395	-
- depreciation of foundation costs and research and development costs	-	-	14,834	177	-
- due to the 10% corporate tax rate in the first half of 2010	-	-	-	4,500	-
- loss in value on purchase of treasury shares	-	-	-	69,745	-
Value as at December 31, 2011	1,449,876	250,686	2,347,857	1,139,452	793,421

16. Table: Changes in tied-up reserve

Description	December 31, 2010	December 31, 2011	Change	Change %
Net value of capitalized start-up and restructuring costs	177	-	(177)	-100.0%
Net capitalized value of research and development	82,631	97,465	14,834	18.0%
Repurchased treasury shares	331,182	261,436	(69,746)	-21.1%
Development reserve	838,945	780,551	(58,394)	-7.0%
Due to the 10% corporate tax rate in the first half of 2010	4,500	-	(4,500)	-
Total tied-up reserve:	1,257,435	1,139,452	(117,983)	-9.4%

Due to the increase in the value of research and development and the accounted depreciation, HUF 15 million reserve was tied-up. The Company took the opportunity ensured by the Corporate Tax Law and made HUF 400 million development reserve in the current year.

Amounts equal to the increase of purchased treasury shares and write-off accounted in the current year were reversed from restricted reserve, which decreased by HUF 69 million compared to December 31, 2010.

3.9 Provisions

17. Table: Provisions

Description	December 31, 2010	December 31, 2011	Change
Provisions for expected liabilities	3,855	-	(3,855)
- Other provisions for expected liabilities	3,855	-	(3,855)
Provisions for future expenses	-	-	-
Other provisions	-	-	-
Total:	3,855	-	(3,855)

Provision is released because the “Lojalitás” client project (Loyalty Client Project) was closed up by the Firm.

3.10 Subordinated liabilities

The Company has no subordinated liabilities.

3.11 Long term liabilities

18. Table: Long term liabilities

Description	Value
	In HUF thousands
Long term liabilities as at December 31, 2010	65,223
Increase of leasing liabilities	187,127
Payment of leasing liabilities	(36,947)
Long term liabilities as at December 31, 2011	215,403

The Company modernized its production equipment partly in leasing construction; this balance sheet line includes that part of the liability which is due after a year. The Company had HUF 379 million leasing liabilities at the end of 2011. The long term part of leasing liabilities was reclassified.

3.12 Short term liabilities

19. Table: Short term liabilities

Description	December 31, 2010	December 31, 2011	Change	Change %
Short-term loans	-	-	-	-
Other short-term credits	886,871	-	(886,871)	-100.00%
Advances received from customers	17,512	21,152	3,640	20.79%
Accounts payable (trade creditors)	1,751,432	1,156,431	(595,001)	-33.97%
- domestic creditors	1,379,003	818,159	(560,844)	-40.67%
- foreign creditors	372,429	338,272	(34,157)	-9.17%
Short-term liabilities to affiliated undertakings	445,236	156,262	(288,974)	-64.90%
- Subsidiary with majority control	445,236	156,262	(288,974)	-64.90%
Short-term liabilities to independent undertakings	-	-	-	-
Other short-term liabilities	800,044	487,633	(312,411)	-39.05%
- tax liability	156,280	264,489	108,209	69.24%
- liability against employees	51,304	52,106	802	1.56%
- other receivables reclassified	7,176	17	(7,159)	-99.76%
- short term part of leasing liability	62,227	164,039	101,812	163.61%
- dividend approved	517,813	3,227	(514,586)	-
- other liabilities	5,244	3,755	(1,489)	-28.39%
Total:	3,901,095	1,821,478	(2,079,617)	-53.31%

According to the agreements with account holder banks, the Company from HUF 3,000 million credit limit has not been called down.

Accounts payable totalled HUF 1,156 million, a drop of 34% compared to the end of 2010. The main reason for the change is the net sales turnover decrease in the last quarter of the year.

Other short term liabilities decreased by HUF 312 million due to dividend payment of previous year and increasing tax and leasing liabilities

3.13 Accruals and deferred income

20. Table: Accruals and deferred income

Description	December 31, 2010	December 31, 2011	Change	Change %
Deferred income	-	-	-	-
Deferred costs, expenses	295,852	31,885	(263,967)	-89.22%
- Bonus and its contributions	229,446	-	(229,446)	-
- Bank interests	12,934	773	(12,161)	-94.02%
- Trade creditors' invoices	53,472	31,112	(22,360)	-41.82%
Accrued income	41,814	11,794	(30,020)	-71.79%
- EU subsidy	22,021	-	(22,021)	-100.00%
- R&D subsidy	14,278	11,794	(2,484)	-17.40%
- VAT of machinery from EU subsidy	5,515	-	(5,515)	-100.00%
Total:	337,666	43,679	(293,987)	-87.06%

The Company purchased equipments to improve chip card production operation in amount of HUF 507 million in 2005, to which HUF 150 million of non-reimbursable EU subsidy has been won, which was immediately accrued in line with the relevant standards. The Value Added Tax of the investment financed by state subsidy was reclaimed in 2009. The Company won HUF 67 million research and development subsidy in 2009, which accounting settlement finished in December 31, 2010, financial settlement in December 31, 2011. The accruals will be released in the ratio of depreciation charged.

The release of accrued income is in proportion with the depreciation.

The Company has fulfilled all its obligations connected to the subsidy in 2011. The significant decrease of the accruals is mainly due to the fact that no management bonuses were accrued.

4 Explanations to the profit or loss statement

4.1 Ordinary revenues

21. Table: Sales of different segments (in HUF millions)

Description	Value in HUF millions 2010	Value in HUF millions 2011
Security forms and solutions	6,579	6,142
Card production and personalization	3,458	3,638
Business and administrative forms, personalization, data processing	2,822	1,903
Traditional printing products	56	59
Other	500	628
Total:	13,505	12,370

22. Table: Sales revenue from related parties

Description	FY 2010	FY 2011	Change	Change %
Related party				
Gyomai Kner Nyomda Zrt	19,080	33,339	14,259	74.73%
Specimen Zrt.	17,189	8,733	(8,456)	-49.19%
Tipo Direct S.R.L.	42,831	7,967	(34,864)	-81.40%
Slovak Direct S.R.O.	37,719	73,358	35,639	94.49%
Technoprogress Kft	32,205	50,954	18,749	58.22%
Direct Services O.O.D.	194,016	102,605	(91,411)	-47.12%
Tipo Direct Moldova S.R.L.	-	3,123	3,123	-
Zipper Data S.R.L.	-	942	942	-
Total:	343,040	281,021	(62,019)	-18.08%

The Company decreased its sales revenue to the related parties by 18.08%. Other significant financial or extraordinary revenue was not posted against these companies.

Costs and expenses against related parties amounted to HUF 237 million altogether.

23. Table: Sales of different regional markets

Description	Value in HUF thousands 2010	Value in HUF thousands 2011
Domestic sales	12,270,351	10,988,003
Sales within the EU	1,139,684	1,253,052
Romania	656,122	810,536
Bulgaria	210,808	128,465
Czech Republic	137,078	127,618
Slovakia	37,905	77,001
Belgium	17,052	34,235
Germany	14,303	19,706
Poland	30,314	19,415
Ireland	28,917	15,191
Austria	6,424	14,463
Cyprus	-	4,012
Italy	761	1,704
Slovenia	-	490
Spain	-	216
Export outside the EU	95,367	129,144
Albania	-	70,542
Switzerland	1,582	26,145
West-Africa	2,895	17,608
Israel	74,582	3,719
South-Africa	-	3,547
Moldova	983	2,774
Serbia	2,379	1,676
Mexico	-	1,287
Jersey-islands	11,066	965
Croatia	-	665
Singapore	-	216
Other	1,880	-
Total:	13,505,402	12,370,199

24. Table: Other income

Description	FY 2010	FY 2011	Change	Change %
Other income:				
- reversed loss in value - inventories	17,756	26,917	9,161	51.59%
- reversed loss in value - trade receivables	28,547	21,833	(6,714)	-23.52%
- revenue from sales of fixed assets	2,144	62,569	60,425	2818.33%
- income from settlement of damages	6,206	3,342	(2,864)	-46.15%
- subsidies received for operating purposes	-	3,855	3,855	-
- default interest received	1,273	926	(347)	-27.26%
- subsidy received	39,937	-	(39,937)	-100.00%
- VAT reimbursement of machinery from EU subsidy	5,748	5,515	(233)	-4.05%
- rebate received	7,310	1,641	(5,669)	-77.55%
- other not classified	4,986	997	(3,989)	-80.00%
Total:	113,907	127,595	13,688	12.02%

Due to favourable change in governing laws, the HUF 38 million VAT connected to the subsidized development of chip card production operation in 2005 was reclaimed in 2009. The proportionally released part of VAT was stated as other sales revenue.

The Company won HUF 67 million research and development subsidy in 2009, of which accounting settlement was finished in December 31, 2010, and financial settlement in December 31, 2011.

Increase in other revenues is the mutual effect of the increase from sale of fixed assets and the decrease of research and development subsidy due to termination.

4.2 Ordinary costs

25. Table: Other expenditures

Description	FY 2010	FY 2011	Change	Change %
Other expenditures:				
- local operational tax	131,569	130,133	(1,436)	-1.09%
- book value of assets sold	1,307	51,668	50,361	3853.18%
- inventory scrap, loss in value	51,206	16,447	(34,759)	-67.88%
- write-off receivables	15,833	23,119	7,286	46.02%
- taxes (without local operational tax)	10,037	2,135	(7,902)	-78.73%
- late payment interest	2,875	16,458	13,583	472.45%
- write-off bad debts	14,952	7,545	(7,407)	-49.54%
- provision	401	-	(401)	-100.00%
-impairment loss	89	278	189	212.36%
- other	1,561	4,028	2,467	158.04%
Total:	229,830	251,811	21,981	9.56%

Other expenditures increased by HUF 22 million, mainly due to the higher book value of fixed assets sales. Write off charged on receivables increased in the current period.

4.3 Extraordinary profit

26. Table: Extraordinary profit

Description	FY 2010	FY 2011	Change	Change %
Extraordinary income:				
- subsidy for development	25,434	24,504	(930)	-3.66%
- acquiring assets for no refund	501	-	(501)	-100.00%
Total:	25,935	24,504	(1,431)	-5.52%
Extraordinary expenditure:				
- donation given	16,286	37,819	21,533	132.22%
- transmitting assets for no refund	15,275	9,500	(5,775)	-37.81%
- book value of investment	-	2,488	2,488	-
- other	-	32	32	-
Total:	31,561	49,839	18,278	57.91%
Extraordinary profit or (loss)	(5,626)	(25,335)	(19,709)	350.32%

The accrued income of EU subsidy (for development purposes) is reversed in proportion of the depreciation charged on the assets as extraordinary revenue. The amount of it was HUF 24.5 million thousands in 2011.

4.4 Corporate income tax

27. Table: Corporate tax base modifying items

Description	FY 2010	FY 2011
Profit before tax:	671,907	813,898
depreciation according to accounting law	623,362	633,041
write-off receivables, prior year decreasing	15,832	23,119
Remission of debts	15,275	9,500
accounting depreciation of assets derecognized	1,307	51,668
business representation	11,932	9,650
other	5,225	310
Tax base increasing items total:	672,933	727,288
depreciation according to tax law	355,740	321,590
creation of development reserve	300,000	400,000
dividend received	305,645	410,843
Taxes paid to local municipality	-	24,504
subsidies received without repayment obligation	22,949	21,833
write-off receivables, decrease according to accounting law	28,547	30,015
current year costs of research and development	26,945	33,953
other	10,634	5,615
Tax base decreasing items total:	1,050,460	1,248,353
Tax base:	294,380	292,833
- calculated tax	38,076	29,283
- corporate tax allowances	-	(1,528)
- correction related to previous years	(3,909)	(7,278)
Profit after tax:	637,740	793,421
Dividend paid from accumulated profit reserve	-	-
Approved dividend	517,813	-
Profit or (loss) for the year:	119,927	793,421

5 Supplementary information

For the sake of a more complete valuation of the annual report we give the following supplement:

5.1 Research and development

The company has two significant R&D areas:

1. R&D projects realised in the Document Security Laboratory. Among these projects, nanotechnology research is of key importance which technology when used in security inks will contribute to drawing back to counterfeiting and the fight against black economy.
2. The development of different products has a significant role related to new tenders.

The applied research and research and development incurred in the current year amounted to HUF 30,015 thousands in the current year and HUF 14,834 thousands were stated as activated value of research and development.

5.2 Environment protection

The company has ISO 14001:2004 Environmental Control System certificate audited by Det-Norske Veritas. The expiry date of the certification is January 11, 2013. The environmental certificate covers the following fields: printed products, security products, documents, development, production and personalization of plastic and bankcards, chip embedding and encoding at smart cards, electronic archiving of data, data processing, database management, setting up archives, storing of documents for fee. Dangerous waste is continuously eliminated after leaving the company sites. In 2011, 32,409 kg dangerous waste was transported and eliminated.

5.3 Personal type of expenditures and headcounts

28. Table: Average statistical number of full time employees

Number of employees	FY 2010	FY 2011
Physical employees	404	368
Intellectual employees	145	150
Total number of employees:	549	518

29. Table: Payroll costs

Description	FY 2010	FY 2011
Wages and salaries of physical employees	994,709	983,876
Wages and salaries of non-physical employees	952,743	823,866
Other wages and salaries	152,486	159,169
Total salaries and wages	2,099,938	1,966,911

30. Table: Other personal type expenditures, contributions

Description	FY 2010	FY 2011
- motivational	59,151	27,783
- social	28,252	28,760
- cost reimbursement	163,825	167,799
- other	43,978	57,221
Total other personal type expenditures	295,206	281,563
Social security contributions	558,952	520,723
<i>Other contributions:</i>		
- employer's contribution	21,498	20,022
- rehabilitation contribution	32,322	27,859
- vocational contribution	17,848	26,756
- START (Entrants') contribution	1,357	918
Total contributions:	631,977	596,278

31. Table: Fees paid related to managing the Company

Description	FY 2010	FY 2011
Fees paid to the Members of the Board of Directors	9,256	10,342
Fees paid to the Members of Supervisory Board	7,434	9,454

The audit fee paid for the audit of the 2011 financial statements amounted to HUF 7,875 thousands while the auditing fee of the consolidation of our Romania subsidiaries was EURO 8,000.

5.4 Liabilities due over 5 years

The Company has no liabilities due over 5 years.

5.5 Details of listed shares

32. Table: Structure of shares

Number Mark	Description	Number of shares	Nominal value (HUF)	Amount (in HUF thousands)
A	Shares traded on the Budapest Stock Exchange	14,794,650	98	1,449,876

The Company's total equity was HUF 1,449,876 thousands on 31 December 2010 which consists of 14,794,650 pieces of series 'A' registered, dematerialized ordinary shares with a nominal value of HUF 98 each.

33. Table: Voting rights

Share series	No. of issued pieces	No. of treasury shares	Shares with voting rights	Voting right per share	Total voting rights
Series 'A'	14,794,650	438,651	14,355,999	1	14,355,999
Total	14,794,650	438,651	14,355,999	1	14,355,999

5.6 Out of balance sheet items

34. Table: Out of balance sheet items

Description		Value
Központi Statisztikai Hivatal	HUF	8,073,280
Magyar Posta Zrt	HUF	9,000,000
Magyar Posta Zrt.	HUF	600,000
Compania Nationala "Imprimeria Nationala" S.A.	EUR	17,233
Nova Kreditna anka Maribor d.d.	EUR	50,000
Department of Contracts	EUR	40,000
Budapest Főváros Önkormányzata	HUF	500,000
C.N. Imprimeria Nationala S.A.	EUR	85,770
Guarantee in HUF	HUF	18,173,280
Guarantee in EUR	EUR	193,003
Other guarantees (6 person)	HUF	64,000,000

5.7 Cash-flow

35. Table: Cash-flow

	In HUF thousands	FY 2010	FY 2011	Change %
	Profit before tax	671,907	813,898	21.10%
	- Dividend	(305,645)	(410,843)	-34.40%
	- Acquiring / transmitting assets with no refund	(501)	-	100.00%
	- Other income of development reserve	(25,434)	(24,504)	3.66%
	- Exchange rate difference	(1,941)	(27,420)	-1412.67%
1.	Adjusted profit before tax	338,386	351,131	3.77%
2.	Accounted depreciation	623,362	633,041	1.55%
3.	Accounted loss in value	51,255	60,546	18.16%
4.	Difference between formation and utilization of provisions	401	(3,855)	-861.35%
5.	Fixed assets sold	(837)	(10,901)	-1202.39%
6.	Variation in accounts payable (trade creditors)	577,329	(883,975)	-53.11%
7.	Variation in other short-term liabilities	(25,053)	(174,338)	-595.90%
8.	Variation in accrued and deferred liabilities	239,634	(269,483)	-12.46%
9.	Variation in trade debtors	(1,844,416)	1,636,059	-13.18%
10.	Variation in current assets (w/o trade debtors and liquid	372,683	241,060	-35.30%
11.	Variation in accrued and deferred assets	23,022	(16,680)	-27.55%
12.	Tax paid or payable (on profit)	(34,167)	(20,477)	40.07%
I.	OPERATION CASH-FLOW:	281,599	1,542,128	379.50%
14.	Purchase of fixed assets	(538,469)	(1,158,571)	-115.20%
15.	Sale of fixed assets	2,144	62,569	2818.33%
16.	Dividend received	305,645	410,843	34.42%
II.	INVESTMENT CASH-FLOW:	(230,680)	(685,159)	-197.00%
17.	Receipts from shares issue (capital influx)	-	-	-
18.	Receipts from the issue of bonds and securities signifying	-	-	-
19.	Loans and credits taken	50,000	-	-100.00%
20.	Repayment, termination or redemption of long-term loans	4,219	5,065	20.05%
21.	Non-repayable assets received	-	-	-
22.	Purchase of treasury shares	(12,692)	-	-
23.	Redeemed bonds and securities signifying a creditor	-	-	-
24.	Loan instalment payments	(31,346)	(886,871)	-2729.30%
25.	Long-term loans and bank deposits	(10,401)	(1,900)	81.73%
26.	Non-repayable assets transferred	-	-	-
27.	Variation in liabilities due to founders and in other long-	-	-	-
28.	Cash paid for leasing liability	(98,960)	15,747	115.90%
III.	FINANCIAL CASH-FLOW:	(99,180)	(867,959)	-775.10%
IV.	VARIATION OF FINANCIAL ASSETS:	(48,261)	-10,990	-77.23%
	Cash and equivalents at the beginning of the period	120,036	71,775	-40.21%
	Cash and equivalents at the end of the period	71,775	60,785	-15.31%

5.8 Financial indices

36. Table: Liquidity, financial and other efficiency indices

Description		FY 2010	FY 2011	Change %
A	Current assets	6,327,768	4,379,391	-30.79%
B	Inventories	1,368,598	1,250,149	-8.65%
C	Trade receivables	4,197,345	2,571,762	-38.73%
D	Cash and equivalents	71,775	60,785	-15.31%
E	Equity	5,187,871	5,981,292	15.29%
F	Short term liabilities	3,901,095	1,821,478	-53.31%
G	Trade creditors	1,751,432	1,156,431	-33.97%
H	Total equity and liabilities	9,495,710	8,061,852	-15.10%
I	Net sales	13,505,402	12,370,199	-8.41%
J	Material type expenditures	9,414,614	8,243,426	-12.44%
K	Operating (trading) profit	494,595	552,479	11.70%
L	Average statistical number of employees	549	518	-5.65%
Liquidity indices:				
Short term liquidity I.: (A / F)		1.62	2.40	48.15%
Short term liquidity II.: ((A – B) / F)		1.27	1.72	35.43%
Quick ratio: (D / F)		0.02	0.03	50.00%
Dynamic liquidity: (K / F)		0.13	0.30	130.77%
Financial indices:				
Debtors day: ((C _{Current} + C _{Prior}) / 2 * (365 / I))		88	100	75.44%
Creditors day: ((G _{Current} + G _{Prior}) / 2 * (365 / J))		57	64	14.29%
Other efficiency indices:				
Return on net sales: (K / I)		3.66%	4.47%	22.13%
Return on equity (K / E)		8.67%	9.24%	-3.04%
Net sales headcount ratio (in HUF '000/person): (I / L)		24,600	23,881	-2.92%



Budapest, 03 February 2012

.....
Chief Executive Officer

State Printing House Plc.

Business report

for the year ended December 31, 2011

Analysis of the FY 2011 achievement of the Company

Net sales of State Printing House Plc. were HUF 12,370 million in 2011, of which export sales were HUF 1,382 million. Operating profit was HUF 552 million, which is HUF 58 million (11.7%) higher than the corresponding 2010 figure. Profit before tax was HUF 814 million, EBITDA amounted to HUF 1,185 million. Profit after tax including financial activities, extraordinary profit and taxation was HUF 793 million.

Analysis of profit and loss statement

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

Table 1: Net sales by segments

Sales segments	FY 2010 in HUF millions	FY 2011 in HUF millions	Change in HUF millions	Change %
Security products and solutions	6,579	6,142	(437)	-6.6%
Card production and personalization	3,548	3,638	90	2.5%
Form production and personalization, data processing	2,822	1,903	(919)	-32.6%
Traditional printing products	56	59	3	5.4%
Other	500	628	128	25.6%
Total net sales	13,505	12,370	(1,135)	-8.4%

State Printing House Plc. had consolidated net sales of HUF 12,370 million in 2011, a decrease of 8.4% (HUF 1,135 million) compared to prior year figure.

Sales of security products and solutions came to HUF 6,142 million in 2011 which means a year-on-year fall of HUF 437 million (6.6%). The reason for this decrease was mainly due to the decrease of sales revenue in document security products and document of values

The Company's revenues from card production and personalization totalled HUF 3,638 million in 2011, a HUF 90 million (2.5%) increase compared to the previous year. The year-on-year low rate rise was mainly the result of the increase of sales in card higher value added card products.

The Company's revenues from form production, personalization and data processing came to HUF 1,903 million in 2011, a HUF 919 million (32.6%) fall compared to 2010. The decrease is on one hand from the development of the direct mailing division and the enlargement of capacity, on the other hand from the turnover of printed materials for the parliamentary and municipality elections in 2010.

Sales of traditional printing products amounted to HUF 59 million in 2011, HUF 3 million higher than a year earlier.

Other sales totalled HUF 628 million in 2011, which increased by HUF 128 million (25.6%) year-on-year. This segment mainly comprises revenues from the sale of commercial materials and goods.

Operating income came to HUF 552 million, a fall of HUF 58 million (11.7%) compared to the previous year.

Gross profit totalled HUF 3,307 million, which means a 26.7% gross margin. General (SG&A) expenses amounted to HUF 2,630 million in 2011, which equals 21.3% of net sales. Material expenses increased by 12.4% (HUF 1,172 million) last year, mainly caused by the decrease in net sales and the sales of products with lower material proportion.

Personnel expenses totalled HUF 2,845 million, which means a 6% (HUF 182 million) decline compared to the previous year mainly due to the pay raise implemented as of January 1, 2011 and to rationalisation of headcount, and finally to shortage of plan caused cancelled benefits.

Headcount of full time employees in State Printing House Plc. was 518 people at the end of 2011, while it amounted to 549 persons at the end of 2010, which means a 31 person (5.6%) decrease compared to the previous year.

EBITDA amounted to HUF 1,185 million due to increase of operating profit, which means an decrease of HUF 67 million (6.0%) compared to 2010. So EBITDA margin amounts to 9.6%.

Income from financial activities amounted to HUF 287 million which increase the previous year by HUF 104 million, mainly due to the higher dividend of subsidiaries.

Extraordinary result in 2011 amounted to HUF 25 million, which decreased by HUF 19 million compared to 2010.

Corporate tax came to HUF 20 million in 2011, a year-on-year fall of HUF 14 million due to the change in corporate tax rate.

Net income was HUF 793 million, which means an increase of HUF 155 million (24.4%) compared to 2010.

Balance sheet analysis

The Company had total assets of HUF 8,062 million at the end of 2011, which means an decrease of 15.1% (HUF 1,434 million) compared to a year ago. The reason for this change was the fall in current assets (especially in receivables) by HUF 1,949 million and the investment increased by HUF 498 million (especially in the participations and their goodwill).

Non-current assets totalled HUF 3,612 million at the end of 2011, which is higher than the prior year figure by HUF 498 million (16%). The change was mainly caused by purchase of Zipper Data SRL (Original name: GPV Mail Services SRL) in January 20 2011, and increase of its Goodwill

Current assets amounted to 4,379 million at the end of December 2011, a decrease of HUF 1,949 million (30.8%) compared to the corresponding period of last year. The change is the result of the HUF 1,749 million fall of receivables, HUF 119 million fall of inventories and fall of HUF 70 million securities.

Shareholder's equity was HUF 5,981 million, it changed by the net income of the current year (HUF 793 million).

Long term liabilities came to HUF 215 million, an increase of HUF 150 million thanks to the leasing taken due to purchase of equipment.

Short term liabilities amounted to HUF 1,821 million which means a drop of HUF 2,080 million mainly due to the lower balance of trade creditors caused by the decreased net sales turnover and to the repayment of short term credits.

Strategic plans of the Company

The strategic goal of the Company is to become a dominant security printing company of the region, playing a determining role on both domestic and regional markets of security printing, with a significant market share of business forms (more specifically, outsourcing personalisation, including data management and direct mail), and of various plastic cards, relying on the Company's research and development activities ensuring a competitive advantage over the less innovative security printers and also relying on the fact that rather than delivering single products, the Company provides comprehensive security solutions.

The Company aims to achieve its strategic goals focusing on three dominant product areas, which include security document solutions related to the document reforms taking place in Central and Eastern Europe, plastic cards and related services (personalisation and archiving of forms), and security elements and products for cards and document security in the broader sense.

The Company's employment policy

State Printing House Plc. places high priority on keeping labour law, labour safety, employment, tax and social insurance regulations connected to working. The Company considers the employees' continuous training and education as of strategic importance in order to ensure the renewal of professional knowledge within the Company and the adaptability of employees. State Printing House Plc. gives wide scale of social benefits to its employees, helping to create the balance between private life and the workplace. The principles of benefits and wages are set out in the Collective Agreement. Besides keeping the regulations, the Company is trying to create a workplace with proper working relations, taking the family obligations into consideration which increases the Company's profitability on the long term as well.

Risk management

Foreign currency risk

Among foreign currency transactions of the Állami Nyomda 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, therefore the foreign currency risk of the Company is not significant.

Interest rate risk

Due to the debts in the Állami Nyomda, potential interest rate changes would not influence significantly the amount of interests to be paid by the Company. The Company had no overdraft at the end of 2011.

Liquidity risk

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

Credit risk

The financial discipline of the debtors of the Állami Nyomda 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.

Supplementary information to the Business report of State Printing House Plc.

Off balance sheet date events

There were no significant event after year end date.

Environment protection

The company has ISO 14001:2004 Environmental Control System certificate audited by Det-Norske Veritas. The expiry date of the certification is January 11, 2013. The environmental certificate covers the following fields: printed products, security forms, documents, development, production and personalization of plastic and bankcards. Development and production of document security materials. IT processing and posting of forms. Intelligent card chip implantation and encoding and electronic archiving, data processing, database management, storing of documents for fee. Dangerous waste is continuously eliminated after leaving the company sites. In 2011, 32,409 kg dangerous waste was transported and eliminated.

Research and development

The company has two significant R&D areas:

1, R&D projects included in the activity of the Document Security Laboratory. The nanotechnology project has a key importance in this area. Using nanotechnology in security inks may contribute to drawing back forgeries and the fight against black economy.

2, The development of products has a significant role related to new tenders.

The direct cost of basic research, applied research and experimental development incurred in the current year is HUF 30,015 thousands. Furthermore, HUF 14,834 thousands was stated as activated value of research and development.

Premises of the Company:

Registered seat:	H-1102 Budapest, Halom utca. 5.
Premises:	H-1108 Budapest, Fátyolka utca 1-3. H-3060 Pásztó, Fő utca 141.

Treasury shares in the year 2011:

Table 2: Repurchased treasury shares

Description	Number of shares	Nominal value (HUF thousands)	Purchase value (HUF thousands)
Opening balance January 1, 2011	438,651	42,988	449,667
Closing balance December 31, 2011	438,651	42,988	449,667

The Company accounted HUF 69,746 thousand depreciation after treasury shares due to lasting drop of share price. So the cumulated depreciation amounted to HUF 188,231 thousand in the end of period.

The Company's share capital amounted to HUF 1,449,876 thousands on 31 December 2011 which consisted of 14,794,650 pieces of registered, dematerialized ordinary shares Series 'A' with a nominal value of HUF 98 each.



Budapest, 3 February 2012

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Chief Executive Officer