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, 2010

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

State Printing House Public Company Limited by Shares

Audited Consolidated Financial Statements

December 31, 2010

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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 2010, which financial statements comprise the consolidated balance sheet as at December 31, 2010 - which shows total assets of 10,330,774 thHUF, - and the statement of comprehensive income – which shows a retained profit for the year of 904,960 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).

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

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, 2010, 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 2010.

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 2010. corresponds to the figures included in the consolidated financial statements of Állami Nyomda Nyrt. for the year 2010.

Budapest, March 2, 2011

The original Hungarian version has been signed.

Jack Bell

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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 2010. december 31-i fordulónapra elkészített konszolidált mérlegből – melyben az eszközök és források egyező végösszege 10.330.774 E Ft – , az ezen időponttal végződő évre vonatkozó konszolidált átfogó eredménykimutatásból – melyben a részvényesekre jutó nettó eredmény 904.960 E Ft 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. 2010. 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 2010. évi konszolidált üzleti jelentésének a vizsgálatát.
A vezetés felelős a konszolidált üzleti jelentésnek a számviteli törvényben foglaltakkal összhangban történő elkészítéséért.
A mi felelősségünk az üzleti jelentés és az ugyanazon üzleti évre vonatkozó konszolidált pénzügyi kimutatások összhangjának megítélése. Az üzleti jelentéssel kapcsolatos munkánk az 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. 2010. évi konszolidált üzleti jelentése az Állami Nyomda Nyrt. 2010. évi konszolidált pénzügyi kimutatásainak adataival összhangban van.

Budapest, 2011. március 2.

Jack Bell	Horváth Tamás
Deloitte Könyvvizsgáló és Tanácsadó Kft.	kamarai tag könyvvizsgáló
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Consolidated Statement of Financial Position as at December 31, 2010 and December 31, 2009

In HUF thousands:	Notes	December 31, 2010	December 31, 2009
Current assets			
Cash and bank	3	362,528	474,989
Accounts receivable	4	4,845,146	2,893,254
Inventory	5	1,539,083	1,902,441
Other current assets and prepayments (without current tax receivable)	6	151,244	178,980
Current tax receivable	6	263,572	291,395
Total current assets		**7,161,573**	**5,741,059**
Non-current assets			
Property, plant and equipment	7	3,013,452	2,911,368
Investments	8	68	62
Goodwill	9	58,778	58,778
Intangibles	10	82,631	57,111
Other assets		14,272	14,311
Total non-current assets		**3,169,201**	**3,041,630**
Total assets		**10,330,774**	**8,782,689**
Current liabilities			
Trade accounts payables	13	2,167,426	1,548,156
Short term part of lease liabilities	23	80,049	98,960
Other payables and accruals (without current tax payables)	11	609,926	399,872
Current tax payables	11	101,789	115,939
Short term debt	12	914,597	931,125
Total current liabilities		**3,873,787**	**3,094,052**
Long term liabilities			
Deferred tax liability	20	241,441	348,047
Long term part of lease liabilities	23	136,657	127,450
Long term debt	12	4,027	11,402
Other long term liabilities		10,030	8,996
Total long term liabilities		**392,155**	**495,895**
Shareholders' equity			
Share capital	14	1,449,876	1,449,876
Capital reserve	16	250,686	250,686
Retained earnings	16	4,618,379	3,758,259
Treasury shares	15	(449,667)	(436,975)
Non controlling interest	16	**195,558**	**170,896**
Total shareholders' equity		**6,064,832**	**5,192,742**
Total liabilities and shareholders' equity		**10,330,774**	**8,782,689**

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

Consolidated Statement of Comprehensive Income as at December 31, 2010 and December 31, 2009

In HUF thousands:	**Notes**	**FY 2010**	**FY 2009**
Net sales	17	17,129,082	14,007,440
Cost of sales		(12,719,267)	(9,459,902)
Gross profit		**4,409,815**	**4,547,538**
Selling general and administration		(3,387,638)	(3,081,942)
Gain on sale of fixed assets		837	1,099
Dividend income		2,727	-
Foreign currency losses		(1,310)	(45,345)
Other expense	18	(138,226)	(90,481)
Operating income	19	**886,205**	**1,330,869**
Interest income / (expense), net		(13,792)	49,104
Profit before tax and non-controlling interest		**872,413**	**1,379,973**
Deferred tax expense	20	106,606	(128,002)
Income tax expense	20	(74,059)	(152,657)
Profit after tax		**904,960**	**1,099,314**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**904,960**	**1,099,314**
Profit attributable to			
Owners of the Company		***860,120***	***1,054,840***
Non controlling interests		*44,840*	*44,474*
Earnings per share (EPS):			
Basic (HUF per share)	21	**60**	**73**
Fully diluted (HUF per share)	21	**60**	**73**

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

	Issued Capital	Capital Reserve	Retained Earnings	Treasury Shares	Non controlling Interest	Total
January 1, 2009	**1,449,876**	**250,686**	**3,487,534**	**(436,975)**	**68,478**	**4,819,599**
Dividend paid	-	-	(784,115)	-	-	(784,115)
Dividend paid to minority shareholders (after FY 2008 income)	-	-	-	-	(6,833)	(6,833)
Purchase of interest in formerly owned subsidiary	-	-	-	-	(42,854)	(42,854)
Non-controlling interest from joint ventures turned into subsidiaries	-	-	-	-	107,631	107,631
Total comprehensive income attributable to non-controlling interests	-	-	-	-	44,474	44,474
Total comprehensive income attributable to owners of the Company	**-**	**-**	1,054,840	**-**	**-**	1,054,840
December 31, 2009	**1,449,876**	**250,686**	**3,758,259**	**(436,975)**	**170,896**	**5,192,742**
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**

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

Consolidated Statement of Cash-flow as at December 31, 2010 and December 31, 2009

In HUF thousands:	Notes	FY 2010	FY 2009
Cash flows from operating activities			
Profit before tax and non-controlling interest		872,413	1,379,973
of which foreign currency gain/(loss)		(1,310)	(45,345)
Depreciation cost of fixed assets	7	674,536	668,083
Amortization cost of intangibles	10	4,014	5,247
Changes in provisions		(8,277)	(8,255)
Gain on sale of property, plant and equipment		(837)	(1,099)
Non controlling interest changes (subsidiary dividend)		(17,368)	(6,833)
Non controlling interest changes (joint ventures turned into subsidiaries)		-	107,631
Interest expense		33,757	33,087
Interest income		(19,965)	(82,191)
Operating cash-flow before working capital changes:		**1,538,273**	**2,095,643**
(Increase) / decrease in accounts receivable and other current assets	4,6	(1,816,654)	(1,392,979)
Decrease / (increase) in inventories	5	365,063	(1,051,744)
Increase / (decrease) in accounts payables and accruals	11;13	901,681	(5,854)
Cash provided by operations		**988,363**	**(354,934)**
Interest income		19,620	87,358
Interest expense		(27,503)	(33,140)
Taxes paid, net		(146,828)	(232,843)
Net cash provided by operating activities		**833,652**	**(533,559)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(777,931)	(715,868)
Proceeds on sale of property, plant and equipment		2,144	2,108
Development costs	10	(29,534)	(73,605)
Purchase of investments	8	-	(69,000)
Net cash flow used in investing activities		**(805,321)**	**(856,365)**
Cash flows from financing activities			
(Decrease) / increase in short term loans	12	(16,527)	920,383
Purchase of treasury shares	15	(12,692)	-
Decrease / (increase) in loans to employees		39	(9,389)
(Decrease) / increase in long term debt	12	(6,341)	11,125
Payments of capital lease obligations	23	(105,271)	(113,492)
Dividend paid		-	(784,115)
Net cash flow used in financing activities		**(140,792)**	**24,512**
(Decrease) / increase in cash and cash equivalents		**(112,461)**	**(1,365,412)**
Cash and cash equivalents at beginning of period		**474,989**	**1,840,401**
Cash and cash equivalents at end of the period	3	**362,528**	**474,989**

Supplementary Notes to the Consolidated Financial Statements Dec. 31, 2010

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. The consolidated financial statements of the Company for the year ended December 31, 2010 were approved by the Board of Directors and authorized for issue on March 2, 2011.

As of December 31, 2010 – 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	25.87%	25.11%
AEGON KÖZÉP EURÓPAI RÉSZVÉNY BEFEKTETÉSI ALAP	9.14%	8.87%
AEGON MO. MPT AEGON VAGYONKEZELÉS	8.51%	8.26%
Genesis Emerging Markets Opportunities Fund Limited	6.72%	6.52%
Owners below 5% share		
Domestic Institutional Investors	22.01%	21.35%
Foreign Institutional Investors	0.81%	0.79%
Domestic Individual Investors	9.85%	9.55%
Foreign Individual Investors	0.08%	0.08%
Management. employees	7.81%	7.58%
Treasury shares	0.00%	2.96%
Other	9.20%	8.93%

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.

The consolidated subsidiaries of the Company at December 31, 2010 are as follows:

Subsidiary	Principal Activity	Country of Incorporation	Ownership at December 31, 2010	Ownership at December 31, 2009
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%
Direct Services OOD	Printing. Sales	Bulgaria	50.00%	50.00%
Slovak Direct SRO	Sales	Slovakia	100.00%	100.00%

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 of 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 then 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).

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 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. Exchange differences arising, if any, are classified as equity and recognised in the Group's reserves.
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. 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 standards and interpretations were issued but not yet effective on the reporting date. These amendments, as well as the new standards and interpretations would not significantly affect the Group's consolidated financial statements.

I) IFRS 9 Financial Instruments	Effective for periods starting on or after 1 January 2013.
II) Amendments to IFRS 1 First-time adoption of IFRS - Additional Exemptions from comparative IFRS 7 for First-time Adopters	Effective for periods starting on or after 1 July 2010
III) Amendments to IFRS 7 Financial Instruments: Disclosures – transfers of financial assets	Effective for periods starting on or after 1 July 2011.
IV) Amendments to IAS 24 Related Party Disclosures – simplifying the disclosure requirements for government related entities and clarifying the definition of related party	Effective for periods starting on or after 1 January 2011.
V) Amendments to IAS 32 Financial instruments: presentation – Accounting for rights issues	Effective for periods starting on or after 1 February 2010
VI) Amendments to IFRIC 14 IAS 19The limit on a defined benefit asset, minimum founding requirements and their interaction	Effective for periods starting on or after 1 January 2011
VII) IFRIC 19: Extinguishing financial liabilities with equity instruments	Effective for periods starting on or after 1 July 2010.
VIII) Amendments to various standards and interpretations (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) as a result of the outcome of the Annual Improvement Project published on 6 May 2010, 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 2011.

All amounts in HUF thousands unless if otherwise indicated.

Standards and interpretations issued by IASB but not yet adopted by EU

Currently, there is no significant difference between the International Financial Reporting Standards as accepted by the EU and the IASB, except for the standards and interpretations below which were not accepted as of 31 December 2010.

I) IFRS 9 Financial Instruments	Effective for periods starting on or after 1 January 2013.
II) Amendments to IFRS 7 Financial instruments: disclosure – transfers of financial assets	Effective for periods starting on or after 1 July 2011.
VIII) Amendments to various standards and interpretations (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) as a result of the outcome of the Annual Improvement Project published on 6 May 2010, primarily with a view to removing inconsistencies and clarify wording	Most of the amendments are effective for annual periods beginning on or after 1 January 2011.

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

All amounts in HUF thousands unless if otherwise indicated.

3 Cash and cash equivalents

	December 31, 2010	December 31, 2009
Cash and cash equivalents	362,528	474,989
Bank overdraft	886,870	931,125
Total cash and cash equivalents netted by bank overdrafts:	**(524,342)**	**(456,136)**

4 Accounts receivables

	December 31, 2010	December 31, 2009
Trade receivables	4,889,405	2,944,079
Allowance for doubtful debts	*(44,259)*	*(50,825)*
Total:	**4,845,146**	**2,893,254**

The carrying value of trade receivables approximates fair value. Balance of trade debtors is HUF 4,845 million, which is HUF 1,952 million (67%) higher than at the end of the previous period. The main reason for the change is the increased net sales turnover, and the higher 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, 2010	December 31, 2009
Balance at the beginning of the year	**50,825**	**53,992**
Impairment losses recognised on receivables	31,020	22,213
Impairment losses reversed	(37,586)	(25,380)
Balance at the end of the year	**44,259**	**50,825**

All amounts in HUF thousands unless if otherwise indicated.

5 Inventories

	December 31, 2010	December 31, 2009
Raw materials	1,132,153	1,650,496
Goods	79,139	58,195
Work in progress	188,995	148,287
Finished goods	226,092	134,464
Cumulated loss in value for inventories	-87,296	(89,001)
Total:	**1,539,083**	**1,902,441**

Inventories totalled HUF 1,539 million, which is by HUF 363 million (19%) lower compared to the 31 December 2009 figure. The decrease of inventories is due to the higher raw material consumption of materials bought at the end of last year in connection with the changes in security document logistics. This effect was partly balanced by the growth of security products produced on stock. The Company holds no inventories pledged.

6 Other current assets and prepayments

	December 31, 2010	December 31, 2009
VAT receivable	159,954	163,196
Corporate income tax receivable	73,824	93,693
Other taxes receivable	29,794	34,506
Total current tax receivables	**263,572**	**291,395**
Employee loans	6,510	5,973
Advances paid	16,885	15,004
Other receivables	73,703	78,600
Prepayments	54,146	79,403
Total:	**151,244**	**178,980**

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	Capital projects	Total
Cost:						
January 1, 2009	**368,860**	**7,353,889**	**10,771**	**1,087,121**	**50,723**	**8,871,364**
Additions	56,558	556,679	-	81,256	699,137	**1,393,630**
Disposals and transfers	-	(82,056)	-	(11,368)	(694,493)	**(787,917)**
December 31, 2009	**425,418**	**7,828,512**	**10,771**	**1,157,009**	**55,367**	**9,477,077**
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**
Accumulated depreciation:						
January 1, 2009	**58,323**	**5,028,950**	**10,771**	**832,871**	**-**	**5,930,915**
Charge for year	17,310	562,051	-	88,722	-	**668,083**
Disposals	-	(23,539)	-	(9,750)	-	**(33,289)**
December 31, 2009	**75,633**	**5,567,462**	**10,771**	**911,843**	**-**	**6,565,709**
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**
Net book value:						
January 1, 2009	**310,537**	**2,324,939**	**-**	**254,250**	**50,723**	**2,940,449**
December 31, 2009	**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**

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

No new financial investment was made in the Group in 2010.

9 Goodwill

	December 31, 2010	December 31, 2009
Cost	58,778	58,778
Accumulated impairment losses	-	-
Goodwill	**58,778**	**58,778**

Cost

	December 31, 2010	December 31, 2009
Balance at beginning of year	58,778	12,123
Additional amount recognised from business combinations occurring during the year	-	46,655
Derecognized on disposal of a subsidiary note	-	-
Balance at end of year	**58,778**	**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.

10 Intangible assets

	Capitalised development costs	Total
Cost:		
January 1, 2009	**112,380**	**112,380**
Additions	53,096	53,096
Disposals and transfers	-	-
December 31, 2009	**165,476**	**165,476**
January 1, 2010	**165,476**	**165,476**
Additions	29,534	29,534
Disposals and transfers	-	-
December 31, 2010	**195,010**	**195,010**
Accumulated depreciation:		
January 1, 2009	**103,118**	**103,118**
Charge for year	5,247	5,247
Disposals	-	-
December 31, 2009	**108,365**	**108,365**
January 1, 2010	**108,365**	**108,365**
Charge for year	4,014	4,014
Disposals	-	-
December 31, 2010	**112,379**	**112,379**
Net book value:		
January 1, 2009	**9,262**	**9,262**
December 31, 2009	**57,111**	**57,111**
December 31, 2010	**82,631**	**82,631**

All amounts in HUF thousands unless if otherwise indicated.

11 Other payables and accruals

	December 31, 2010	December 31, 2009
VAT	19,727	85,593
Personal income tax	78,135	9,417
Other taxes	3,927	20,929
Total current tax liabilities	**101,789**	**115,939**
Wages	81,379	69,340
Social security	96,011	91,268
Advance payments from customers	19,486	13,534
Other short term liabilities	24,931	40,573
Accrued management bonuses	279,527	42,192
Accruals of EU subsidy	22,020	44,970
Accruals of research and development subsidy	14,280	16,763
Accruals of VAT of EU subsidized equipment	5,515	11,263
Other accruals	66,777	97,995
Other payables and accruals	**609,926**	**399,872**

The Company purchased equipments to improve 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 Company won a research and development subsidy in value of HUF 67 million in 2009, out of which HUF 53 million has been used till the end of the period. The release of accrued income is in proportion with the depreciation charged. The Company has fulfilled all its obligations connected to the subsidies in 2010.

12 Loans and borrowings

	December 31, 2010	December 31, 2009
Bank overdraft of parent company	886,870	918,217
Bank overdraft of subsidiaries	0	12,908
Total bank overdraft	**886,870**	**931,125**
Total bank overdraft	886,870	931,125
Other short term loans of subsidiaries	27,727	0
Total short term loans	**914,597**	**931,125**
Long term loan of subsidiary	4,027	11,402
Total investment loans and borrowings	**4,027**	**11,402**
Total loans and borrowings:	**918,624**	**942,527**

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, 2010	December 31, 2009
Trade payables	2,167,426	1,548,156
Other	-	-
Total trade accounts payables	**2,167,426**	**1,548,156**

14 Issued Share Capital

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

	December 31, 2010		December 31, 2009	
	Issued	Treasury	Issued	Treasury
Registered shares	1,449,876	42,988	1,449,876	41,209
Employee shares	0	0	0	0
	1,449,876	**42,988**	**1,449,876**	**41,209**

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

15 Treasury shares

The Company purchased 18,151 registered common shares, series "A" issued by State Printing House Plc. at the Budapest Stock Exchange on 22 October 2010 at an average price of 698 HUF. Number of treasury shares held by the Company at 31st December 2010 is 438,651, which were purchased on an average price of HUF 1,024 per share. In 2009 and in 2010 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, and HUF 62,483 thousands in 2010, so accumulated impairment value is HUF 118,485 thousands. Book value of the treasury shares in the financial statement of the parent company is HUF 755 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 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. At December 31st 2010 the financial statements of State Printing House Plc. not consolidated, prepared in accordance with Hungarian accounting standards indicated total retained earnings of HUF 2,109,947 thousands.

Restricted reserve is not available for distribution based on the Hungarian Accounting Standards. In 2010 the Company transferred HUF 1,257,435 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, 2010	December 31, 2009
Security products and solutions	6,697	5,138
Card production and personalization	3,609	3,053
Form production and personalization. data processing	5,347	4,315
Traditional printing products	965	1,189
Other	511	312
Total net sales	**17,129**	**14,007**

18 Other incomes and expenditures

Other incomes and expenditures	December 31, 2010	December 31, 2009
EU subsidy dissolved	22,950	22,950
Research and development subsidy dissolved	2,483	626
VAT reclaim of EU subsidy	5,748	26,304
Reversed loss in value for trade receivables	37,586	25,380
Reversed loss in value for inventories	17,756	12,731
Allowances received	7,310	1,606
Other	80,511	69,612
Total other incomes	***174,344***	***159,209***
Local operational tax	156,308	155,727
Loss in value for inventories	51,304	27,580
Loss in value for trade receivables	31,019	22,213
Allowances given	16,286	7,474
Other	57,653	36,696
Total other expenditures	***312,570***	***249,690***
Total	**(138,226)**	**(90,481)**

All amounts in HUF thousands unless if otherwise indicated.

19 Operating income

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

	Notes	December 31, 2010	December 31, 2009
Net sales	17	17,129,082	14,007,440
Changes in inventory and own performance		175,388	77,770
Material cost		(11,804,322)	(8,613,886)
Staff cost		(3,799,421)	(3,332,398)
Depreciation		(678,550)	(673,330)
Gain on sale of fixed assets		837	1,099
Foreign currency losses		(1,310)	(45,345)
Dividend income		2,727	0
Other expense		(138,226)	(90,481)
Operating income		**886,205**	**1,330,869**

The average number of employees of the Group during 2010 was 819 (2009: 817).

20 Taxation

	December 31, 2010	December 31, 2009
Current year corporate income tax	74,059	161,617
Deferred tax expense	(106,606)	119,042
Total tax expense	**(32,547)**	**280,659**

All amounts in HUF thousands unless if otherwise indicated.

	December 31, 2010	December 31, 2009
Opening deferred tax liability	358,564	227,945
Deferred tax liability due to development reserve	(112,967)	89,452
Deferred tax on accounting and tax depreciation difference of assets not connected to development reserve	(332)	33,901
Deferred tax arising from treasury shares valuation	2,888	8,960
Deferred tax on residual value of financial lease assets	(1,902)	(1,694)
Closing deferred tax liability	**246,251**	**358,564**
	December 31, 2010	**December 31, 2009**
Opening deferred tax assets	10,517	7,900
Deferred tax asset on write-off for bad debts	(5,232)	2,481
Deferred tax asset on provisions	(475)	136
Closing deferred tax assets	**4,810**	**10,517**
	December 31, 2010	**December 31, 2009**
Opening deferred tax liability net	**348,047**	**220,045**
Closing deferred tax liability net	**241,441**	**348,047**

Corporate tax rate was 16%, which was applied on the profit before tax adjusted for taxation purposes for the domestic entities of the Group in 2009. According to the tax legislation effective in Hungary from September 1, 2006 domestic companies are obliged to pay “extra profit tax” of 4% after the adjusted profit before tax.
Based on the decision of the Hungarian Parliament, dual corporate tax rate has to be applied for the companies in the calendar years of 2011 and 2012. 10% corporate tax rate has to be applied below HUF 500 million tax base and 19% tax rate over it. Effective as at 1st January 2013 the corporate tax rate will be in each case 10%. 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 2010 and 2009 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.

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 2010.

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 subject to a comprehensive audit by APEH for the years 2006, 2007 and 2008 to all kind of taxes. No material misstatement was explored by the Tax Authority.

All amounts in HUF thousands unless if otherwise indicated.

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

	December 31, 2010	December 31, 2009
Profit before tax and non-controlling interest	**872,411**	**1,379,973**
Tax base increasing items[1]		
Depreciation and amortization based on accounting law	623,362	606,473
Other tax base increasing items	49,571	24,513
Total tax base increasing items	**672,933**	**630,986**
Tax base decreasing items[1]		
Depreciation and amortization based on tax law	355,740	377,838
Creation of development reserve	300,000	500,000
Dividend received	305,645	109,932
Other tax base decreasing items	89,075	231,586
Total tax base decreasing items	**1,050,460**	**1,219,356**
Adjusted profit before tax (tax base)	**494,884**	**791,603**
Tax at statutory rate of 10% (16% in 2009)[2]	49,488	126,656
Deferred tax	106,606	(119,042)
Other permanent differences (net)	(82,035)	154,003
Corporate income tax expense	**74,059**	**161,617**

Based on the corporate tax regulations effective from 1st July 2010 in Hungary the corporate tax rate fell from 19% to 10%. The tax rate change influenced the balance of deferred tax liability of the Company as it is shown below:

	December 31, 2010
Base of deferred tax liability	1,831,826
Calculated deferred tax liability on 19% tax rate	348,047
Calculated deferred tax liability on 10% tax rate	183,183
Change of deferred tax liability arising from tax rate change	**(164,864)**

[1] Tax base increasing and decreasing items contain only items of the Parent Company.
[2] The tax legislation effective in foreign countries is not taken into consideration in this calculation. All differences that may occur due to this fact are classified on the 'Other temporary differences' line.

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, 2010	December 31, 2009
Weighted average shares outstanding for:	14,370,659	14,374,150
Net income used in the calculation	860,120	1,054,840
Basic and diluted earnings per share:		
Basic (HUF per share)	60	73
Fully diluted (HUF per share)	60	73

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 500 million.

The Company reclassified HUF 1,057 million to the restricted reserves in 2009 and 2010 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. 2010 are as follows:

Periods	Amounts in EUR
2011	771,438
2012	786,867
2013	802,604
2014	818,656
2015	835,030
Later years	9,326,208
Total minimum payments	13,340,803

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. The capitalized value of the machineries was HUF 897,936 thousands, while net book value at December 31. 2010 was HUF 619,630 thousands. Short term and long term financial lease principal liabilities are as follows:

Financial lease liabilities	**FY 2010 in HUF thousands**	**FY 2009 in HUF thousands**
Short term part	80,049	98,960
Long term part	136,657	127,450
Total	**216,706**	**226,410**

The fair value of the leased assets approximates book value.

24 Related party transactions

Related party transactions	**FY 2010 in HUF thousands**	**FY 2009 in HUF thousands**
Balance of intercompany receivables eliminated	627,196	471,072
Balance of intercompany liabilities eliminated	625,929	473,080
Balance of intercompany revenues eliminated	528,850	434,531
Balance of intercompany expenditures eliminated	528,850	431,939

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 7,434 thousands remuneration was paid to the Supervisory Board, while HUF 9,256 thousands to the Board of Directors in 2010.

26 Risk management

Foreign currency risk

Among foreign currency transactions of the Group EURO based transactions are the most important ones. Foreign currency liabilities mainly occur from raw material purchases, which are hedged by the receivables form 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, 2010	December 31, 2009
Foreign currency assets	EUR	1,453,369	2,075,746
	USD	4,973	4,603
	GBP	740	36
	BGN	961,527	530,954
	RON	3,440,231	2,269,081
	PLN	-	5,420
	MDL	-	227
	CZK	9,183	4,021
Total (in HUF thousands)		**767,418**	**782,080**
Foreign currency liabilities	EUR	1,585,781	776,208
	USD	5,858	-
	CHF	-	19,534
	GBP	3,035	1,841
	BGN	99,856	195,750
	RON	2,552,580	1,791,946
Total (in HUF thousands)		**624,570**	**356,031**
Impact of a possible 10% foreign exchange rate decrease in each foreign currency (in HUF thousands)		**2010.12.31.**	**2009.12.31.**
Impact on foreign currency assets		**(76,742)**	**(78,208)**
Impact on foreign currency liabilities		**62,457**	**35,603**
Total impact of possible foreign exchange rate change		**(14,285)**	**(42,605)**

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. keeps its books in Romanian 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 9,186 thousands in the year 2011. (This was HUF 9,425 thousands in the year 2010.)

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 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**

Állami Nyomda Group FY 2009	**In 1 month**	**1 - 3 months**	**3 months - 1 year**	**1 - 5 years**	**Over 5 years**	**Total:**
Trade payables	1,161,274	311,174	75,708	-	-	**1,548,156**
Lease liabilities	8,284	16,547	74,130	127,449	-	**226,410**
Credits	-	-	931,125	11,402	-	**942,527**
Other liabilities and accruals (without taxes)	312,249	64,673	22,950	-	-	**399,872**
Current tax liabilities	112,608	-	3,331	-	-	**115,939**
Total	**1,594,415**	**392,394**	**1,107,244**	**138,851**	**-**	**3,232,904**

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: 0.91%. (This was 1.76% in 2009.)

27 Significant events after the reporting period

No event was 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.

28 Indices

Indicators (% or HUF thousands)		2010	2009	Change	Change %
A	Current assets	7,161,573	5,741,059	1,420,514	24.74%
B	Inventories	1,539,083	1,902,441	(363,358)	-19.10%
C	Owners' equity	6,064,832	5,192,742	872,090	16.79%
D	Short term debts	3,873,787	3,094,052	779,735	25.20%
E	Total Assets / Liabilities	10,330,774	8,782,689	1,548,085	17.63%
F	Sales revenues	17,129,082	14,007,440	3,121,642	22.29%
G	Interest expense	33,757	33,087	670	2.02%
H	Operating Income	886,205	1,330,869	(444,664)	-33.41%
I	Profit attributable to owners of the Company	860,120	1,054,840	(194,720)	-18.46%
Liquidity ratios:					
Liquidity ratio: (A / D)		1.85	1.86	-0.01	
Quick ratio: ((A - B) / D)		1.45	1.24	0.21	
Gearing ratios:					
Debts over Equity ratio ((E - C) / E)		41.29%	40.88%	0.41%	
Interest cover (H / G)		26.25	40,22	-13.97	
Profitability ratios:					
Return on Sales: ROS (I / F)		5.02%	7.53%	-2.51%	
Return on Equity: ROE (I / C)		14.18%	20.31%	-6.13%	
Return on Assets: ROA (I / E)		8.33%	12.01%	-3.68%	