Annual Report

2008

Állami Nyomda

State Printing Company

2008

State Printing House Plc

Annual Report

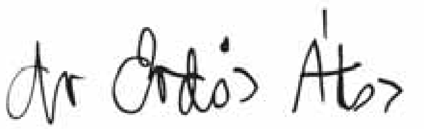
Dear Shareholders,

A company's business strategy is certified by its results, especially in a time when the investors' trust should be earned during a financial and economic crisis that has not occurred for decades. Such a crisis highlights even more if a former business decision or development direction was justifiable.

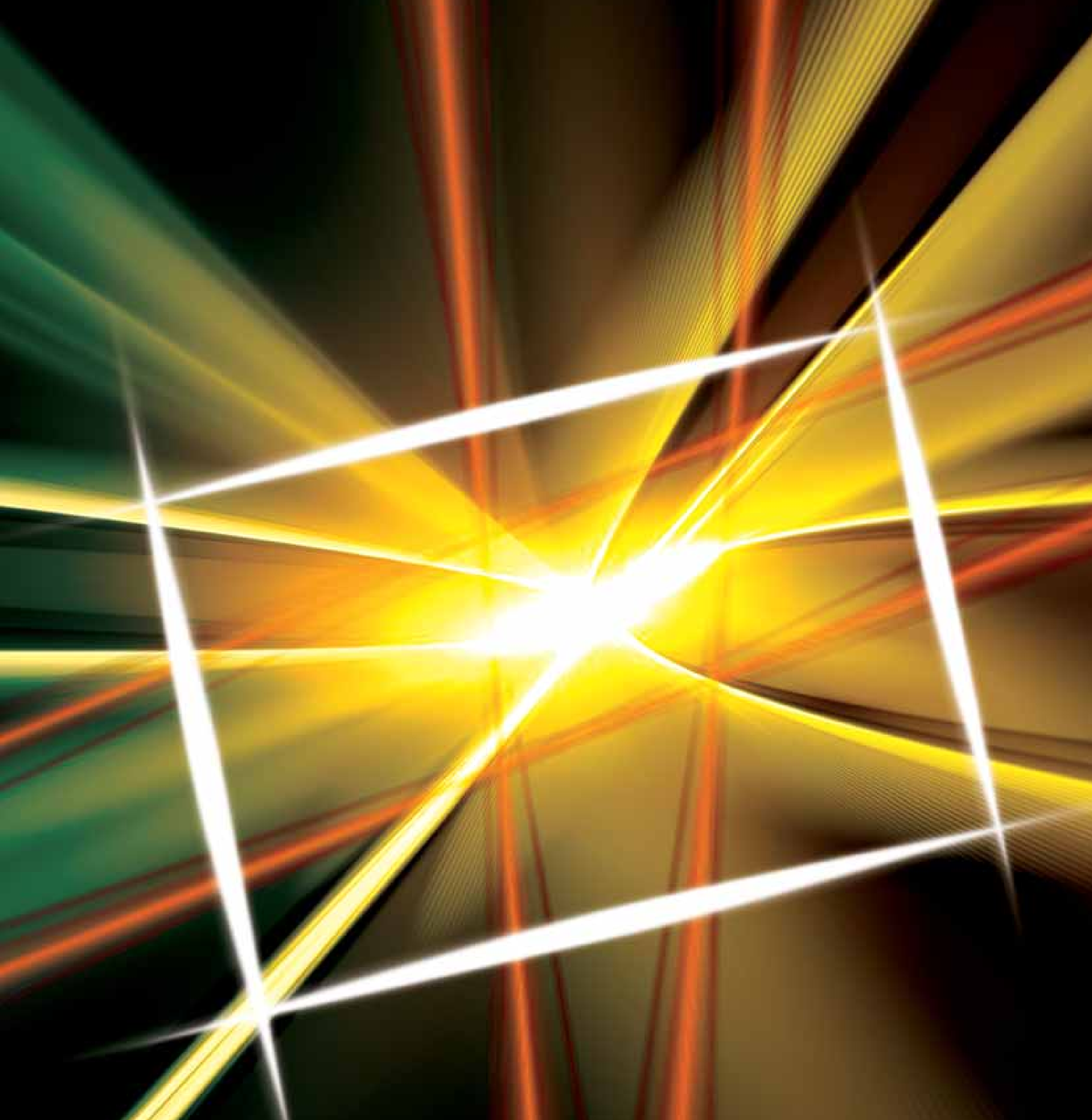
In the years elapsed, we introduced strategic changes in order to place our management on even more secure foundations. During a portfolio adjustment, we preferred products with higher value added and pushed segments with low profitability into the background by degrees. We have continuously developed our production infrastructure, opened for external markets and earned competitive advantage compared to the industry players on more territories with our research and development activities.

As in previous years, the numbers in this year's annual report reinforce the fact that we assessed our development opportunities and chose our development directions correctly. Under such difficult economic circumstances we could achieve our business targets, raise our sales revenue, income and profitability in 2008.

The crisis have shaken the faith in economic players and also seriously affected people's sense of security. We believe that the performances like that of State Printing House Plc effectively contribute to restoring investors' trust. At the same time, the decrease in individuals' sense of security sets serious tasks on us as security printers. Our company has already done its best to serve the security of us all not only with its products but also with its approach and development efforts. Our business philosophy is focused on the human so we trust that we can make those situations more secure and convenient where our solutions are present.



Dr. Ákos Erdős
Chairman of the Board of Directors



Dear Client,

Our days are influenced by the continuously changing security needs and requirements. The freedom to travel, the acceleration of financial transactions and the extension of logistic processes not only raises great expectations but also creates an inspiring environment for the security printing industry. Being one of the largest players of the CEE market, State Printing House Plc has a product portfolio which is adjusted to the changing needs of clients. We hope that we can hold on the domestic and international markets together as partners in the future as well. To achieve this, we offer progressive developments, expertise, and security above all.

Thinking in systems

Our technological opportunities and the requirements for the industry inspire us to develop such unique, complex products which make the life of millions of people easier every day. Our main goal with our products is to make life more secure and convenient. We not only produce documents, bar codes or print transactional mails but we offer secure personal identification, innovative product identification and bulk data logistics. In order to raise efficiency and security level, we offer our products and solutions in systems. We supply such complex solutions for the state administration sector, financial institutions, logistics and public utility companies which include the whole security process from designing the document security elements, to developing the verification devices and the secure handling of databases and information. Effective operation of this philosophy is ensured by the active R&D activity which enables the production of unique products with special security elements and their integration into a system.

Research and development

R&D activity is a key area for State Printing House Plc in order to keep its competitive advantage. The Company established its Document Security Laboratory in 1999 which is specialised on research and development and employs more than twenty highly qualified, internationally recognised professionals. In our nanotechnology developments, we cooperate with such partners like the Research Institute for Technical Physics and Materials Science of the Hungarian Academy of Sciences (MTA-MFA). Our innovations ensure that we can react fast to the dynamically changing market needs. R&D activity of the Company is implemented into production processes by qualified professionals who are chosen with conscious human resources management.

Secure personal identification

After 11/9/2001, the requirements in personal identification are getting stricter and stricter. Safety regulations require the application of biometric identifiers in the case of several documents nowadays. Besides the protection of the base document and personalization, such innovative security technologies are needed which can ensure the protection of data and information and their electronic identification.

However, security of personal identification is as much relevant in the bank sector like in the area of documents. The number of financial transactions is continuously increasing and more and more sophisticated attacks endanger these processes. Guaranteeing the security of our savings, investments, ensuring our exclusive access are key tasks in the area of EMV bank cards with chip, online banking or ATM use.

Innovative product identification

Expansion of sales and logistic processes posts a serious challenge towards institutions responsible for consumer protection. Nowadays some products should be protected by special markings so that conscious consumers can make a secure decision on buying them. According to this, the European Union places greater and greater emphasis on tracking of products and goods and the verification of their origin. Special developments of State Printing House Plc can be implemented successfully on such areas like product protection and raw material and parts identification. Our researches are focused on products that guarantee the security of consumers' everyday life like the RFID-based product tracking, the product marking security label containing special additives or the marking of vehicle parts.

Bulk data logistics

The solutions offered by the security printing houses nowadays imply such digital data turnover which requires special infrastructure and know-how. As a result, there is no machine or printing process where IT does not play a major role nowadays. We handle the data turnover connected to the millions of personalized transactional mails daily and the thunders of thousand of produced cards with the most modern IT background. The Company's internationally audited information and data handling solutions guarantee the security of personal data, electronic databases and digitalized information, while its infrastructural background ensures the production, personalization and enveloping of millions of cards and prints daily. Due to this, State Printing House Plc offers complex solutions ranging from printing and personalization to enveloping and posting to banks, insurance and public utility companies.

International operations

According to the international research company PIRA, the security printing industry is expanding on global level and the CEE region offers one of the highest growth potentials. EU membership or accession in the future places serious liabilities on the countries of the region. Due to the stricter and stricter measures of the EU, the document reforms started to standardize requirements and the spreading of products with higher value added, the security printing industry of the CEE region is about to grow significantly. The experience and cultural knowledge of its subsidiaries and joint ventures in the region ensures relevant competitive advantage to Állami Nyomda Group in the future as well.

The business philosophy of State Printing House Plc is focused on the active human. Our developments, investments are driven by the society's needs for security, fastness and convenience. We are sure that our work in the last years, the trust of our customers and the proficiency and loyalty of our employees will support us to provide solutions for the continuously changing needs in the future as well.

Gábor Zsámboki
Chief Executive Officer

State Printing House closed the year with growth and stable profitability

In spite of the global crisis, State Printing House Plc which is free of loans and has stable cash generating ability has met its strategic goals: sales revenue rose by 9% while net income grew by 14% last year and in this way, the Company exceeded the HUF 90 EPF forecast published at the beginning of last year. Even though the economic crisis, State Printing House Plc posted net sales revenue of HUF 14.6 billion and operating income of HUF 1.6 billion in 2008. The latter means 13% rise year-on-year. EBITDA increased by 9% to HUF 2.2 billion compared to 2007. The HUF 1.3 billion consolidated net income which was achieved along with the planned 15% EBITDA margin rose by 14%. Due to the 2008 results, the Company's EPS amounted to HUF 91 exceeding the prior forecast. The printing house could increase its sales revenue in every strategic product segment, especially in the product segments with high value added which play a major role due to portfolio adjustment: card production and personalization (+17%) and security products and solutions (+9%). Compared to a year earlier, export sales also rose slightly, its ratio compared to sales revenue amounts to 10%.

Summary

- State Printing House posted consolidated net sales of HUF 14.6 billion in 2008 which exceeded the 2007 figure by HUF 1.1 billion (9%). The positive change in net sales was caused by the 9% growth in security products and solutions and the 17% increase in card production and personalization. The ratio of these two strategic product segments is 66% compared to total net sales.

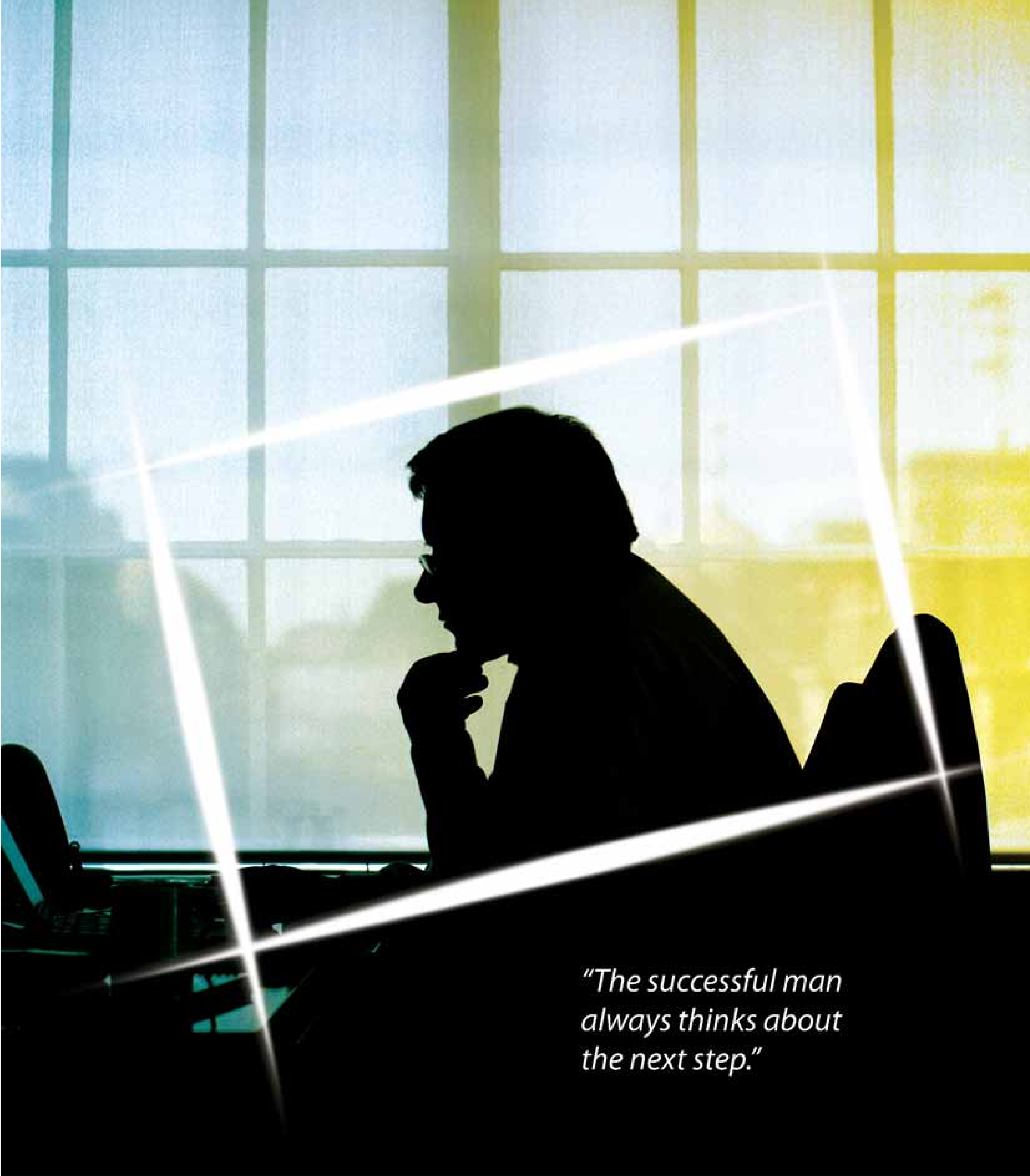
- Exports amounted to HUF 1,445 million, which represents 10% export ratio compared to total sales.

- Consolidated EBITDA reached HUF 2,183 million, a growth of HUF 179 million (9%) compared to 2007. Consolidated EBITDA margin amounted to 15%.

- Consolidated operating income was HUF 1,574 million, an increase of HUF 183 million (13%) year-on year. Consolidated net income after interest income, taxation and minority interest was HUF 1,318 million, which means a growth of HUF 160 million (14%) compared to last year's similar period.

- Earnings per share were HUF 91 which represents a 15% growth compared to the HUF 79 EPS in 2007.

- The balance of cash and bank amounted to HUF 1,840 million at the end of 2008 and the Company does not have any long or short term loans.



**The innovative approach
and the independent R&D activity
significantly contribute to further growth.**

Introduction of Állami Nyomda Group

Name of the Company	Equity	Share of ownership (%)	Voting right [1]
State Printing House	**HUF 1,449,876,000**	–	–
Gyomai Kner Nyomda Zrt.	HUF 200,000,000	92.8%	92.8%
Specimen Zrt.	HUF 100,000,000	90.0%	90.0%
Security Audit Kft.(*)	HUF 5,000,000	72.0%	72.0%
Tipo Direct SRL	RON 476,200	50.0%	50.0%
Direct Services OOD	LEVA 570,000	50.0%	50.0%
Slovak Direct SRO	SKK 1,927,000	100.0%	100.0%
Állami Nyomda OOO	RUB 10,000	100.0%	100.0%

(*) Specimen Zrt. holds 80% ownership in Security Audit Kft. State Printing House Plc.'s ownership ratio amounts to (90.0*80.0) 72.0%

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

Main financial data and indicators

Name	FY 2007 in HUF millions	FY 2008 in HUF millions
Financial situation		
Non-current assets	2,169	2,899
Total assets	6,783	7,477
Shareholder's equity	4,390	4,820
Main categories of results		
Net sales	13,472	14,620
EBITDA	2,004	2,183
Profit after tax	1,169	1,327
Main indicators		
Return on sales (ROS) %	8,6%	9,0%
Return on equity (ROE) %	26,4%	27,4%
Earning per share (EPS) HUF	79	91

IFRS audited, consolidated data

Sales of product groups

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

Sales segments	2007 in HUF millions	2008 in HUF millions	Change in HUF millions	Change %
Security products and solutions	5,428	5,893	465	8.57%
Card production and personalization	3,246	3,782	536	16.51%
Form production and personalization, data processing	3,065	3,254	189	6.17%
Traditional printing products	1,329	1,373	44	3.31%
Other	404	318	(86)	-21.29%
Total net sales	**13,472**	**14,620**	**1,148**	**8.52%**

IFRS audited, consolidated data

State Printing House Plc had consolidated net sales of HUF 14,620 million in 2008, an increase of 9% (HUF 1,148 million) compared to 2007.

Sales of **security products and solutions** came to HUF 5,893 million in 2008 which means a year-on-year rise of HUF 465 million (9%). The change was mainly caused by the increasing sales of tax stamps and security forms and equipment which was partly compensated by the decreasing export.

The Company's revenues from **card production and personalization** totalled HUF 3,782 million in 2008, a HUF 536 million (17%) increase compared to the previous year. The rise compared to 2007 is attributed to the expanding document personalization capacity.

The Company's revenues from **form production, personalization and data processing** came to HUF 3,254 million in 2008, a HUF 189 million (6%) growth year-on -year. The change in the sales revenue of this product group is mainly the result of two factors: first of all we achieved substantial market expansion on the business form personalization markets in Romania and Bulgaria, secondly, we delivered referendum forms this year. The positive effect of the mentioned two factors was compensated by the decreasing turnover of APEH (Hungarian Tax and Financial Control Administration) forms.

Sales of **traditional printing products** amounted to HUF 1,373 million in 2008, which is a HUF 44 million (3%) rise compared to a year earlier.

Other sales totalled HUF 318 million in 2008, which means a decrease of HUF 86 million (21%) year-on-year. This segment mainly comprises revenues from the sale of commercial materials and goods.

Export sales by segment

	2007 in HUF millions	2008 in HUF millions	Change millions	Change %
Security products and solutions	225	123	(102)	(45.33%)
Card production and personalization	481	419	(62)	(12.89%)
Form production and personalization, data processing	597	807	210	35.18%
Traditional printing products	0	37	37	–
Other	79	59	(20)	(25.32%)
Total export sales	**1,382**	**1,445**	**63**	**4.56%**
Export %	**10%**	**10%**		

Exports amounted to HUF 1,445 million in 2008, which represents a 5% increase compared to 2007 reaching the 10% export ratio.
According to international trends, stamp sales dropped in the security products and solutions segment and telephone card sales decreased in the card production and personalization segment while our sales revenue from foreign form personalization and data processing grew by 35% compared to a year earlier due to significantly rising market demand.

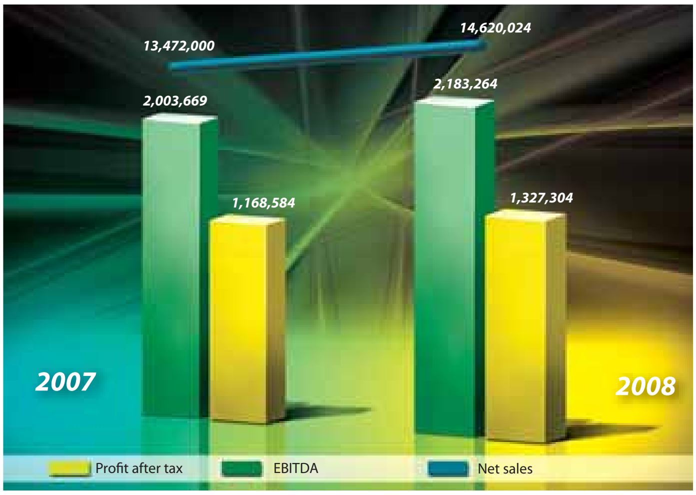
Financial analysis

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

Description	2007 in HUF millions	2008 in HUF millions	Index %
Net sales	13,472	14,620	108.52%
Capitalized value of assets produced	(97)	30	–
Material expenses	7,705	8,598	111.59%
Personnel expenses	3,400	3,661	107,68%
Depreciation	613	609	99,35%
Other expenses	266	208	78,20%
Operating income	1,391	1,574	113.16%
Net income	1,158	1,318	113.82%
EBITDA	2,004	2,183	108.93%
EBITDA margin (%)	15%	15%	
Earnings per share (EPS, HUF per share)	79	91	115.19%

**The security of our products
is guaranteed by the high level data protection.**

Business results of Állami Nyomda Group in the years 2007 and 2008



IFRS audited, consolidated data in HUF thousands

Net sales totalled HUF 14,620 million in 2008, a HUF 1,148 million rise year-on-year.

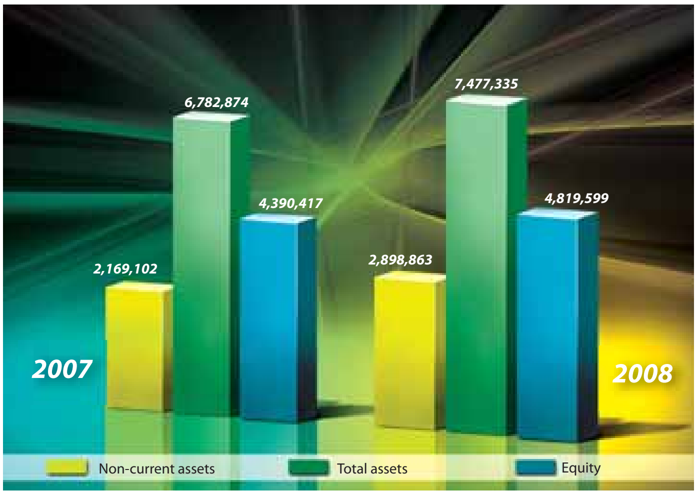
Operating income came to HUF 1,574 million, an increase of HUF 183 million (13%) compared to the previous year. The rise in operating income was due to growth in turnover and the change in product structure.

Gross profit totalled HUF 5,165 million, which means a 35% gross margin. General (SG&A) expenses amounted to HUF 3,383 million in 2008, which equals 23% of net sales. Material expenses grew by 12% (HUF 893 million) in the current period. The change in material expenses reflects the increase in sales revenue. The capitalized value of own performance line shows the capitalized value of assets produced and the change in inventories manufactured. These figures were driven mainly by the change in inventories in both periods presented.

Personnel expenses totalled HUF 3,661 million, which means a 7.7% increase compared to 2007.

EBITDA amounted to HUF 2,183 million due to change in operating income and depreciation, which represents an increase of HUF 179 million (9%). So the EBITDA margin amounts to 15%, which is the same as the 2007 figure. Net interest income amounted to HUF 20 million in 2008. Net income – after financial operations, taxation and minority interest – came to HUF 1,318 million in 2008, a growth of 14% compared to the previous year.

Financial situation of Állami Nyomda Group in the years 2007 and 2008



IFRS audited, consolidated data in HUF thousands

The Company had total assets of HUF 7,477 million on 31 December 2008, which means an increase of 10% (HUF 694 million) compared to a year ago.

Receivables amounted to HUF 1,748 million which represents a HUF 4 million (0.2%) decrease year-on-year.

Cash and bank amounted to HUF 1,840 million at the end of the reporting period, which means a HUF 53 million (3%) growth compared to a year ago.

Inventories totalled HUF 835 million, which means a HUF 3 million (0.3%) decrease compared to the 31 December 2007 figure.

Other current assets and prepayments amounted to HUF 155 million, which is HUF 82 million lower than a year earlier. The change is caused by the decreasing other receivables and prepayments.

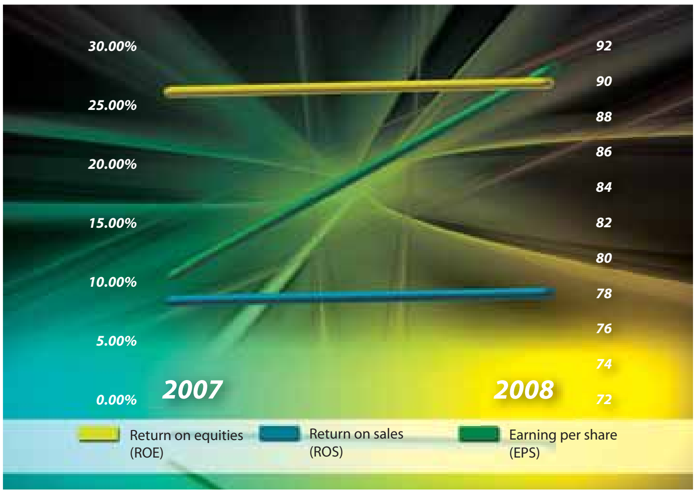
The value of property, plant and equipment at the end of December 2008 increased by 33% compared to the 2007 figure. The growth is mainly the result of investments implemented to expand card personalization capacities in the period elapsed which was partly financed by leasing.

Accounts payable increased by 15% to HUF 1,096 million in 2008 compared to a year earlier. The higher figure is attributed to the higher sales revenue and material turnover.

Other liabilities and accruals totalled HUF 944 million, which means an increase of HUF 8 million (1%).

The Company repaid its HUF-based medium-term investment loan in Q3 2008, so State Printing House does not have any long or short term loans at the moment.

Profitability of Állami Nyomda Group in the years 2007 and 2008



Profitability of Állami Nyomda Group in 2008 exceed the level of the prior year. Return on equities amounted to 27.4% while return on sales was 9%. Earning per share grew by HUF 12 to HUF 91 due to the net income which increased by 14% year-on-year.

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

**Well-established operations
in the Central-Eastern European region.**

Board of Directors

Dr. Ákos Erdős chairman
György Gyergyák vice-chairman
Dr. Mihály Arnold
Tamás Doffek
Dr. György Festetics
Péter Heim
Gábor Zsámboki

Supervisory Board

Dr. Tamás Sárközy chairman
Dr. Istvánné Gömöri vice-chairman
Ferenc Berkesi
Dr. Imre Repa
Dr. István Stumpf
György Vajda

Management

Gábor Zsámboki chief executive officer
László Balla deputy chief executive officer
Ferenc Berkesi chief security officer
Zsuzsanna Csuthi chief sales officer
Dr. Lajos Székelyhídi chief research and development officer
Zoltán Tóth chief technical and production officer
Tamás Bojtor investment director
Albert Dékány development director
András Huszár logistics director
Kristóf Kalauz plant director, Security Printing Product Centre
Tamás Karakó finance director
Róbert Keczeli international tender director
Éva Keresztesné Szepesi document producing and coordination director
Attila Kis-Fleischmann marketing director
Gyula Lángos plant director, Pásztó Plant
Gábor Péter IT director

State Printing House Public Company Limited by Shares

Independent Auditors' Report and Consolidated Financial Statements

for the year ended December 31, 2008

Deloitte.

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English translation of the Hungarian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Állami Nyomda Nyrt.

We have audited the accompanying consolidated financial statements of Állami Nyomda Nyrt. and subsidiaries, which comprise the consolidated balance sheet as at December 31, 2008, and the related consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Állami Nyomda Nyrt. and subsidiaries as of December 31, 2008, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Budapest, February 06, 2009.

(The original Hungarian language version has been signed)

Gion Gábor Deloitte Auditing and Consulting Ltd. H-1068, Budapest Dózsa György út 84/C., Hungary 000083	Horváth Tamás Registered Auditor 003449

Consolidated Balance Sheet December 31, 2008 and December 31, 2007

In HUF thousands:	Notes	December 31, 2008	December 31, 2007
Current assets			
Cash and bank		1,840,401	1,786,969
Accounts receivable	3	1,748,050	1,752,318
Inventory	4	835,085	837,626
Other current assets and prepayments	5	154,936	236,859
Total current assets		**4,578,472**	**4,613,772**
Non-current assets			
Property, plant and equipment	6	2,864,592	2,149,176
Goodwill		64	70
Investments		12,123	0
Intangibles		9,262	14,509
Deferred tax assets		7,900	0
Other assets		4,922	5,347
Total non-current assets		**2,898,863**	**2,169,102**
Total assets		**7,477,335**	**6,782,874**
Current liabilities			
Trade accounts payables		1,095,886	955,285
Short term part of lease liabilities	18	140,093	0
Other payables and accruals	7	944,446	935,645
Short term debt	8	10,742	313,014
Of which short term part of long term loan		0	312,900
Total long term liabilities		**2,191,167**	**2,203,944**
Long term liabilities			
Deferred tax liability	15	227,945	176,254
Long term part of lease liabilities	18	229,351	0
Long term debt	8	822	3,323
Other long term liabilities		8,451	8,936
Total long term liabilities		**466,569**	**188,513**
Shareholders' equity			
Share capital	9	1,449,876	1,449,876
Capital reserve		250,686	250,686
Retained earnings	11	3,487,534	2,765,616
Treasury shares	10	(436,975)	(158,130)
Minority interest		68,478	82,369
Total shareholders' equity		**4,819,599**	**4,390,417**
Total liabilities and shareholders' equity		**7,477,335**	**6,782,874**

Statement of consolidated income December 31, 2008 and December 31, 2007

In HUF thousands	Notes	FY 2008	FY 2007
Net sales	12	14,620 024	13,472 000
Cost of sales		(9,454,773)	(8,717,413)
Gross profit		**5,165,251**	**4,754,587**
Selling general and administration		(3,382,854)	(3,098,177)
Gain on sale of fixed assets		11,037	3,198
Gain on sale of investments		0	0
Foreign currency losses		1,003	(6,026)
Other expense	13	(220,190)	(263,068)
Operating income	14	**1,574,247**	**1,390,514**
Interest income / (expense), net		19,735	4,534
Income before tax and minority interest		**1,593,982**	**1,395,048**
Deferred tax expense	15	(43,791)	(26,743)
Income tax expense	15	(222,887)	(199,451)
Profit after tax		**1,327,304**	**1,168,854**
Minority interest		(8,981)	(10,638)
Net income		**1,318,323**	**1,158,216**
Earnings per share (EPS):			
Basic (HUF per share)	16	**91**	**79***
Fully diluted (HUF per share)	16	**91**	**79***

* 2007 figures were adjusted retrospectively in order to be able to compare with EPS figures after the stock split of 1:10 ratio in July 2008

Statement of Changes in Consolidated Shareholders' Equity December 31, 2008

In HUF thousands	Issued Capital	Capital Reserve	Retained Earnings	Treasury Shares	Minority Interest	Total
January 1, 2007	**1,449,876**	**250,686**	**2,351,752**	**0**	**78,568**	**4,130,882**
Dividend paid	0	0	(744,352)	0	0	(744,352)
Net income	0	0	1,158,216	0	0	1,158,216
Purchase of treasury shares	0	0	0	(158,130)	0	(158,130)
Dividend paid to minority (after FY 2006 income)	0	0	0	0	(6,837)	(6,837)
Minority interest in income for the year	0	0	0	0	10,638	10,638
December 31, 2007	**1,449,876**	**250,686**	**2,765,616**	**(158,130)**	**82,369**	**4,390,417**
Dividend paid	0	0	(596,405)	0	0	(596,405)
Net income	0	0	1,318,323	0	0	1,318,323
Purchase of treasury shares	0	0	0	(278,845)	0	(278,845)
Dividend paid to minority shareholders (after FY 2007 income)	0	0	0	0	(7,959)	(7,959)
Additional ownership acquisition in subsidiary	0	0	0	0	(14,913)	(14,913)
Minority interest in income for the year	0	0	0	0	8,981	8,981
December 31, 2008	**1,449,876**	**250,686**	**3,487,534**	**(436,975)**	**68,478**	**4,819,599**

Statement of Consolidated Cash-flow December 31, 2008 and December 31, 2007

In HUF thousands:	Notes	FY 2008	FY 2007
Cash flows from operating activities			
Net income before taxation and minority interest		1,593,982	1,395,048
Depreciation and amortization		603,770	607,908
Amortization of development cost		5,247	5,247
Changes in provisions		(53,625)	114,956
Gain on sale of property, plant and equipment		(11,037)	(3,198)
Gain on sale of investments		0	0
Minority interest changes (Subsidiary dividend)		(7,959)	(6,837)
Interest expense		40,062	65,331
Interest income		(59,797)	(69,865)
Operating cash-flow before working capital changes		**2,110,643**	**2,108,590**
Increase in accounts receivable and other current assets		71,327	350,588
Increase in inventories		49,650	313,928
Increase in accounts payables and accruals		280,907	(78,697)
Cash provided by operations		2,512,527	2,694,409
Interest received / (paid), net		12,499	22,123
Taxes paid, net		(196,114)	(218,501)
Net cash provided by operating activities		**2,328,912**	**2,498,031**
Cash flows from investing activities			
Purchase of property, plant and equipment		(994,699)	(523,471)
TProceeds on sale of property, plant and equipment		11,395	25,286
Sale of investments		(27,036)	0
Net cash flow used in investing activities		**(1,010,340)**	**(498,185)**
Cash flows from financing activities			
Increase in short term loans		10,629	(14,722)
Purchase of treasury shares		(278,845)	(158,130)
Increase in loans to employees		425	2,056
Decrease in long term debt		(315,886)	(408,017)
Payments of capital lease obligations		(85,058)	0
Dividend paid		(596,405)	(743,784)
Net cash flow used in financing		**(1,265,140)**	**(1,322,597)**
Decrease in cash and cash equivalents		**53,432**	**677,249**
Cash and Bank at beginning of period		**1,786,969**	**1,109,720**
Cash and Bank at end of the period		**1,840,401**	**1,786,969**

Supplementary Notes to the Consolidated Financial Statements Dec. 31, 2008

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 State Printing House for the year ended December 31, 2008 were authorized for issue by the Chief Executive Officer (Gábor Zsámboki) on 6th February, 2009.
As of December 31, 2008 – 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 (%)	Owner right (%)
Owners above 5% share		
EG Capital SA	24.78%	24.07%
AEGON MO. MPT AEGON VAGYONKEZELÉS	10.01%	9.72%
Genesis Emerging Markets Opportunities Fund Limited	6.71%	6.52%
AEGON Magyarország Általános Biztosító Zrt.	6.02%	5.85%
Owners below 5% share		
Domestic Institutional Investors	23.83%	23.15%
Foreign Institutional Investors	7.58%	7.36%
Domestic Individual Investors	10.55%	10.25%
Foreign Individual Investors	0.32%	0.31%
Management, employees	9.32%	9.06%
Treasury shares	0.00%	2.84%
Other	0.88%	0.87%

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 and joint-ventures of the Company at December 31, 2008 are as follows:

Subsidiary	Principal Activity	Country of Incorporation	Holding at December 31, 2008	Holding at December 31, 2007
Specimen Zrt.	Printing	Hungary	90.00%	80.20%
Security Audit Kft.	Consulting	Hungary	72.00%	64.16%
Gyomai Kner Nyomda Zrt.	Printing	Hungary	92.81%	92.81%
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.

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 suplementary 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”).

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.

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 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.

Intangible assets

Intangible assets are stated at cost less accumulated amortization. Amortization is provided at rates between 16.7% to 33% per year.

Fair value of financial instruments

The fair values of financial instruments, consisting of cash, receivables, payables, and obligations under debt instruments, are considered to be equal 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.

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.

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 lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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 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.

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.

Adoption of new Standards

The impact of the adoption of new IFRS Standards and the revised IAS Standards effective as at January 1, 2007 on the accounting policy:

- IFRS 7. (Financial Instruments: Disclosures) Standard
  (effective for accounting period beginning on or after January 1, 2007)
- IAS 1. Initiation of the new regulations of the Standard regarding Equity
  (effective for accounting period beginning on or after January 1, 2007)
- New Interpretations (IFRIC 7,8,9,10)

Adoption of these new Standards had no significant impact on the international consolidated financial statements of the Group.

Modification of the new IFRS standards and the IAS standards effective from 1 January 2008 did not affect the FY2008 financial statements.

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 16%
- The outcome of certain contingent liabilities.

Uncertainties in the estimates

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

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

3. Accounts receivables

In HUF thousands	December 31, 2008	December 31, 2007
Trade receivables	1,802,042	1,812,832
Provision for doubtful debts	*(53,992)*	*(60,514)*
Total:	**1,748,050**	**1,752,318**

The carrying value of trade receivables approximates fair value.

4. Inventories

In HUF thousands	December 31, 2008	December 31, 2007
Raw materials	501,545	593,336
Goods	150,632	63,472
Work in progress	141,953	134,588
Finished goods	125,480	123,615
Cumulated loss in value for inventories	*(84,525)*	*(77,385)*
Total:	**835,085**	**837,626**

5. Other current assets and prepayments

In HUF thousands	December 31, 2008	December 31, 2007
Employee loans	4,372	9,641
Advances paid	3,090	31,484
VAT receivable	38,282	22,929
Corporate income tax receivable	13,508	40,281
Other taxes receivable	5,819	35,502
Other receivables	39,155	53,361
Prepayments	50,710	43,661
Total:	**154,936**	**236,859**

6. Property, Plant and Equipment

In HUF thousands	Land and buildings	Machinery and equipment	Property and other	Vehicles and other	Capital projects	Total
Cost:						
January 1, 2008	**312,823**	**6,160,395**	**10,771**	**974,365**	**29,940**	**7,488,294**
Additions	56,037	1,198,304	0	102,197	1,377,321	2,733,859
Disposals and transfers	0	(110,641)	0	(9,151)	(1,356,538)	(1,476,330)
December 31, 2008	**368,860**	**7,248,058**	**10,771**	**1,067,411**	**50,723**	**8,745,823**
Accumulated depreciation:						
January 1, 2008	**45,688**	**4,547,511**	**10,771**	**735,148**	**0**	**5,339,118**
Charge for year	12,635	493,721	0	97,414	0	603,770
Disposals	0	(53,961)	0	(7,696)	0	(61,657)
December 31, 2008	**58,323**	**4,987,271**	**10,771**	**824,866**	**0**	**5,881,231**
Net book value:						
January 1, 2008	**267,135**	**1,612,884**	**0**	**239,217**	**29,940**	**2,149,176**
December 31, 2008	**310,537**	**2,260,787**	**0**	**242,545**	**50,723**	**2,864,592**

7. Other payables and accruals

In HUF thousands	December 31, 2008	December 31, 2007
Wages	73,989	74,617
Social security	100,095	93,663
Advance payments from customers	6,521	8,904
Personal income tax	71,788	66,851
Other taxes	27,416	18,520
Dividend liability	2,970	200
Other short term liabilities	12,234	24,782
VAT payable	301,713	265,018
Accrued management bonuses	232,093	248,552
Accruals of EU subsidy	67,920	90,869
Other accruals	47,707	43,669
Total:	**944,446**	**935,645**

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 depreciation rate of the purchased equipments is 14.5%. The release of accrued income is in proportion with the depreciation charged. HUF 22,949 thousands accrued income was released in 2008. The Company has fulfilled all its obligations connected to the subsidy in 2008.

2008

8. Short and long term debt

In HUF thousands	December 31, 2008	December 31, 2007
Bank overdraft of related party, total usable overdraft: 90,000 EUR	10,742	0
Total overdrafts:	**10,742**	**0**
Long-term loan for capital project convertible to foreign exchange, credit limit: HUF 300,000 thousands, interest rate: 3 months BUBOR + 0.5% or 3 months EURIBOR + 0.5% annually (depended on the foreign exchange), secured by revenue-flow to the bank. Date of maturity: September 20, 2008		
Short term part	0	144,000
Long term part	0	0
Long-term loan (original amount of EUR 4,000,000), interest rate of 3 months EURIBOR + 1% annually, secured by immediate collection, inclusion and revenue-flow to the bank. Date of maturity: May 11, 2008		
Short term part	0	168,900
Long term part	0	0
Other short term loans taken by subsidiaries	0	114
Other loans for capital projects taken by subsidiaries	822	3,323
Total loans for capital projects:	**822**	**316,337**
Total short term debts:	**10,742**	**313,014**
Total long term debts:	**822**	**3,323**
Total short and long term debts:	**11,564**	**316,337**

The carrying value of overdrafts and loans approximates fair value.

9. Issued Share Capital

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

	December 31, 2008		December 31, 2007	
	Issued	Treasury	Issued	Treasury
Registered shares	1,449,876	41,209	1,368,590	10,878
Employee shares	0	0	81,286	0
	1,449,876	**41,209**	**1,449,876**	**10,878**

The number of issued shares by the Company is 14,794,650 of which par value HUF 98 per share. 9,475 number of employee shares Series ‘B’ and 73,470 number of employee shares Series ‘C’ were transformed into ordinary shares Series ‘A’ in July 2008. Hence the 1,479,465 number of ordinary shares Series ‘A’ with a par value of HUF 980 were split in 1:10 ratio to 14,794,650 number of ordinary shares Series ‘A’ with a par value of HUF 98.

10. Treasury shares

Number of treasury shares held by the Company at 31st December 2008 is 420,500, which were purchased on an average price of HUF 1,038 per share during the 2007 and 2008 financial year.

11. Retained earnings

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 31, 2008, the financial statements of State Printing House Plc. not consolidated, prepared in accordance with Hungarian accounting standards indicated total retained earnings of HUF 955,701 thousands.
Restricted reserve is not available for distribution based on the Hungarian Accounting Standards. In 2008 the Company transferred HUF 956,871 thousands to restricted reserve representing the value of reorganization, research and development, an amount representing development reserve (refer to Note 17) and the amount used for repurchasing treasury shares, in line with Hungarian Accounting Standards.

12. Net sales

Sales segments	FY 2008 in HUF millions	FY 2007 in HUF millions
Security products and solutions	5,893	5,428
Card production and personalization	3,782	3,246
Form production and personalization, data processing	3,254	3,065
Traditional printing products	1,373	1,329
Other	318	404
Total net sales	**14,620**	**13,472**

13. Other incomes and expenditures

In HUF thousands	FY 2008	FY 2007
EU subsidy	22,950	22,950
Reversed loss in value for trade receivables	45,751	14,462
Reversed loss in value for inventories	34,451	5,539
Allowances received	676	13,976
Other	29,077	15,400
Total other incomes	**132,905**	**72,327**
Local operational tax	180,949	159,673
Loss in value for inventories	80,386	103,418
Loss in value for trade receivables	42,207	24,350
Allowances given	6,985	6,998
Other	42,568	40,956
Total other expenditures	**353,095**	**335,395**
Total	**(220,190)**	**(263,068)**

14. Operating income

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

In HUF thousands	Notes	FY 2008	FY 2007
Net sales	12	14,620,024	13,472,000
Changes in inventory and own performance		29,960	(97,431)
Material cost		(8,598,018)	(7,704,658)
Staff cost		(3,660,553)	(3,400,346)
Depreciation		(609,017)	(613,155)
Gain on sale of fixed assets		11,037	3,198
Gain on sale of investments		0	0
Foreign currency losses		1,003	(6,026)
Other expense		(220,190)	(263,068)
Operating income		**1,574,247**	**1,390,514**

The average number of employees of the Group during 2008 was 795 (2007: 789).

15. Taxation

In HUF thousands	December 31, 2008	December 31, 2007
Current year corporate income tax	222,887	199,451
Change in deferred tax liability	43,791	26,743
Total tax expense	266,678	226,194

In HUF thousands	December 31, 2008	December 31, 2007
Opening deferred tax liability	176,254	149,511
Deferred tax liability due to development reserve	85,600	50,173
Release of deferred tax due to use of development reserve	(29,808)	(23,430)
Deferred tax on accounting and tax depreciation difference of assets not connected to development reserve	(6,610)	0
Deferred tax on residual value of financial lease assets	2,509	0
Closing deferred tax liability	**227,945**	**176,254**

In HUF thousands	December 31, 2008	December 31, 2007
Opening deferred tax assets	0	0
Deferred tax asset on write-off for bad debts	7,176	0
Deferred tax asset on provisions	724	0
Closing deferred tax assets	**7,900**	**0**

Taxation has been provided at 16% on the profit, adjusted for taxation purposes in case of the domestic companies of the Group. 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. 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 do not then 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 2008 and 2007 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 2008.

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

In HUF thousands	December 31, 2008	December 31, 2007
Income before tax and minority interest	1,593,982	1,395,048
Tax at statutory rate of 16% [1]	255,037	223,208
Deferred tax due to development reserve	(43,791)	(26,743)
Other permanent differences (net)	11,641	2,986
Corporate income tax expense	**222,887**	**199,451**

[1] 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.

16. 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:

	December 31, 2008	December 31, 2007
Weighted average shares outstanding for:	14,561,681	14,760,030*
Net income used in the calculation (in HUF thousands)	1,318,323	1,158,216
Basic and diluted earnings per share:		
Basic (HUF per share)	91	79*
Fully diluted (HUF per share)	91	79*

* 2007 figures were adjusted retrospectively in order to be able to compare with EPS figures after the stock split of 1:10 ratio in July 2008.

17. 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.

In 2008 the Company established a tax-deductible development reserve of HUF 500,000 thousands to be used on future capital expenditure. In the event that the Company does not fully utilize this reserve for capital expenditure in the following four years, it is required to repay the unused amount plus penalties and interest to the Hungarian Tax Authorities.

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, 2008 are as follows:

Periods	Amounts in EUR
2009	743,157
2010	758,020
2011	773,181
2012	788,644
2013	804,417
Later years	10,579,610
Total minimum payments	**14,447,029**

18. Financial lease

Three machineries connected to card production were purchased and are partly leased from BAWAG Leasing Zrt. The capitalized value of the machineries was HUF 772,187 thousands, while net book value at December 31, 2008 was HUF 719,681 thousands. Short term and long term financial lease principal liabilities are as follows:

In HUF thousands	FY 2008	FY 2007
Short term part	140,093	43,803*
Long term part	229,351	40,910*
Total	**369,444**	**84,713***

* These figures were presented on the trade payables line in the 2007 financial statements.

19. Related party transactions

In HUF thousands	FY 2008	FY 2007
Balance of intercompany receivables eliminated	214,881	184,160
Balance of intercompany liabilities eliminated	215,679	184,160
Balance of intercompany revenues eliminated	515,257	451,789
Balance of intercompany expenditures eliminated	515,710	451,789

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Through related party transactions mainly State Printing House Plc (the Company) sells finished goods to the other members of the Group, who resell them to third party companies. Related party transactions also consist of short term intercompany loans and rental fee for machineries.

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

HUF 10,262 thousands remuneration was paid to the Supervisory Board, while HUF 15,612 thousands to the Board of Directors in 2008.

21. 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.

State Printing House Plc.*	Currency	December 31, 2008	December 31, 2007
Foreign currency assets	EUR	517,527	562,153
	USD	1,024	7,101
	GBP	36	36
	SKK	184,939	779,595
	PLN	23,590	161,650
Total (in HUF thousands)		**140,354**	**160,895**
Foreign currency liabilities	EUR	588,440	1,051,185
	CHF	57,182	201,781
	USD	2,550	1,051
	GBP	315	0
Total (in HUF thousands)		**166,538**	**297,255**
Impact of a possible 10% foreign exchange rate decrease in each foreign currency (in HUF thousands)		**December 31, 2008**	**December 31, 2007**
Impact on foreign currency assets		(14,035)	(16,090)
Impact on foreign currency liabilities		16,654	29,726
Total impact of possible FX rate change		**2,619**	**13,636**

*The table consists of only foreign currency assets and liabilities of State Printing house Plc. without the Intercompany balances.

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.

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 116 thousands in the year 2009. (This was HUF 3,163 thousands in the year 2008.)

Liquidity risk
Liquidity risk of the Group, due to the high balance of cash and cash equivalents and the high balance of net working capital, is also low. The maturity of trade payables, lease liabilities and credits is shown in the next table:

Állami Nyomda Group FY 2008 in HUF thousands	In 1 month	1–3 months	3 months 1 year	1 - 5 years	Over 5 years	Total
Trade payables	833,537	246,980	15,369	0	0	1,095,886
Lease liabilities	11,424	22,980	105,689	229,351	0	369,444
Credits	0	0	10,742	0	0	10,742
Total	**844,961**	**269,960**	**131,800**	**229,351**	**0**	**1,476,072**

Állami Nyomda Group FY 2008 in HUF thousands	In 1 month	1–3 months	3 months 1 year	1 - 5 years	Over 5 years	Total
Trade payables*	894,531	59,493	452	809	0	955,285
Lease liabilities	3,580	7,198	33,025	40,910	0	84,713
Credits	0	103,650	209,364	3,323	0	316,337
Total	**898,111**	**170,341**	**242,841**	**45,042**	**0**	**1,356,335**

* In 2007 lease liabilities were presented on the line trade payables, so trade payables also consist the line below, lease liabilities.

Credit risk
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: 3.00%. (This was 3.34% in 2007.)

22. Other information

The economic crisis did not significantly affect the Company's results in FY2008. However, the price of State Printing House Plc shares listed on the Budapest Stock Exchange has decreased due to the crisis like most of stock exchange shares ingnoring the Company's performance.

Statement of responsibility

The 2008 Annual Report of State Printing House Plc contains true data and statements and does not conceal any fact that might have significance for the evaluation of the Company's position.

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Romania
TIPO DIRECT s.r.l.

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Thinking in systems

Állami Nyomda
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