

Állami Nyomda Plc.

Annual report

for the year ended December 31, 2006

Deloitte.

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**This is the English translation
of the Hungarian original**

INDEPENDENT AUDITORS' REPORT

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

To the Shareholders of Állami Nyomda Nyrt.

We have audited the accompanying financial statements of Állami Nyomda Nyrt. (the "Company"), which comprise the balance sheet as at December 31, 2006 - which shows total assets of 6,484,164 thHUF and a retained profit for the year of 941,032 thHUF -, and the related profit and loss account for the year then ended and the supplement comprising a summary of significant accounting policies and other explanatory notes .

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Act and generally accepted accounting principles in Hungary. 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.

Our responsibility is to express an opinion on the financial statements based on our audit. In addition, it is our responsibility to assess whether the accounting information in the Business Report is consistent with that contained in the financial statements.

We also audited the financial statements as of and for the year ended December 31, 2005 and issued an unqualified opinion. Reference is made to our report dated February 3, 2006.

We conducted our audit in accordance with Hungarian Standards on Auditing and applicable laws and regulations in Hungary. Those standards require that we comply with certain ethical requirements and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of making those risk assessment regarding the financial statements is not to express an opinion on the effectiveness of the entity's internal control.

The audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our work with respect to the Business Report was limited to checking it within the aforementioned scope, and did not include a review of any information other than that drawn from the audited accounting records of the Company. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit.Tax.Consulting.Financial Advisory.

Registered by the Budapest Court of Registration
Company Reg. No.: 01-05-071007

A member of
Deloitte Touche Tohmatsu

Clause

We have audited the financial statements of Állami Nyomda Nyrt. (Company), including its sections and items and the supporting accounting records and certificates thereof, in accordance with the applicable National Standards on Auditing and have obtained reasonable assurance that the financial statements have been prepared pursuant to the Accounting Act and generally accepted accounting principles.

In our opinion, the financial statements give a true and fair view of the financial position of Állami Nyomda Nyrt. (Company) as at December 31, 2006. The Business Report corresponds to the figures included in the financial statements.

Budapest, February 6, 2007

(The original Hungarian language version has been signed)

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

Horváth Tamás
Registered Auditor
003449

Balance Sheet (in HUF thousands)

	Description	December 31, 2005	December 31, 2006
A.	FIXED ASSETS	2,175,285	2,501,020
I.	INTANGIBLE ASSETS	122,364	125,253
1.	Capitalized start-up and restructuring costs	8,781	3,012
2.	Capitalized value of research and development	26,818	19,756
3.	Concessions, licenses and similar rights and assets	8,978	91,417
4.	Intellectual property	77,787	11,068
5.	Goodwill	-	-
6.	Advances and prepayments on intangible assets	-	-
7.	Adjusted value of intangible assets	-	-
II.	TANGIBLE ASSETS	1,603,760	1,914,270
1.	Land and buildings and rights to immovable	1,960	43,519
2.	Plant and machinery, vehicles	1,394,966	1,243,397
3.	Other equipment, fixtures and fittings, vehicles	196,376	189,627
4.	Breeding stock	-	-
5.	Assets in course of construction	8,958	152,727
6.	Payment on account	1,500	285,000
7.	Adjusted value of tangible assets	-	-
III.	FINANCIAL INVESTMENTS	449,161	461,497
1.	Long-term participations in affiliated undertakings	438,836	456,459
2.	Long-term loan to affiliated undertakings	-	-
3.	Other long-term participations	4,950	-
4.	Long-term loan to independent undertakings	-	-
5.	Other long-term loans	5,375	5,038
6.	Securities signifying a long-term creditor relationship	-	-
7.	Adjusted value of financial investments	-	-

Balance Sheet for the year ended December 31, 2006

	Description	December 31, 2005	December 31, 2006
B.	CURRENT ASSETS	4,229,546	3,944,688
I.	INVENTORIES	1,034,711	1,195,678
1.	Raw materials and consumables	611,017	771,223
2.	Work in progress, intermediate and semi-finished products	272,694	227,437
3.	Animals for breeding and fattening, other livestock	-	-
4.	Finished products	112,256	129,940
5.	Goods for resale	29,894	19,727
6.	Advances and prepayments on inventories	8,850	47,351
II.	RECEIVABLES	2,615,563	1,754,409
1.	Accounts receivable (trade debtors)	2,240,538	1,474,101
2.	Receivables from affiliated undertakings	226,777	130,159
3.	Receivables from independent undertakings	-	-
4.	Bills of exchange receivable	-	-
5.	Other receivables	148,248	150,149
III.	SECURITIES	-	-
1.	Participations in affiliated undertakings	-	-
2.	Other participations	-	-
3.	Own shares and own partnership shares	-	-
4.	Securities signifying a creditor relation. for trading purposes	-	-
IV.	LIQUID ASSETS	579,272	994,601
1.	Cash in hand, checks	7,925	5,321
2.	Cash at bank	571,347	989,280
C.	PREPAYMENTS AND ACCRUED INCOME	96,858	38,456
1.	Accrued income	49,845	30,435
2.	Accrued costs, expenses	47,013	8,021
3.	Deferred expenses	-	-
	TOTAL ASSETS	6,501,689	6,484,164

Budapest, February 6, 2007

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Chief Executive Officer

Balance Sheet for the year ended December 31, 2006

	Description	December 31, 2005	December 31, 2006
D.	SHAREHOLDERS' EQUITY	2,930,189	3,871,221
I.	SHARE CAPITAL	1,449,876	1,449,876
	including: ownership shares repurchased at face value	-	-
II.	SHARE CAPITAL UNPAID	-	-
III.	CAPITAL RESERVE	250,686	250,686
IV.	ACCUMULATED PROFIT RESERVE	765,046	844,089
V.	TIED-UP RESERVE	274,091	385,538
VI.	REVALUATION RESERVE	-	-
VII.	PROFIT OR LOSS FOR THE YEAR	190,490	941,032
E.	PROVISIONS	4,704	4,515
1.	Provisions for expected liabilities	4,704	4,515
2.	Provisions for future expenses	-	-
3.	Other provisions	-	-
F.	LIABILITIES	3,239,708	2,258,333
I.	SUBORDINATED LIABILITIES	-	-
1.	Subordinated liabilities to affiliated undertakings	-	-
2.	Subordinated liabilities to independent undertakings	-	-
3.	Subordinated liabilities to other economic entities	-	-
II.	LONG-TERM LIABILITIES	505,460	312,200
1.	Long-term loans	-	-
2.	Convertible bonds	-	-
3.	Debts on issue of bonds	-	-
4.	Investment and development credits	-	168,200
5.	Other long-term credits	505,460	144,000
6.	Long-term liabilities to affiliated undertakings	-	-
7.	Long-term liabilities to independent undertakings	-	-
8.	Other long-term liabilities	-	-
III.	CURRENT LIABILITIES	2,734,248	1,946,133
1.	Short-term loans	-	-
	including: convertible bonds	-	-
2.	Other short-term credits	416,551	413,200
3.	Advances received from customers	8,247	5,003
4.	Accounts payable (trade creditors)	956,440	986,258
5.	Bills of exchange payable	-	-
6.	Short-term liabilities to affiliated undertakings	141,424	129,385
7.	Short-term liabilities to independent undertakings	-	-
8.	Other short-term liabilities	1,211,586	412,287
G.	ACCRUALS AND DEFERRED INCOME	327,088	350,095
1.	Deferred income	3,230	2,355
2.	Deferred costs, expenses	187,089	233,921
3.	Accrued income	136,769	113,819
	TOTAL EQUITY AND LIABILITIES	6,501,689	6,484,164

Budapest, February 6, 2007

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Chief Executive Officer

Profit and Loss Statement for the year ended December 31, 2006

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

	Description	FY 2005	FY 2006
01.	Net domestic sales	9,222,822	10,628,694
02.	Net external sales	504,868	1,432,884
I.	NET SALES REVENUE	9,727,690	12,061,578
03.	Change in stocks of finished goods and work in progress	165,915	(27,573)
04.	Own work capitalized	43,604	23,897
II.	OWN PERFORMANCE CAPITALIZED	209,519	(3,676)
III.	OTHER INCOME	112,898	90,212
	including: loss in value marked back	31,198	14,286
05.	Cost of raw materials and consumables	2,599,138	3,561,582
06.	Cost of services	1,360,644	1,380,419
07.	Cost of other service activities	60,119	55,517
08.	Cost of goods sold	383,336	250,111
09.	Cost of services sold (intermediated)	1,585,323	2,179,531
IV.	MATERIAL COSTS	5,988,560	7,427,160
10.	Wages and salaries	1,675,047	1,982,598
11.	Other employee benefits	156,925	177,376
12.	Contributions on wages and salaries	587,191	691,795
V.	STAFF COSTS	2,419,163	2,851,769
VI.	DEPRECIATION	483,860	484,274
VII.	OTHER OPERATING CHARGES	246,150	232,221
	including: loss in value	25,099	19,058
A.	OPERATING (TRADING) PROFIT	912,374	1,152,690
13.	Dividends and profit-sharing (received or due)	106,520	-
	including: from affiliated undertakings	106,520	-
14.	Capital gains on investments	-	6,779
	including: from affiliated undertakings	-	-
15.	Interest and capital gains on financial investments	-	-
	including: from affiliated undertakings	-	-
16.	Other interest and similar income (received or due)	39,250	16,303
	including: from affiliated undertakings	564	-
17.	Other income from financial transactions	55,227	62,134
VIII.	Income from financial transactions	200,997	85,216
18.	Losses on financial investments	-	-
	including: to affiliated undertakings	-	-
19.	Interest payable and similar charges	48,323	93,130
	including: to affiliated undertakings	2,501	-
20.	Losses on shares, securities and bank deposits	893	-
21.	Other expenses on financial transactions	35,427	101,186
IX.	Expenses on financial transactions	84,643	194,316
B.	PROFIT OR LOSS ON FINANCIAL TRANSACTIONS	116,354	(109,100)
C.	PROFIT OR LOSS ON ORDINARY ACTIVITIES	1,028,728	1,043,590
X.	Extraordinary income	13,893	23,825
XI.	EXTRAORDINARY EXPENSES	6,467	6,498
D.	EXTRAORDINARY PROFIT OR LOSS	7,426	17,327
E.	PROFIT BEFORE TAX	1,036,154	1,060,917
XII.	TAX PAYABLE	87,997	119,885
F.	PROFIT AFTER TAX	948,157	941,032
22.	Profit reserves used for dividends and profit-sharing	-	-
23.	Dividends and profit-sharing paid (approved)	757,667	-
G.	PROFIT OR LOSS FOR THE YEAR	190,490	941,032

Budapest, February 6, 2007

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Chief Executive Officer

Profit and Loss Statement for the year ended December 31, 2006

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

	Description	FY 2005	FY 2006
01.	Net domestic sales	9,222,822	10,628,694
02.	Net external sales	504,868	1,432,884
I.	TOTAL SALES (REVENUES)	9,727,690	12,061,578
03.	Prime cost of sales accounted	4,235,648	5,743,766
04.	Original cost of goods sold	383,336	250,111
05.	Value of services sold (intermediated)	1,585,323	2,179,531
II.	DIRECT COSTS OF SALES	6,204,307	8,173,408
III.	GROSS INCOME FROM SALES	3,523,383	3,888,170
06.	Sales and marketing costs	291,308	272,492
07.	Administration costs	2,130,554	2,262,334
08.	Other general overhead	55,895	58,645
IV.	INDIRECT COAST OF SALES	2,477,757	2,593,471
V.	OTHER INCOME	112,898	90,212
	including: loss in value marked back	31,198	14,286
VI.	OTHER OPERATING CHARBGES	246,150	232,221
	including: loss in value	25,099	19,058
A.	INCOME FROM OPERATIONS	912,374	1,152,690
13.	Dividends and profit-sharing (received or due)	106,520	-
	including: from affiliated undertakings	106,520	-
14.	Capital gains on investments	-	6,779
	including: from affiliated undertakings	-	-
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X.	Expenses on financial transactions	84,643	194,316
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23.	Dividends and profit-sharing paid (approved)	757,667	-
G.	PROFIT OR LOSS FOR THE YEAR	190,490	941,032

Állami Nyomda Nyrt.

Supplementary Notes

for the year ended December 31, 2006

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2 General information

2.1 General information on the Company

Company name: State Printing House Public Company Limited by Shares
Abbreviate company name: State Printing House Plc.

Seat: 1102 Budapest, Halom u. 5.
Premises of the Company: 1108 Budapest, Fátyolka utca 1-3.
3060 Pásztó, Fő utca 141.

Tax registration number: 10793509-2-44
Company registration number: 01-10-042030
Central Statistical Office reg.No:10793509-2221-114-01
Date of Foundation: 1992. október 3
Share capital of the Company: The Company's share capital is HUF 1,449,875,700, of which HUF 350,000,000 is cash contribution, while HUF 1,099,875,700 is non-cash contribution

Place of publishing the announcements:

Pursuant to the Statutes of the Company, the Company shall publish its announcements and communications on its website www.allaminyomda.hu, in the cases as set forth in the regulations, such announcements will be published in the national daily entitled Magyar Tőkepiac, as well as in the Companies Bulletin. In addition the Company shall also meet its disclosure requirements in the way as set forth in the regulations of the Budapest Stock Exchange (hereinafter: BSE).

Members of the Board of Directors of the Company:

Dr. Ákos Erdős (chairman)
György Gyergyák (vice-chairman)
Dr. Mihály Arnold
Dr. György Festetics
Péter Heim (from March 30, 2006)
Gábor Zsámboki

Members of the Supervisory Board of the Company:

Nigel Philip Williams (chairman, until December 31, 2006)
Dr. Istvánné Gömöri (vice-chairman)
Ferenc Berkesi
Tamás Bojtor
Béla Sebestyén
György Vajda

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

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

Common shares of series "A": HU 0000079835

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

György Gyergyák, Chief Executive Officer,
1121 Budapest, Irhás árok 79.

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

László Balla, Chief Financial Officer,
1148 Budapest, Mogyoródi út 69. ground floor 20.

2.2 The activities and the history of the Company

2.2.1 The activities of the Company

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

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

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

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

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

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

2.2.2 The history of the Company

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

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

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

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

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

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

Állami Nyomda and Tipoholding of Romania established a Romania joint venture, Tipo Direct s.r.o. in September 2004. In Bulgaria the Company teamed up with local company Power Solution o.o.d. to set up a joint venture, Direct Services o.o.d. in February 2005. In order to strengthen its regional presence, in April 2005, Állami Nyomda took steps to form another two companies: Slovak Direct s.r.o. in Slovakia and Állami Nyomda o.o.o. in Russia.

Állami Nyomda obtained an ISO 9001 quality management certificate in 1997, and an ISO 14001 environmental management certificate in 2001. Since 1999 it has been licensed to produce and personalize Visa and MasterCard bankcards, and in 2002 it was granted a TüvIT TU4 certificate for the production of mobile airtime vouchers and chip-based phonecards. In 2002 the Company became a certified supplier to NATO. Since 2003 it has operated in compliance with one of the most comprehensive information protection standards, BS 7799-2 (ISO 27001 version since 2006).

The shareholders of Állami Nyomda established HFP Ingatlanhasznosító Zrt., with the spin-off from Állami Nyomda in July 2005. The Company's real properties in Budapest and Pásztó were transferred to the new entity. On 25 August 2005 the Company signed a long-term lease agreement with HFP for the properties.

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

1. Table: Structure of the Shareholders

Shareholders	Total equity					
	Beginning of period (1 January 2006)			End of period (31 December 2006)		
	% ¹	% ²	Shares	% ¹	% ²	Shares
Domestic institutions	21.18%	22.44%	313,342	39.39%	41.73%	582,823
Foreign institutions	36.24%	38.39%	536,186	39.68%	42.04%	586,978
Domestic private individuals	15.01%	15.90%	222,029	6.31%	6.68%	93,354
Foreign private individuals	0.11%	0.12%	1,634	0.21%	0.22%	3,085
Employees, senior officers	27.46%	23.15%	406,274	13.13%	7.97%	194,281
Other	0.00%	0.00%	-	1.28%	1.36%	18,944
Treasury stock	0.00%	0.00%	-	0.00%	0.00%	-
TOTAL:	100.00%	100.00%	1,479,465	100.00%	100.00%	1,479,465

¹ Ownership interest

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

According to the share register the voting right of the shareholders listed below is over 5%, and the following groups of investors form the structure of shareholders as at December 31, 2006.

2. Table: Structure of shareholders over 5% share

Name	Voting right (%)	Ownership interest (%)
<i>Shareholders over 5% share</i>		
EG Capital SA	18.11%	17.10%
AEGON Magyarország Általános Biztosító Zrt.	12.35%	11.66%
Genesis Emerging Markets Opportunities Fund Limited	8.01%	7.56%
AEGON MoneyMaxx Expressz Befektetési Alap	7.59%	7.16%
<i>Other shareholders below 5% share</i>		
Domestic institutions	21.79%	20.57%
Foreign institutions	15.92%	15.02%
Domestic private individuals	6.68%	6.31%
Foreign private individuals	0.22%	0.21%
Employees, senior officers	7.97%	13.13%
Other	1.36%	1.28%

1,396,520 registered common shares of series "A" with a nominal value of HUF 980 each, produced in a dematerialized form.

9,475 registered preferential employee shares of series "B" with a nominal value of HUF 980 each, produced in printing.

73,470 registered preferential employee shares of series "C" with a nominal value of HUF 980 each, produced in printing.

2.3 Main parts of the accounting policy

According to the Act of Accounting Section no. 12, paragraph no. 3, State Printing House Plc. prepares double-entry bookkeeping. State Printing House Plc. meets its reporting obligation by preparing the annual report.

The cut-off date of the annual report is December 31, 2006. Balance sheet preparation date is January 15, 2007.

Accounting principle instructions

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

Depreciation method

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

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

Inventory valuation

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

Foreign exchange rate applied

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

The net foreign exchange difference deriving from year end revaluation, regarding the effect on the profit for the year, is considered to be significant over HUF 1,000 thousands.

Consolidation

In 2005, due to the changes in shareholders' structure, State Printing House Plc. is obliged to prepare the consolidated annual report of the Group. When preparing the consolidated annual report, Gyomai Kner Nyomda Zrt., Specimen Rt., Security Audit Kft., Slovak Direct S.r.o., are considered to be subsidiaries, while Tipo Direct S.r.l. (Romanian) and Direct Services O.o.d (Bulgarian) are considered

to be joint ventures. The consolidated annual report is prepared according to the International Financial Reporting Standards.

2.4 Significant achievements, events in 2006

The net sales were HUF 12,062 million in 2006, which were HUF 2,334 million higher (24.0%) than the corresponding basis figure. The export sales increased from HUF 505 million to HUF 1,433 million, which is an increase of HUF 928 million (83.3%). The share of export within total sales was 11.9%, which is an almost twofold increase compared to prior year period (5.2%) Security materials, phone card, bank card and form personalization orders contributed significantly to export growth.

Operating income came to HUF 1,153 million, an increase of HUF 241 million (26,3%) compared to 2005. The increase in operating income was mainly due to the rise in sales revenue. Gross profit totaled HUF 3,888 million, which means a 32.2% gross margin. General (SG&A) expenses amounted to HUF 2,593 million in 2006, which equals 21.5% of net sales. Material expenses rose by 24.0% (HUF 1,439 million) in 2006.

Due to the drop in interest income from time deposits and similar instruments, and to the higher interest expenses because of mid-term credits and overdrafts, net interest income decreased from HUF -9 million to HUF -77 million in 2006, and due to the decrease of dividend income from subsidiaries in 2006 the profit from financial transactions dropped by HUF 225 million to HUF -109 million in 2006.

The profit before tax after posting financial transactions and extraordinary items is HUF 1,061 million, which is an increase of HUF 25 million (2.4%) compared to prior year.

The Company took out a mid-term loan of HUF 240 million in September, 2006 for purchasing personalizing machines.

2.5 Main information on the investments of the company

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

Investment	Seat	Year	Owner- ship interest %	Voting right %	Registered capital	Reserves	Profit for 2005	Total equity	Qualification based on HAL ¹
Gyomai Kner Nyomda Zrt.	Gyomaendrőd	2006	92.8%	92.8%	200,000	339,571	93,470	633,041	Subsidiary
Specimen Papír és Nyomdaipari Rt.	Budapest	2006	80.2%	80.2%	100,000	35,335	15,579	150,934	Subsidiary
Slovak Direct Kft.	Bratislava	2006	100.0%	100.0%	13,969	(11,944)	761	169	Subsidiary
Security Audit Kft. ²	Budapest	2006	64.2%	64.2%	5,000	2,405	378	7,783	Subsidiary
Tipo Direct Kft.	Cluj-Napoca	2006	50.0%	50.0%	35,438	4,559	43,305	83,302	Joint venture
Direct Services Kft.	Sofia	2006	50.0%	50.0%	58,366	137	11,655	70,158	Joint venture

¹ Hungarian Accounting Law (Act C. of 2000)

² Specimen Rt. holds an 80% ownership interest in Security Audit Kft. Considering the stake of Állami Nyomda Nyrt. in Specimen Rt., the indirect ownership interest is (80.2*80.0) 64.2%

3 Explanations for the balance sheet items

3.1 Intangible assets

4. Table: Movement table of intangible assets

Description	January 1, 2006	Increase	Decrease	Reclassification	December 31, 2006
Capitalized start-up and restructuring costs	54,052	-	-	-	54,052
Capitalized value of research and development	112,380	-	-	-	112,380
Concessions, licenses and similar rights and assets	10,532	100,738	-	-	111,270
Intellectual property	341,159	10,522	46,088	-	305,593
Goodwill	-	-	-	-	-
Advances and prepayments on intangible assets	-	-	-	-	-
Adjusted value of intangible assets	-	-	-	-	-
GROSS VALUE	518,123	111,260	46,088	-	583,295
Capitalized start-up and restructuring costs	45,271	5,770	-	-	51,041
Capitalized value of research and development	85,562	7,061	-	-	92,623
Concessions, licenses and similar rights and assets	1,554	18,298	-	-	19,852
Intellectual property	263,372	31,154	-	-	294,526
Goodwill	-	-	-	-	-
Advances and prepayments on intangible assets	-	-	-	-	-
ACCUMULATED DEPRECIATION	395,759	62,283	-	-	458,042
NET VALUE	122,364	48,977	46,088	-	125,253

In year 2006 a significant part of software developments is connected to the multi-functional card personalization, which supports the improvement of chip card production.

3.2 Tangible assets

5. Table: Movement table of tangible assets

Description	January 1, 2006	Increase	Decrease	Reclassification	December 31, 2006
Land and buildings and rights to immovable	1,960	42,654	-	-	44,614
Plant and machinery, vehicles	3,873,461	201,017	72,949	144	4,001,673
Other equipment, fixtures and fittings, vehicles	793,804	77,223	72,332	(146)	798,549
Assets in course of construction	8,958	464,663	320,894	-	152,727
Payment on account	1,500	301,145	17,645	-	285,000
Adjusted value of tangible assets	-	-	-	-	-
GROSS VALUE	4,679,683	1,086,702	483,820	(2)	5,282,563
Land and buildings and rights to immovable	-	1,095	-	-	1,095
Plant and machinery, vehicles	2,478,495	342,288	62,507	-	2,758,276
Other equipment, fixtures and fittings, vehicles	597,428	79,589	68,095	-	608,922
Assets in course of construction	-	-	-	-	-
Payment on account	-	-	-	-	-
ACCUMULATED DEPRECIATION	3,075,923	422,972	130,602	-	3,368,293
NET VALUE	1,603,760	663,730	353,218	(2)	1,914,270

Enveloping machines in value of HUF 64 million and digital printing equipments in value of HUF 32 million are to be mentioned as current year capital expenditures.

Beside sales and reclassifying of plant, machinery and equipment, decrease of HUF 99,971 thousands in gross value and HUF 1,014 thousands in net value was accounted due to scrapping.

The most significant item of the assets in course of construction is an equipment for enveloping and posting card products in value of HUF 131 million.

HUF 983 thousands were posted as extraordinary depreciation due to scrapping.

3.3 Financial assets

6. Table: Movement table of financial assets

Description	January 1, 2006	Increase	Decrease	December 31, 2006
Long-term participations in affiliated undertakings	468,164	17,623		485,787
Other long-term participations	4,950	-	4,950	-
Other long-term loans	5,375	-	337	5,038
GROSS VALUE	478,489	17,623	5,287	490,825
Long-term participations in affiliated undertakings	29,328	-	-	29,328
Other long-term participations	-	-	-	-
Other long-term loans	-	-	-	-
LOSS IN VALUE	29,328	-	-	29,328
NET VALUE	449,161	17,623	5,287	461,497

Our Company sold its stake in Nyomdaipari Épülethasznosító Zrt., and we also raised capital in our Bulgarian joint venture in line with our long term strategic plan, since long term participation in affiliated undertakings rose by HUF 17,623 thousands.

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

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

Investment	Investments'	
	purchase value	nominal value
Gyomai Kner Nyomda Zrt.	290,596	185,620
Specimen Rt.	109,477	80,200
Slovak Direct (Slovakian)	12,569	12,569
Tipo Direct (Romanian)	14,725	14,725
Direct Services (Bulgarian)	29,008	29,008
Állami Nyomda Kft (Russian)	84	84
Total:	456,459	322,206

According to the equity valuation of the investments, the net book value of the investments is not higher than the fair market value of them, so the company did not account any loss in value in 2006 on the investments.

3.4 Inventories

8. Table: Inventories

Description	December 31, 2005	December 31, 2006	Change	Change %
Raw materials and consumables	611,017	771,223	160,206	26.22%
Work in progress, intermediate and semi-finished products	272,694	227,437	(45,257)	-16.60%
Finished products	112,256	129,940	17,684	15.75%
Goods for resale	29,894	19,727	(10,167)	-34.01%
Advances and prepayments on inventories	8,850	47,351	38,501	435.04%
Total:	1,034,711	1,195,678	160,967	15.56%

9. Table: Loss in value for inventories

Description	December 31, 2005	December 31, 2006	Change	Change %
Raw materials and consumables	3,102	-	456	2,646
Finished products	2,858	2,484	358	4,984
Goods for resale	586	-	7	579
Total:	6,546	2,484	821	8,209

3.5 Receivables

10. Table: Receivables

Description	December 31, 2005	December 31, 2006	Change	Change %
Receivables (trade debtors)	2,240,538	1,474,101	(766,437)	-34.21%
- domestic debtors	2,214,232	1,334,589	(879,643)	-39.73%
- foreign debtors	67,741	184,056	116,315	171.71%
- write-off	(41,435)	(44,544)	(3,109)	7.50%
Receivables from affiliated undertakings	226,777	130,159	(96,618)	-42.60%
- subsidiary with direct control	226,777	130,159	(96,618)	-42.60%
- joint companies	-	-	-	-
Other receivables	148,248	150,149	1,901	1.28%
Tax receivables	86,977	37,969	(49,008)	-56.35%
VAT of advances for capital projects	-	57,000	57,000	-
Receivables from employees	46,532	45,492	(1,040)	-2.24%
Debit balance creditors	772	630	(142)	-18.39%
Other	13,967	9,058	(4,909)	-35.15%
Total:	2,615,563	1,754,409	(861,154)	-32.92%

The balance of trade accounts receivables is HUF 1,474 million, which became lower by 34% compared to previous year, due to the favorable cash receipts .

Receivables from affiliated undertakings dropped, because of the decrease of dividend receivable from them. The Company had significant turnover with the subsidiaries in 2006, resulting in HUF 130 million trade receivables towards them.

Increase compared to prior year data in other receivables can be explained by the decrease of overpayment in corporate income tax and by the reclassification to this balance sheet line of the VAT of advances for capital projects.

3.6 Securities

11. Table: Securities

Description	January 1, 2006	Increase	Decrease	December 31, 2006
Participations in affiliated undertakings	-	-	-	-
Own shares and own partnership shares	-	-	-	-
GROSS VALUE	-	-	-	-
Participations in affiliated undertakings	-	-	-	-
Own shares and own partnership shares	-	-	-	-
LOSS IN VALUE	-	-	-	-
Participations in affiliated undertakings	-	-	-	-
Own shares and own partnership shares	-	-	-	-
NET VALUE	-	-	-	-

Our Company does not have any securities.

12. Table: Repurchased treasury shares

Description	Shares	Nominal value	Purchase value
January 1, 2006	-	-	-
Shares given to private individuals	-	-	-
Repurchase from owners	-	-	-
Sales on Budapest Stock Exchange	-	-	-
December 31, 2006	-	-	-

Our Company did not purchase any treasury share during the year 2006.

3.7 Prepayments and accrued income

13. Table: Prepayments and accrued income

Description	December 31, 2005	December 31, 2006	Change	Change %
Accrued income	49,845	30,435	(19,410)	-38.94%
- Interest	23,952	30,435	6,483	27.07%
- Subsidy	25,000	-	(25,000)	-
- Other	893	-	(893)	-
Accrued costs, expenses	47,013	8,021	(38,992)	-82.94%
- Rental fee of softwares	20,710	1,346	(19,364)	-93.50%
- Comission fee	5,792	-	(5,792)	-100.00%
- Visa card project	5,651	-	(5,651)	-100.00%
- Fee related to photo processing	2,620	2,260	(360)	-13.74%
- Other	12,240	4,415	(7,825)	-63.93%
Deferred expenses	-	-	-	-
Total	96,858	38,456	(58,402)	-60.30%

The decrease of prepayments can be explained by two factors. On one hand the subsidy accrued last year was disbursed in 2006, so the accrual was reversed, on the other hand the prepayment for software rental fee decreased in 2006.

3.8 Equity

14. Table: Equity movement table

Description	Share capital	Capital reserve	Accumulated profit reserve	Tied-up reserve	Profit or loss for the year
Value as at January 1, 2006	1,449,876	250,686	765,046	274,091	-
Increase	-	-	326,211	247,168	941,032
- creating development reserve	-	-	-	260,000	-
- increase of tied-up reserve	-	-	-	(12,832)	-
- resolving development reserve	-	-	135,721	-	-
- other, treasury shares	-	-	-	-	-
- current year profit (loss)	-	-	190,490	-	941,032
Decrease	-	-	247,168	135,721	-
- decreasing registered capital	-	-	-	-	-
- decreasing reserves with registered capital	-	-	-	-	-
- resolving development reserve	-	-	-	135,721	-
- reclassifying to tied-up reserve	-	-	247,168	-	-
- other, treasury shares	-	-	-	-	-
Value as at December 31, 2006	1,449,876	250,686	844,089	385,538	941,032

15. Table: Changes in tied-up reserve

Description	December 31, 2005	December 31, 2006	Change	Change %
Net value of capitalized start-up and restructuring costs	8,781	3,012	(5,769)	-65.7%
Net capitalized value of research and development	26,818	19,756	(7,062)	-26.3%
Repurchased treasury shares	-	-	-	-
Development reserve	238,492	362,770	124,278	52.1%
Total tied-up reserve:	274,091	385,538	111,447	40.7%

The Company took advantage of the corporate tax law and raised development reserve in amount of HUF 260 million.

3.9 Provisions

16. Table: Provisions

Description	December 31, 2005	December 31, 2006	Change
Provisions for expected liabilities	4,704	4,515	(189)
- Other provisions for expected liabilities	4,704	4,515	(189)
Provisions for future expenses	-	-	-
Other provisions	-	-	-
Total:	4,704	4,515	(189)

Provision is raised on the not redeemed "loyalty points" in connection with the "Lojalitás" client project.

3.10 Subordinated liabilities

The Company has no subordinated liabilities.

3.11 Long term liabilities

17. Table: Long term liabilities

Description	Value
	In HUF thousands
Long term liabilities as at January 1, 2006	505,460
Taking out the loan	240,000
Repayment in 2006	336,973
Repayment of credit for capital projects in 2006	19,200
Reclassified to short term liabilities	76,800
Year end revaluation	(287)
Long term liabilities as at December 31, 2006	312,200

The Company took out a 3-year medium term loan in May 2005 in amount of EUR 4 million, which earns interest on a EURIBOR basis. Regular installments were transferred according to the plan, since the balance of the credit at year end was EUR 2 million. Short term part of the credit (due in 2007) is reclassified to the other short term credits balance sheet line.

The Company took out a mid-term loan of HUF 240 million in September, 2006 for purchasing personalizing machines.

3.12 Short term liabilities

18. Table: Short term liabilities

Description	December 31, 2005	December 31, 2006	Change	Change %
Short-term loans	-	-	-	-
Other short-term credits	416,551	413,200	(3,351)	-0.80%
Advances received from customers	8,247	5,003	(3,244)	-39.34%
Accounts payable (trade creditors)	956,440	986,258	29,818	3.12%
- domestic creditors	659,205	849,680	190,475	28.89%
- foreign creditors	297,235	136,578	(160,657)	-54.05%
Short-term liabilities to affiliated undertakings	141,424	129,385	(12,039)	-8.51%
Trade creditors	141,424	129,385	(12,039)	-8.51%
- Subsidiary with direct control	-	-	-	-
- Subsidiary with majority control	141,424	129,385	(12,039)	-8.51%
- Joint companies	-	-	-	-
Short-term liabilities to independent undertakings	-	-	-	-
Other short-term liabilities	1,211,586	412,287	(799,299)	-65.97%
- tax liability	371,396	355,037	(16,359)	-4.40%
- liability against employees	48,125	44,574	(3,551)	-7.38%
- other receivables reclassified	239	1,387	1,148	480.33%
- dividend approved	757,667	-	(757,667)	-
- other liabilities	34,159	11,289	(22,870)	-66.95%
Total:	2,734,248	1,946,133	(788,115)	-28.82%

The short term part of the long term foreign currency credit and the mid term credit is disclosed in the balance of short term credits, as well as the year end balance of the overdrafts. There was no overdraft as at December 31, 2006.

The balance of trade creditors from affiliates fell by 8.5% compared to the corresponding 2005 figure. Dividend approved for the year 2005 (HUF 758 million) was disclosed on the Other short term liabilities balance sheet line as at December 31, 2005. The dividend was paid in May, 2006.

3.13 Accruals and deferred income

19. Table: Accruals and deferred income

Description	December 31, 2005	December 31, 2006	Change	Change %
Deferred income	3,230	2,355	(875)	-27.09%
- OCR identifying system	3,230	2,355	(875)	-27.09%
Deferred costs, expenses	187,089	233,921	46,832	25.03%
- Bonus and its contributions	166,320	195,024	28,704	17.26%
- Bank interests	8,551	22,084	13,533	158.26%
- Trade creditors' invoices	4,444	11,309	6,865	154.48%
- Taxes on representation costs	2,900	1,597	(1,303)	-44.93%
- Other	4,874	3,907	(967)	-19.84%
Accrued income	136,769	113,819	(22,950)	-16.78%
- EU subsidy	136,769	113,819	(22,950)	-16.78%
Total:	327,088	350,095	23,007	7.03%

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 release of accrued income is in proportion with the depreciation charged. HUF 22,950 thousands accrued income was released in 2006. The Company has fulfilled all its obligations connected to the subsidy in 2006.

4 Explanations to the profit or loss statement

4.1 Ordinary revenues

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

Description	Value in HUF millions
Security forms and solutions	4,777
Card production and personalization	2,937
Business and administrative forms, personalization, data processing	3,193
Traditional printing products	852
Other	303
Total:	12,062

21. Table: Sales revenue from related parties

Description	FY 2005	FY 2006	Change	Change %
Related party				
Gyomai Kner Nyomda Zrt	16,258	1,235	(15,023)	-92.40%
Specimen Zrt.	27,285	32,385	5,100	18.69%
Tipo Direct S.R.L.	125,221	103,911	(21,310)	-17.02%
Slovak Direct S.R.O.	3,207	79,800	76,593	2388.31%
Direct Services O.O.D.	3,057	41,800	38,743	1267.35%
Total:	175,028	259,131	84,103	48.05%

Security materials, phone card and bank card orders contributed significantly to sales growth from related parties.

22. Table: Sales of different regional markets

Description	Value in HUF thousands
Domestic sales	10,628,694
Sales within the EU	662,530
Slovakia	191,029
Czech Republic	189,519
Poland	180,342
Germany	74,540
Austria	13,532
The Netherlands	11,511
Slovenia	1,940
Belgium	117
Export outside the EU	770,354
Romania	591,670
Montenegro	76,650
Bulgaria	42,288
Ukraine	26,493
Liechtenstein	15,811
Switzerland	9,442
Albania	6,392
Israel	1,608
Total:	12,061,578

23. Table: Other income

Description	FY 2005	FY 2006	Change	Change %
Other income:				
- reversed loss in value - inventories	11,704	821	(10,883)	-92.99%
- reversed loss in value - trade receivables	19,494	13,465	(6,029)	-30.93%
- revenue from sales of fixed assets	31,460	11,220	(20,240)	-64.34%
- income from settlement of damages	4,875	973	(3,902)	-80.04%
- utilization of provision	-	189	189	-
- subsidies received for operating purposes	25,000	(3,350)	(28,350)	-113.40%
- default interest received		53,378	53,378	-
- rebate received	11,770	11,575	(195)	-1.66%
- other not classified	8,595	1,941	(6,654)	-77.42%
Total:	112,898	90,212	(22,686)	-20.09%

4.2 Ordinary costs

24. Table: Other expenditures

Description	FY 2005	FY 2006	Change	Change %
Other expenditures:				
- local operational tax	126,112	141,685	15,573	12.35%
- book value of assets sold	32,666	14,680	(17,986)	-55.06%
- inventory scrap, loss in value	30,538	25,630	(4,908)	-16.07%
- write-off receivables	24,239	16,574	(7,665)	-31.62%
- taxes (without local operational tax)	20,476	3,108	(17,368)	-84.82%
- late payment interest	8,811	17,022	8,211	93.19%
- extraordinary depreciation	408	983	575	140.93%
- write-off bad debts	232	7,737	7,505	3234.91%
- other	2,668	4,802	2,134	79.99%
Total:	246,150	232,221	(13,929)	-5.66%

4.3 Extraordinary profit

25. Table: Extraordinary profit

Description	FY 2005	FY 2006	Change	Change %
Extraordinary income:				
- subsidy for development	13,231	22,950	9,719	-
- contribution in kind	-	-	-	-
- acquiring assets for no refund	360	875	515	143.06%
- other	302	-	(302)	-100.00%
Total:	13,893	23,825	9,932	71.49%
Extraordinary expenditure:				
- net book value of contribution in kind	-	-	-	-
- donation given	4,043	5,219	1,176	29.09%
- remitted receivables	-	-	-	-
- transmitting assets for no refund	731	945	214	-
- other	1,693	334	(1,359)	-80.27%
Total:	6,467	6,498	31	0.48%
Extraordinary profit or (loss)	7,426	17,327	9,901	133.33%

The accrued income of EU subsidy (for development purposes) is reversed in proportion of the depreciation charged on the assets as extraordinary revenue. The amount of it was HUF 22,950 thousands in 2006.

4.4 Corporate income tax

26. Table: Corporate tax base modifying items

Description	FY 2005	FY 2006
Profit before tax:	1,036,154	1,060,917
depreciation according to accounting law	483,860	484,274
write-off receivables, prior year decreasing	22,840	16,574
write-off receivables, increase according to accounting law	24,238	-
accounting depreciation of assets derecognized	-	14,680
other	11,274	12,317
Tax base increasing items total:	542,212	527,845
depreciation according to tax law	485,385	438,026
creation of development reserve	237,000	260,000
dividend received	106,520	-
50% of taxes paid to local municipality	63,160	141,685
subsidies received without repayment obligation	38,231	22,950
write-off receivables, decrease according to accounting law	19,493	13,465
write-off receivables, according to tax law	10,282	-
50% of gain on sales of shares	18,612	-
current year costs of research and development	14,269	27,489
Tax depreciation of assets derecognized	-	13,096
other	11,477	10,019
Tax base decreasing items total:	1,004,429	926,730
Tax base:	573,937	662,032
- calculated tax	91,830	105,925
- correction related to previous years	(3,833)	-
- extra profit tax	-	13,960
Profit after tax:	948,157	941,032
Dividend paid from accumulated profit reserve	-	-
Approved dividend	757,667	-
Profit or (loss) for the year:	190,490	941,032

27. Table: Extra profit tax

Description	2006
Profit before tax:	1,060,917
donation given	5,220
services provided with no refund	945
+tax base increasing items total:	6,165
subsidy received without repayment obligation	22,950
- tax base decreasing total:	22,950
Tax base:	1,044,132
- Calculated tax	41,765
Time proportional part of calculated tax	13,960
Extra profit tax	13,960

5 Supplementary information

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

5.1 Research and development

The company has two significant R&D area:

- 1, R&D projects included in the activity of the Document Security Laboratory
- 2, The development of products has a significant role relating to new tenders.

The direct cost of basic research, applied research and experimental development incurred in the current year is HUF 27,489 thousands.

5.2 Environment protection

The company has ISO 14001:2004 Environmental Control System certificated audited by Det-Norske Veritas. The expiry date of the certification is January 11, 2010. The environmental certificate covers the following fields: printed products, security products, plastic cards, development, production and sales of document security materials as well as archiving, data processing, database management, storing of documents for fee, intelligent card chip implantation and encoding.

Dangerous waste is continuously eliminated after leaving the company sites. In 2006, 31,020 kg dangerous waste was transported and eliminated.

5.3 Personal type of expenditures and headcounts

28. Table: Average statistical number of full time employees

Number of employees	FY 2005	FY 2006
Physical employees	381	410
Intellectual employees	131	141
Total number of employees:	512	551

29. Table: Payroll costs

Description	FY 2005	FY 2006
Wages and salaries of physical employees	761,838	876,759
Wages and salaries of non-physical employees	729,701	884,940
Other wages and salaries	183,508	220,899
Total salaries and wages	1,675,047	1,982,598

30. Table: Other personal type expenditures, contributions

Description	FY 2005	FY 2006
- motivational	20,098	22,262
- social	36,660	36,934
- cost reimbursement	59,334	68,601
- other	40,833	49,579
Total other personal type expenditures	156,925	177,376
Social security contributions	515,758	600,064
Other contributions		
- employer's contribution	51,024	60,322
- rehabilitation contribution	1,548	1,466
- vocational contribution	18,748	29,943
Total contributions:	587,078	691,795

31. Table: Fees paid related to managing the Company

Description	FY 2005	FY 2006
Fees paid to the Members of the Board of Directors	3,960	12,000
Fees paid to the Members of Supervisory Board	6,282	7,200

5.4 Liabilities due over 5 years

The Company has no liabilities due over 5 years.

5.5 Details of listed shares

32. Table: Structure of shares

Number Mark	Description	Number of shares	Nominal value	Amount (in HUF thousands)	Stake	Voting right
A	Shares traded on the Budapest Stock Exchange	1,396,520	980	1,368,590	94.39%	100.00%
B	Employee shares	9,475	980	9,285	0.64%	Without voting right
C	Employee shares	73,470	980	72,001	4.97%	Without voting right
		1,479,465		1,449,876	100.00%	100.00%

The share series "B" and "C" are shares with dividend preference, to which no voting right is connected.

5.6 Out of balance sheet items

33. Table: Out of balance sheet items

Description	Value
Raiffeisen Bank Rt, Bank guarantee, GVOP	180,000
Raiffeisen Bank Rt, Bank guarantee, Concorde Értékpapír Rt	150,000
Raiffeisen Bank Rt, Bank guarantee to different tenders	51,403
Total:	381,403

The bank guarantee of HUF 180 million to GVOP is connected to the subsidy of HUF 150 million with no repayment obligation. The bank guarantee of Concorde Értékpapír Rt in value of 150 million occurred due to the stock exchange listing. The credit institute provided bank guarantee to the different domestic and foreign tenders in value of HUF 51 million.

5.7 Cash-flow

	In HUF thousands	FY 2005	FY 2006	Change %
	Profit before tax	1,036,154	1,060,917	2.4%
	- Transmitting treasury shares to employees with no	5,180	-	-100.0%
	- Dividend paid	(25,857)	-	100.0%
	- Acquiring / transmitting assets with no refund	3,125	5,289	69.2%
	- Other income of development reserve	(13,231)	(22,950)	-73.5%
1.	Adjusted profit before tax	1,005,371	1,043,256	3.8%
2.	Accounted depreciation	483,860	484,274	0.1%
3.	Accounted loss in value	(24,440)	26,935	210.2%
4.	Difference between formation and utilization of	696	(189)	-127.2%
5.	Fixed assets sold	2,099	(3,319)	-258.1%
6.	Variation in accounts payable (trade creditors)	395,018	29,818	-92.5%
7.	Variation in other short-term liabilities	(376,602)	(814,582)	-116.3%
8.	Variation in accrued and deferred liabilities	(62,512)	45,957	173.5%
9.	Variation in trade debtors	(699,878)	859,946	222.9%
10.	Variation in current assets (w/o trade debtors and liquid	(480,705)	(187,677)	61.0%
11.	Variation in accrued and deferred assets	(30,340)	36,752	221.1%
12.	Tax paid or payable (on profit)	(87,997)	(119,885)	-36.2%
13.	Dividends, shares paid or payable	(757,667)	-	100.0%
I.	OPERATION CASH-FLOW:	(633,097)	1,401,286	321.3%
14.	Purchase of fixed assets	(839,445)	(828,118)	1.3%
15.	Sale of fixed assets	75,762	22,005	-71.0%
16.	Dividend received	25,857	-	-100.0%
II.	INVESTMENT CASH-FLOW:	(737,826)	(806,113)	-9.3%
17.	Receipts from shares issue (capital influx)	-	-	-
18.	Receipts from the issue of bonds and securities	-	-	-
19.	Borrowings	1,230,640	240,000	-80.5%
20.	Repayment, termination or redemption of long-term	1,467	337	-77.0%
21.	Non-repayable assets received	150,302	21,650	-85.6%
22.	Cancellation of shares, disinvestments (capital	-	-	-
23.	Redeemed bonds and securities signifying a creditor	-	-	-
24.	Loan installment payments	(208,629)	(436,611)	-109.3%
25.	Long-term loans and bank deposits	-	-	-
26.	Non-repayable assets transferred	(4,043)	(5,220)	-29.1%
27.	Variation in liabilities due to founders and in other long-	-	-	-
III.	FINANCIAL CASH-FLOW:	1,169,737	(179,844)	-115.4%
IV.	VARIATION OF FINANCIAL ASSETS:	(201,186)	415,329	306.4%
	Cash and equivalents at the beginning of the period	780,458	579,272	-25.8%
	Cash and equivalents at the end of the period	579,272	994,601	71.7%

5.8 Financial indices

34. Table: Liquidity, financial and other efficiency indices

Description		FY 2005	FY 2006	Change %
A	Current assets	4,229,546	3,944,688	-6.73%
B	Inventories	1,034,711	1,195,678	15.56%
C	Trade receivables	2,240,538	1,474,101	-34.21%
D	Cash and equivalents	579,272	994,601	71.70%
E	Equity	2,930,189	3,871,221	32.12%
F	Short term liabilities	2,734,248	1,946,133	-28.82%
G	Trade creditors	956,440	986,258	3.12%
H	Total equity and liabilities	6,501,689	6,484,164	-0.27%
I	Net sales	9,727,690	12,061,578	23.99%
J	Material type expenditures	5,988,560	7,427,160	24.02%
K	Operating (trading) profit	912,374	1,152,690	26.34%
L	Average statistical number of employees	512	551	7.62%
Liquidity indices:				
Short term liquidity I.: (A / F)		1.55	2.03	30.97%
Short term liquidity II.: ((A – B) / F)		1.17	1.41	20.51%
Quick ratio: (D / F)		0.21	0.51	142.86%
Dynamic liquidity: (K / F)		0.33	0.59	78.79%
Financial indices:				
Debtors day: ((C _{Current} + C _{Prior}) / 2 * (365 / I))		71	56	-21.13%
Creditors day: ((G _{Current} + G _{Prior}) / 2 * (365 / J))		46	48	4.35%
Other efficiency indices:				
Return on net sales: (K / I)		9.38%	9.56%	1.92%
Return on equity (K / E)		31.14%	29.78%	-4.37%
Net sales headcount ratio (in HUF '000/person): (I / L)		18,999	21,890	15.22%

Budapest, February 6, 2007

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Chief Executive Officer