ÁLLAMI NYOMDA
STATE PRINTING COMPANY

State Printing House Plc.

Annual report

for the year ended December 31, 2007

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

Deloitte.

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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, 2007 - which shows total assets of 6,196,810 thHUF and a retained profit for the year of 1,082,672 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, 2006 and issued an unqualified opinion. Reference is made to our report dated March 30, 2007.

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.

Clause

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

In our opinion, the financial statements give a true and fair view of the financial position of Állami Nyomda Nyrt. as at December 31, 2007. The Business Report corresponds to the figures included in the financial statements.

Budapest, February 15, 2008

(The original Hungarian language version has been signed)

.....	.....
Jack Bell	Horváth Tamás
Deloitte Auditing and Consulting Ltd. 1068 Budapest, Dózsa György út 84/C.	registered auditor 003449
000083	

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

Balance Sheet (in HUF thousands)

	Description	December 31, 2006	December 31, 2007
A.	**FIXED ASSETS**	**2,501,020**	**2,354,503**
I.	**INTANGIBLE ASSETS**	**125,253**	**95,789**
1.	Capitalized start-up and restructuring costs	3,012	2,303
2.	Capitalized value of research and development	19,756	14,509
3.	Concessions, licenses and similar rights and assets	91,417	66,564
4.	Intellectual property	11,068	12,413
5.	Goodwill	-	-
6.	Advances and prepayments on intangible assets	-	-
7.	Adjusted value of intangible assets	-	-
II.	**TANGIBLE ASSETS**	**1,914,270**	**1,797,310**
1.	Land and buildings and rights to immovable	43,519	90,620
2.	Plant and machinery, vehicles	1,243,397	1,458,378
3.	Other equipment, fixtures and fittings, vehicles	189,627	201,842
4.	Breeding stock	-	-
5.	Assets in course of construction	152,727	29,940
6.	Payment on account	285,000	16,530
7.	Adjusted value of tangible assets	-	-
III.	**FINANCIAL INVESTMENTS**	**461,497**	**461,404**
1.	Long-term participations in affiliated undertakings	456,459	457,257
2.	Long-term loan to affiliated undertakings	-	-
3.	Other long-term participations	-	-
4.	Long-term loan to independent undertakings	-	-
5.	Other long-term loans	5,038	4,147
6.	Securities signifying a long-term creditor relationship	-	-
7.	Adjusted value of financial investments	-	-

Budapest, February 15, 2008 ……..……..

Balance Sheet
for the year ended December 31, 2007

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

	Description	December 31, 2006	December 31, 2007
B.	**CURRENT ASSETS**	**3,944,688**	**3,811,867**
I.	**INVENTORIES**	**1,195,678**	**742,928**
1.	Raw materials and consumables	771,223	490,362
2.	Work in progress, intermediate and semi-finished products	227,437	119,400
3.	Animals for breeding and fattening, other livestock	-	-
4.	Finished products	129,940	111,031
5.	Goods for resale	19,727	22,135
6.	Advances and prepayments on inventories	47,351	-
II.	**RECEIVABLES**	**1,754,409**	**1,327,339**
1.	Accounts receivable (trade debtors)	1,474,101	1,050,576
2.	Receivables from affiliated undertakings	130,159	143,305
3.	Receivables from independent undertakings	-	-
4.	Bills of exchange receivable	-	-
5.	Other receivables	150,149	133,458
III.	**SECURITIES**	**-**	**158,130**
1.	Participations in affiliated undertakings	-	-
2.	Other participations	-	-
3.	Own shares and own partnership shares	-	158,130
4.	Securities signifying a creditor relation. for trading purposes	-	-
IV.	**LIQUID ASSETS**	**994,601**	**1,583,470**
1.	Cash in hand, checks	5,321	5,687
2.	Cash at bank	989,280	1,577,783
C.	**PREPAYMENTS AND ACCRUED INCOME**	**38,456**	**30,440**
1.	Accrued income	30,435	3,738
2.	Accrued costs, expenses	8,021	26,702
3.	Deferred expenses	-	-
	TOTAL ASSETS	**6,484,164**	**6,196,810**

Budapest, February 15, 2008 ……..……..

	Description	December 31, 2006	December 31, 2007
D.	**SHAREHOLDERS' EQUITY**	**3,126,869**	**4,209,541**
I.	SHARE CAPITAL	1,449,876	1,449,876
	including: ownership shares repurchased at face value	-	10,878
II.	SHARE CAPITAL UNPAID	-	-
III.	CAPITAL RESERVE	250,686	250,686
IV.	ACCUMULATED PROFIT RESERVE	844,089	916,546
V.	TIED-UP RESERVE	385,538	509,761
VI.	REVALUATION RESERVE	-	-
VII.	PROFIT OR LOSS FOR THE YEAR	196,680	1,082,672
E.	**PROVISIONS**	**4,515**	**3,617**
1.	Provisions for expected liabilities	4,515	3,617
2.	Provisions for future expenses	-	-
3.	Other provisions	-	-
F.	**LIABILITIES**	**3,002,685**	**1,632,619**
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**	**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	144,000	-
6.	Long-term liabilities to affiliated undertakings	-	-
7.	Long-term liabilities to independent undertakings	-	-
8.	Other long-term liabilities	-	-
III.	**CURRENT LIABILITIES**	**2,690,485**	**1,632,619**
1.	Short-term loans	-	-
	including: convertible bonds	-	-
2.	Other short-term credits	413,200	312,900
3.	Advances received from customers	5,003	6,554
4.	Accounts payable (trade creditors)	986,258	775,080
5.	Bills of exchange payable	-	-
6.	Short-term liabilities to affiliated undertakings	129,385	79,912
7.	Short-term liabilities to independent undertakings	-	-
8.	Other short-term liabilities	1,156,639	458,173
G.	**ACCRUALS AND DEFERRED INCOME**	**350,095**	**351,033**
1.	Deferred income	2,355	2,257
2.	Deferred costs, expenses	233,921	257,906
3.	Accrued income	113,819	90,870
	TOTAL EQUITY AND LIABILITIES	**6,484,164**	**6,196,810**

Budapest, February 15, 2008 ……..……..

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

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

	Description	FY 2006	FY 2007
01.	Net domestic sales	10,628,694	10,062,284
02.	Net external sales	1,432,884	770,746
I.	**NET SALES REVENUE**	**12,061,578**	**10,833,030**
03.	Change in stocks of finished goods and work in progress	(27,573)	(126,946)
04.	Own work capitalized	23,897	33,596
II.	**OWN PERFORMANCE CAPITALIZED**	**(3,676)**	**(93,350)**
III.	**OTHER INCOME**	**90,212**	**78,946**
	including: loss in value marked back	14,286	19,201
05.	Cost of raw materials and consumables	3,561,582	3,029,267
06.	Cost of services	1,380,419	1,341,829
07.	Cost of other service activities	55,517	52,279
08.	Cost of goods sold	250,111	172,883
09.	Cost of services sold (intermediated)	2,179,531	1,496,693
IV.	**MATERIAL COSTS**	**7,427,160**	**6,092,951**
10.	Wages and salaries	1,982,598	1,811,761
11.	Other employee benefits	177,376	251,863
12.	Contributions on wages and salaries	691,795	626,272
V.	**STAFF COSTS**	**2,851,769**	**2,689,896**
VI.	**DEPRECIATION**	**484,274**	**502,722**
VII.	**OTHER OPERATING CHARGES**	**232,221**	**302,706**
	including: loss in value	19,058	86,270
A.	**OPERATING (TRADING) PROFIT**	**1,152,690**	**1,230,351**
13.	Dividends and profit-sharing (received or due)	-	68,663
	including: from affiliated undertakings	-	68,663
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)	16,303	18,475
	including: from affiliated undertakings	-	-
17.	Other income from financial transactions	62,134	38,859
VIII.	**Income from financial transactions**	**85,216**	**125,997**
18.	Losses on financial investments	-	-
	including: to affiliated undertakings	-	-
19.	Interest payable and similar charges	93,130	65,772
	including: to affiliated undertakings	-	-
20.	Losses on shares, securities and bank deposits	-	-
21.	Other expenses on financial transactions	101,186	43,640
IX.	**Expenses on financial transactions**	**194,316**	**109,412**
B.	**PROFIT OR LOSS ON FINANCIAL TRANSACTIONS**	**(109,100)**	**16,585**
C.	**PROFIT OR LOSS ON ORDINARY ACTIVITIES**	**1,043,590**	**1,246,936**
X.	Extraordinary income	23,825	23,567
XI.	EXTRAORDINARY EXPENSES	6,498	10,985
D.	**EXTRAORDINARY PROFIT OR LOSS**	**17,327**	**12,582**
E.	**PROFIT BEFORE TAX**	**1,060,917**	**1,259,518**
XII.	TAX PAYABLE	119,885	176,846
F.	**PROFIT AFTER TAX**	**941,032**	**1,082,672**
22.	Profit reserves used for dividends and profit-sharing	-	-
23.	Dividends and profit-sharing paid (approved)	744,352	-
G.	**PROFIT OR LOSS FOR THE YEAR**	**196,680**	**1,082,672**

Budapest, February 15, 2008 ……..……..

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

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

	Description	FY 2006	FY 2007
01.	Net domestic sales	10,628,694	10,062,284
02.	Net external sales	1,432,884	770,746
I.	**TOTAL SALES (REVENUES)**	**12,061,578**	**10,833,030**
03.	Prime cost of sales accounted	5,743,766	5,168,941
04.	Original cost of goods sold	250,111	172,883
05.	Value of services sold (intermediated)	2,179,531	1,496,693
II.	**DIRECT COSTS OF SALES**	**8,173,408**	**6,838,517**
III.	**GROSS INCOME FROM SALES**	**3,888,170**	**3,994,513**
06.	Sales and marketing costs	272,492	280,947
07.	Administration costs	2,262,334	2,104,684
08.	Other general overhead	58,645	154,771
IV.	**INDIRECT COAST OF SALES**	**2,593,471**	**2,540,402**
V.	**OTHER INCOME**	**90,212**	**78,946**
	including: loss in value marked back	14,286	19,201
VI.	**OTHER OPERATING CHARBGES**	**232,221**	**302,706**
	including: loss in value	19,058	86,270
A.	**INCOME FROM OPERATIONS**	**1,152,690**	**1,230,351**
13.	Dividends and profit-sharing (received or due)	-	68,663
	including: from affiliated undertakings	-	68,663
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)	16,303	18,475
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	including: to affiliated undertakings	-	-
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	including: to affiliated undertakings	-	-
20.	Losses on shares, securities and bank deposits	-	-
21.	Other expenses on financial transactions	101,186	43,640
X.	**Expenses on financial transactions**	**194,316**	**109,412**
B.	**PROFIT OR LOSS ON FINANCIAL TRANSACTIONS**	**(109,100)**	**16,585**
C.	**PROFIT OR LOSS ON ORDINARY ACTIVITIES**	**1,043,590**	**1,246,936**
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E.	**PROFIT BEFORE TAX**	**1,060,917**	**1,259,518**
XIII.	TAX PAYABLE	119,885	176,846
F.	**PROFIT AFTER TAX**	**941,032**	**1,082,672**
22.	Profit reserves used for dividends and profit-sharing	-	-
23.	Dividends and profit-sharing paid (approved)	744,352	-
G.	**PROFIT OR LOSS FOR THE YEAR**	**196,680**	**1,082,672**

Budapest, February 15, 2008 ……..……..

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

State Printing House Plc.

Supplementary Notes

for the year ended December 31, 2007

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

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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:	3rd October 1992
Share capital of the Company:	The Company's share capital is HUF 1,449,875,700, of which HUF 350,000,000 is cash contribution, while HUF 1,099,875,700 is non-cash contribution

Place of publishing the announcements:

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

Members of the Board of Directors of the Company:

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

Members of the Supervisory Board of the Company:

Dr. Tamás Sárközy (chairman, from March 30, 2007)
Dr. Istvánné Gömöri (vice-chairman)
Ferenc Berkesi
Tamás Bojtor (until March 30, 2007)
Dr. Imre Repa (from March 30, 2007)
Béla Sebestyén (until March 30, 2007)
Dr. István Stumpf (from March 30, 2007)
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 street 1-3. in Budapest's 10th district.

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

Állami Nyomda and Tipoholding of Romania established a Romania joint venture, 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 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 2007			End of period (31 December 2007		
	%[1]	%[2]	Shares	%[1]	%[2]	Shares
Domestic institutions	39.39%	41.73%	582,823	42.69%	45.60%	631,603
Foreign institutions	39.68%	42.04%	586,978	32.62%	34.83%	482,604
Domestic private individuals	6.31%	6.68%	93,354	9.20%	9.82%	136,064
Foreign private individuals	0.21%	0.22%	3,085	0.24%	0.25%	3,492
Employees, senior officers	13.13%	7.97%	194,281	11.45%	6.24%	169,413
Other	1.28%	1.36%	18,944	3.05%	3.26%	45,189
Treasury shares	0.00%	0.00%	0	0.75%	0.00%	11,100
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, 2007.

2. Table: Structure of shareholders over 5% share

Name	Voting right (%)	Ownership interest (%)
Shareholders over 5% share		
EG Capital SA	20.00%	18.73%
AEGON Magyarország Általános Biztosító Zrt.	13.01%	12.19%
Genesis Emerging Markets Opportunities Fund Limited	8.45%	7.92%
AEGON MoneyMaxx Expressz Befektetési Alap	7.72%	7.23%
Other shareholders below 5% share		
Domestic institutions	24.87%	23.27%
Foreign institutions	6.38%	5.97%
Domestic private individuals	9.82%	9.20%
Foreign private individuals	0.25%	0.24%
Employees, senior officers	6.24%	11.45%
Own shares		0.75%
Other	3.26%	3.05%

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.

The Company purchased in accordance with the resolution of the Annual General Meeting 11,100 pieces of treasury shares in face value of 10,878 HUF thousands in 2007 for supporting the Management Share Option Program.

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, 2007. Balance sheet preparation date is January 15, 2008.

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 valuated 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 valuated 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 2007

The net sales were HUF 10,833 million in 2007, which were HUF 1,229 million lower (10.2%) than the corresponding basis figure. The export sales were HUF 771 million in 2007, which is a decrease of HUF 662 million (46.2%) compared to the basis.

Operating income came to HUF 1,230 million, an increase of HUF 78 million (6.7%) compared to 2006. The rise in operating income was mainly due to the higher ratio in sales revenue of higher value added products. Gross profit totaled HUF 3,995 million, which means a 36.9% gross margin. General (SG&A) expenses amounted to HUF 2,540 million in 2007, which equals 23.4% of net sales. Material expenses dropped by 18.0% (HUF 1,334 million) in 2007.

Interest charges paid after the credits taken by the Company fell in 2007. Profit from financial activities rose by HUF 126 million compared to previous year, also due to the dividend received from subsidiaries in value of HUF 69 million.

Profit before tax including financial activities and extraordinary profit is HUF 1,259 million, which is an increase of HUF 199 million (18.7%) compared to prior year.

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 2007	Total equity	Qualification based on HAL[1]
Gyomai Kner Nyomda Zrt.	Gyomaendrőd	2007	92.80%	92.80%	200,000	382,312	105,065	687,377	Subsidiary
Specimen Papír és Nyomdaipari Rt.	Budapest	2007	80.20%	80.20%	100,000	36,735	12,701	149,436	Subsidiary
Slovak Direct Kft.	Bratislava	2007	100.00%	100.00%	14,562	(11,657)	13,036	15,941	Subsidiary
Security Audit Kft.[2]	Budapest	2007	64.20%	64.20%	5,000	2,783	1,587	9,370	Subsidiary
Tipo Direct Kft.	Cluj-Napoca	2007	50.00%	50.00%	33,418	26,747	23,939	84,104	Joint venture
Direct Services Kft.	Sofia	2007	50.00%	50.00%	58,888	11,897	31,389	102,174	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, 2007	Increase	Decrease	Reclassification	December 31, 2007
Capitalized start-up and restructuring costs	54,053	-	-	-	54,053
Capitalized value of research and development	112,379	-	-	-	112,379
Concessions, licenses and similar rights and assets	111,269	20,113	-	(10,041)	121,341
Intellectual property	305,594	3,840	-	10,041	319,475
Goodwill	-	-	-	-	-
Advances and prepayments on intangible assets	-	-	-	-	-
Adjusted value of intangible assets	-	-	-	-	-
GROSS VALUE	**583,295**	**23,953**	**-**	**-**	**607,248**
Capitalized start-up and restructuring costs	51,041	709	-	-	51,750
Capitalized value of research and development	92,623	5,247	-	-	97,870
Concessions, licenses and similar rights and assets	19,852	34,925	-	-	54,777
Intellectual property	294,526	12,646	110	-	307,062
Goodwill	-	-	-	-	-
Advances and prepayments on intangible assets	-	-	-	-	-
ACCUMULATED DEPRECIATION	**458,042**	**53,527**	**110**	**-**	**511,459**
NET VALUE	**125,253**	**(29,574)**	**(110)**	**-**	**95,789**

In the year 2007 gross value increase of intangible assets mainly consists of software developments within concessions, licenses and similar rights

3.2 Tangible assets

5. Table: Movement table of tangible assets

Description	January 1, 2007	Increase	Decrease	Reclassification	December 31, 2007
Land and buildings and rights to immovable	44,614	50,877	-	-	95,491
Plant and machinery, vehicles	4,001,673	597,597	20,845	-	4,578,425
Other equipment, fixtures and fittings, vehicles	798,549	85,042	35,346	-	848,245
Assets in course of construction	152,727	626,422	749,209	-	29,940
Payment on account	285,000	128,489	396,959	-	16,530
Adjusted value of tangible assets	-	-	-	-	-
GROSS VALUE	**5,282,563**	**1,488,427**	**1,202,359**	**-**	**5,568,631**
Land and buildings and rights to immovable	1,095	3,776	-	-	4,871
Plant and machinery, vehicles	2,758,276	378,871	17,100	-	3,120,047
Other equipment, fixtures and fittings, vehicles	608,922	66,548	29,067	-	646,403
Assets in course of construction	-	-	-	-	-
Payment on account	-	-	-	-	-
ACCUMULATED DEPRECIATION	**3,368,293**	**449,195**	**46,167**	**-**	**3,771,321**
NET VALUE	**1,914,270**	**1,039,232**	**1,156,192**	**-**	**1,797,310**

Laser engraving machines in value of HUF 310 million, enveloping machine in value of HUF 126 million and digital printing equipments in value of HUF 38 million are to be mentioned as current year capital expenditures.

The reason for decreasing plant, machinery and vehicles and other equipments is beside selling and reclassifying equipments scrapping in gross value of HUF 28,200 thousands. Extraordinary depreciation was not posted because of scrapping.

Assets in course of construction decreased as the machine bought for enveloping and posting card products was put into production.

3.3 Financial assets

6. Table: Movement table of financial assets

Description	January 1, 2007	Increase	Decrease	December 31, 2007
Long-term participations in affiliated undertakings	485,787	798	-	486,585
Other long-term participations	-	-	-	-
Other long-term loans	5,038	-	891	4,147
GROSS VALUE	**490,825**	**798**	**891**	**490,732**
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	**461,497**	**798**	**891**	**461,404**

There was no change in investments of the Company, HUF 798 thousands were posted as unrealized foreign exchange gain from the investments denominated in foreign currency.
Long term flat-loans given to employees are represented on the line of other long term loans.

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

Description		Investments'	
	net book value	purchase value	nominal value
Gyomai Kner Nyomda Zrt.	290,596	290,596	185,620
Specimen Rt.	109,477	138,805	80,200
Slovak Direct (Slovakian)	14,530	12,569	12,569
Tipo Direct (Romanian)	16,743	14,725	14,725
Direct Services (Bulgarian)	25,841	29,008	29,008
Állami Nyomda Kft (Russian)	70	84	84
Total:	**457,257**	**485,787**	**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 2007 on the investments. The difference between net book value and purchase value derives from the year end revaluation of investments denominated in foreign currency beside loss in value posted in the previous years.

3.4 Inventories

8. Table: Inventories

Description	December 31, 2006	December 31, 2007	Change	Change %
Raw materials and consumables	771,223	490,362	**(280,861)**	**-36.42%**
Work in progress, intermediate and semi-finished products	227,437	119,400	(108,037)	-47.50%
Finished products	129,940	111,031	(18,909)	-14.55%
Goods for resale	19,727	22,135	2,408	12.21%
Advances and prepayments on inventories	47,351	-	(47,351)	-100.00%
Total:	**1,195,678**	**742,928**	**(452,750)**	**-37.87%**

9. Table: Loss in value for inventories

Description	December 31, 2006	Increase	Decrease	December 31, 2007
Raw materials and consumables	2,646	23,710	230	26,126
Finished products	4,984	9,956	4,845	10,095
Goods for resale	579	38,500	464	38,615
Total:	**8,209**	**72,166**	**5,539**	**74,836**

3.5 Receivables

10. Table: Receivables

Description	December 31, 2006	December 31, 2007	Change	Change %
Receivables (trade debtors)	**1,474,101**	**1,050,576**	**(423,525)**	**-28.73%**
- domestic debtors	1,334,589	1,000,036	(334,553)	-25.07%
- foreign debtors	184,056	95,526	(88,530)	-48.10%
- write-off receivables	(44,544)	(44,986)	(442)	0.99%
Receivables from affiliated undertakings	**130,159**	**143,305**	**13,146**	**10.10%**
- subsidiary with direct control	130,159	143,305	13,146	10.10%
- joint companies	-	-	-	-
Other receivables	**150,149**	**133,458**	**(16,691)**	**-11.12%**
Tax receivables	37,969	63,565	25,596	67.41%
VAT of advances for capital projects	57,000	-	(57,000)	-100.00%
Receivables from employees	45,492	4,570	(40,922)	-89.95%
Advances given to services	-	15,609	15,609	-
Money given for short term period	-	24,375	24,375	-
Debit balance creditors	630	318	(312)	-49.52%
Other	9,058	25,021	15,963	176.23%
Total:	**1,754,409**	**1,327,339**	**(427,070)**	**-24.34%**

The balance of trade accounts receivables is HUF 1,051 million, which became lower by 28.73% compared to previous year, due to the favorable cash receipts .

Other receivables increased compared to the prior year due to the increasing tax receivables, to the decreasing loans to employees, and to the non-deductable VAT part of the advances for capital projects.

3.6 Securities

11. Table: Securities

Description	January 1, 2007	Increase	Decrease	December 31, 2007
Participations in affiliated undertakings	-	-	-	-
Own shares and own partnership shares	-	158,130	-	158,130
GROSS VALUE	**-**	**158,130**	**-**	**158,130**
Participations in affiliated undertakings	-	-	-	-
Own shares and own partnership shares	-	-	-	-
LOSS IN VALUE	**-**	**-**	**-**	**-**
Participations in affiliated undertakings	-	-	-	-
Own shares and own partnership shares	-	158,130	-	158,130
NET VALUE	**-**	**158,130**	**-**	**158,130**

The Company purchased 11,100 pieces of treasury shares in face value of HUF 10,878 thousands during the year 2007.

12. Table: Repurchased treasury shares

Description	Shares	Nominal value	Purchase value
January 1, 2007	-	-	-
Shares given to private individuals	-	-	-
Repurchase from owners	11,100	10,878	158,130
Sales on Budapest Stock Exchange	-	-	-
December 31, 2007	**11,100**	**10,878**	**158,130**

3.7 Prepayments and accrued income

13. Table: Prepayments and accrued income

Description	December 31, 2006	December 31, 2007	Change	Change %
Accrued income	**30,435**	**3,738**	**(26,697)**	**-87.72%**
- Interest	30,435	3,738	(26,697)	-87.72%
- Subsidy	-	-	-	-
- Other	-	-	-	-
Accrued costs, expenses	**8,021**	**26,702**	**18,681**	**232.90%**
- Rental fee of softwares	1,346	9,260	7,914	587.96%
- Fee related to photo processing	2,260	9,824	7,564	334.69%
- Other	4,415	7,618	3,203	72.55%
Deferred expenses	**-**	**-**	**-**	**-**
Total	**38,456**	**30,440**	**(8,016)**	**-20.84%**

Accrued interest fell within accrued income by HUF 26.7 million compared to previous year, while accrued expenses rose by HUF 18.7 million compared to the basis figure.

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 December 31, 2006	**1,449,876**	**250,686**	**844,089**	**385,538**	**196,680**
Increase	**-**	**-**	**545,467**	**473,010**	**1,082,672**
- reclassifying last year's profit	-	-	196,680	0	**0**
- creating development reserve	-	-	0	314,880	**0**
- purchase of treasury shares	-	-	0	158,130	**0**
- increase of tied-up reserve	-	-	342,831	0	**0**
- depreciation of foundation costs and research and development costs	-	-	5,956	0	**0**
- current year profit			0	0	1,082,672
Decrease	**-**	**-**	**473,010**	**348,787**	**196,680**
- reclassifying last year's profit	-	-	0	0	196,680
- creating development reserve	-	-	314,880	0	**0**
- reversal of development reserve	-	-	0	342,831	**0**
- depreciation of foundation costs and research and development costs	-	-	0	5,956	**0**
- purchase of treasury shares	-	-	158,130	0	**0**
Value as at December 31, 2007	**1,449,876**	**250,686**	**916,546**	**509,761**	**1,082,672**

15. Table: Changes in tied-up reserve

Description	December 31, 2006	December 31, 2007	Change	Change %
Net value of capitalized start-up and restructuring costs	3,012	2,303	(709)	-23.5%
Net capitalized value of research and development	19,756	14,509	(5,247)	-26.6%
Repurchased treasury shares	-	158,130	158,130	-
Development reserve	362,770	334,819	(27,951)	-7.7%
Total tied-up reserve:	**385,538**	**509,761**	**124,223**	**32.2%**

The Company took advantage of the corporate tax law and raised development reserve in amount of HUF 315 million. Tied-up reserve in book value of purchased treasury shares was created, which increased tied-up reserve by HUF 158.1 million compared to prior year figure.

3.9 Provisions

16. Table: Provisions

Description	December 31, 2006	December 31, 2007	Change
Provisions for expected liabilities	4,515	3,617	(898)
- Other provisions for expected liabilities	4,515	3,617	(898)
Provisions for future expenses	-	-	-
Other provisions	-	-	-
Total:	**4,515**	**3,617**	**(898)**

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, 2007	**312,200**
Credit for capital project (reclassified to short term liabilities)	144,000
Credit for general purposes (reclassified to short term liabilities)	168,200
Long term liabilities as at December 31, 2007	**0**

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 666,667 (HUF 168.2 million), which is due within one year.

The Company took out a mid-term loan of HUF 240 million in September, 2006 for purchasing personalizing machines. Regular installments were transferred according to the plan, since the balance of the credit at year end was HUF 144 million, which is also due within one year.

Short term part of the credit (due in 2008) is reclassified to the other short term credits balance sheet line.

3.12 Short term liabilities

18. Table: Short term liabilities

Description	December 31, 2006	December 31, 2007	Change	Change %
Short-term loans	**-**	**-**	**-**	**-**
Other short-term credits	**413,200**	**312,900**	**(100,300)**	**-24.27%**
Advances received from customers	**5,003**	**6,554**	**1,551**	**31.00%**
Accounts payable (trade creditors)	**986,258**	**775,080**	**(211,178)**	**-21.41%**
- domestic creditors	849,680	647,275	(202,405)	-23.82%
- foreign creditors	136,578	127,805	(8,773)	-6.42%
Short-term liabilities to affiliated undertakings	**129,385**	**79,912**	**(49,473)**	**-38.24%**
- Subsidiary with direct control	-	-	-	-
- Subsidiary with majority control	129,385	79,912	(49,473)	-38.24%
- Joint companies	-	-	-	-
Short-term liabilities to independent undertakings	**-**	**-**	**-**	**-**
Other short-term liabilities	**1,156,639**	**458,173**	**(698,466)**	**-60.39%**
- tax liability	355,037	397,483	42,446	11.96%
- liability against employees	44,574	48,664	4,090	9.18%
- other receivables reclassified	1,387	464	(923)	-66.55%
- dividend approved	744,352	-	(744,352)	-
- other liabilities	11,289	11,562	273	2.42%
Total:	**2,690,485**	**1,632,619**	**(1,057,866)**	**-39.32%**

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. There was no overdraft as at December 31, 2007.

The balance of trade creditors is HUF 775 million, which fell by 21.4% compared to the corresponding 2006 figure. The lower balance is due to the lower turnover of raw materials and subcontractors.
The decrease of other short term liabilities in value of HUF 698.5 million can be explained mainly by the dividend approved after the financial year 2006, which was paid in 2007 in value of HUF 744.4 million.

3.13 Accruals and deferred income

19. Table: Accruals and deferred income

Description	December 31, 2006	December 31, 2007	Change	Change %
Deferred income	**2,355**	**2,257**	**(98)**	**-4.16%**
- deferred income	-	520	520	-
- OCR identifying system	2,355	1,737	(618)	-26.24%
Deferred costs, expenses	**233,921**	**257,906**	**23,985**	**10.25%**
- Bonus and its contributions	195,024	232,398	37,374	19.16%
- Bank interests	22,084	9,800	(12,284)	-55.62%
- Trade creditors' invoices	11,309	12,657	1,348	11.92%
- Taxes on representation costs	1,597	3,051	1,454	91.05%
- Other	3,907	-	(3,907)	-100.00%
Accrued income	**113,819**	**90,870**	**(22,949)**	**-20.16%**
- EU subsidy	113,819	90,870	(22,949)	-20.16%
Total:	**350,095**	**351,033**	**938**	**0.27%**

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 23 million accrued income was released in 2007. The Company has fulfilled all its obligations connected to the subsidy in 2007.

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	5,138
Card production and personalization	3,195
Business and administrative forms, personalization, data processing	1,863
Traditional printing products	362
Other	275
Total:	**10,833**

21. Table: Sales revenue from related parties

Description	FY 2006	FY 2007	Change	Change %
Related party				
Gyomai Kner Nyomda Zrt	1,235	1,960	725	58.70%
Specimen Zrt.	32,385	28,005	(4,380)	-13.52%
Tipo Direct S.R.L.	103,911	115,990	12,079	11.62%
Slovak Direct S.R.O.	79,800	112,456	32,656	40.92%
Direct Services O.O.D.	41,800	60,057	18,257	43.68%
Total:	**259,131**	**318,468**	**59,337**	**22.90%**

Increase of orders of health cards, meal vouchers and bank cards played an important role in rise of net sales from related parties.
Other significant financial or extraordinary item was not posted against these companies.

HUF 149 million costs and expenses occurred against related parties.

22. Table: Sales of different regional markets

Description	Value in HUF thousands
Domestic sales	**10,062,284**
Sales within the EU	**693,120**
Romania	161,945
Slovakia	158,197
Czech Republic	99,071
Poland	82,058
Bulgaria	72,102
Ireland	44,052
Germany	38,883
Austria	16,112
Cyprus	9,933
Slovenia	7,795
The Netherlands	2,760
United Kingdom	142
Portugal	70
Export outside the EU	**77,626**
Montenegro	35,119
Jersey Islands	18,590
Albania	11,832
Ukraine	5,665
Switzerland	4,101
Turkey	1,110
Moldavia	657
Croatia	552
Total:	**10,833,030**

23. Table: Other income

Description	FY 2006	FY 2007	Change	Change %
Other income:				
- reversed loss in value - inventories	821	5,539	4,718	574.67%
- reversed loss in value - trade receivables	13,465	13,662	197	1.46%
- revenue from sales of fixed assets	11,220	25,261	14,041	125.14%
- income from settlement of damages	973	1,216	243	24.97%
- utilization of provision	189	4,515	4,326	2288.89%
- subsidies received for operating purposes	(3,350)	-	3,350	-100.00%
- default interest received	53,378	19,632	(33,746)	-63.22%
- rebate received	11,575	6,237	(5,338)	-46.12%
- other not classified	1,941	2,884	943	48.58%
Total:	**90,212**	**78,946**	**(11,266)**	**-12.49%**

4.2 Ordinary costs

24. Table: Other expenditures

Description	FY 2006	FY 2007	Change	Change %
Other expenditures:				
- local operational tax	141,685	138,431	(3,254)	-2.30%
- book value of assets sold	14,680	21,971	7,291	49.67%
- inventory scrap, loss in value	25,630	101,340	75,710	295.40%
- write-off receivables	16,574	14,104	(2,470)	-14.90%
- taxes (without local operational tax)	3,108	887	(2,221)	-71.46%
- late payment interest	17,022	11,416	(5,606)	-32.93%
- extraordinary depreciation	983	-	(983)	-100.00%
- write-off bad debts	7,737	9,643	1,906	24.63%
- provision	-	3,617	3,617	-
- other	4,802	1,297	(3,505)	-72.99%
Total:	**232,221**	**302,706**	**70,485**	**30.35%**

4.3 Extraordinary profit

25. Table: Extraordinary profit

Description	FY 2006	FY 2007	Change	Change %
Extraordinary income:				
- subsidy for development	22,950	22,950	-	-
- contribution in kind	-	-	-	-
- acquiring assets for no refund	875	617	(258)	-29.49%
Total:	**23,825**	**23,567**	**(258)**	**-1.08%**
Extraordinary expenditure:				
- net book value of contribution in kind	-	-	-	-
- donation given	5,219	5,522	303	5.81%
- remitted receivables	-	4,930	4,930	-
- transmitting assets for no refund	945	294	(651)	-68.89%
- other	334	239	(95)	-28.44%
Total:	**6,498**	**10,985**	**4,487**	**69.05%**
Extraordinary profit or (loss)	**17,327**	**12,582**	**(4,745)**	**-27.38%**

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 23 million thousands in 2007.

4.4 Corporate income tax

26. Table: Corporate tax base modifying items

Description	FY 2006	FY 2007
Profit before tax:	**1,060,917**	**1,259,518**
depreciation according to accounting law	484,274	502,722
write-off receivables, prior year decreasing	16,574	14,104
Remission of debts	-	4,930
accounting depreciation of assets derecognized	14,680	21,971
other	12,317	15,972
Tax base increasing items total:	**527,845**	**559,699**
depreciation according to tax law	438,026	377,748
creation of development reserve	260,000	314,880
dividend received	-	68,663
Taxes paid to local municipality	141,685	138,431
subsidies received without repayment obligation	22,950	22,950
write-off receivables, decrease according to accounting law	13,465	13,662
current year costs of research and development	27,489	31,750
Tax depreciation of assets derecognized	13,096	20,790
other	10,019	10,549
Tax base decreasing items total:	**926,730**	**999,423**
Tax base:	662,032	819,794
- calculated tax	105,925	131,167
- correction related to previous years	-	-
- solidarity tax	13,960	45,679
Profit after tax:	**941,032**	**1,082,672**
Dividend paid from accumulated profit reserve	-	-
Approved dividend	744,352	-
Profit or (loss) for the year:	196,680	1,082,672

27. Table: Solidarity tax

Description	2007
Profit before tax:	**1,259,518**
donation given	5,522
services provided with no refund	293
+tax base increasing items total:	**5,815**
subsidy received without repayment obligation	22,950
current year costs of research and development	31,750
dividend received	68,663
- tax base decreasing total:	**123,363**
Tax base:	1,141,970
Solidarity tax	**45,679**

5 Supplementary information

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

5.1 Research and development

The company has two significant R&D areas:
1, R&D projects 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 31,750 thousands.

5.2 Environment protection

The company has ISO 14001:2004 Environmental Control System certificate audited by Det-Norske Veritas. The expiry date of the certification is January 11, 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 2007, 42,217 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 2006	FY 2007
Physical employees	410	415
Intellectual employees	141	134
Total number of employees:	**551**	**549**

29. Table: Payroll costs

Description	FY 2006	FY 2007
Wages and salaries of physical employees	876,759	791,482
Wages and salaries of non-physical employees	884,940	771,752
Other wages and salaries	220,899	248,527
Total salaries and wages	**1,982,598**	**1,811,761**

30. Table: Other personal type expenditures, contributions

Description	FY 2006	FY 2007
- motivational	22,262	82,497
- social	36,934	40,415
- cost reimbursement	68,601	70,592
- other	49,579	58,359
Total other personal type expenditures	**177,376**	**251,863**
Social security contributions	600,064	546,650
Other contributions		
- employer's contribution	60,322	55,123
- rehabilitation contribution	1,466	1,132
- vocational contribution	29,943	18,462
- START (Entrants') contribution	-	4,905
Total contributions:	**691,795**	**626,272**

31. Table: Fees paid related to managing the Company

Description	FY 2006	FY 2007
Fees paid to the Members of the Board of Directors	12,000	12,480
Fees paid to the Members of Supervisory Board	7,200	8,820

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	21,675
Total bank guarantee in HUF:	**351,675**
Raiffaisen Bank guarantee for tenders in EUR	**1,210**
Raiffaisen Bank guarantee for tenders in USD	**39,240**

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 25 million.

The Company has signed a financial lease contract of 36 months period to a laser engraving machine in value of EUR 745,000 in September 2007. The expected delivery of the machine is March 2008, the retention and the first lease fee is due after the delivery.

5.7 Cash-flow

	In HUF thousands	FY 2006	FY 2007	Change %
	Profit before tax	1,060,917	1,259,518	18.7%
	- Transmitting treasury shares to employees with no refund	-	-	-
	- Dividend paid	-	(68,663)	-
	- Acquiring / transmitting assets with no refund	5,289	4,905	-7.3%
	- Other income of development reserve	(22,950)	(22,950)	0.0%
1.	Adjusted profit before tax	1,043,256	1,172,552	12.4%
2.	Accounted depreciation	484,274	502,722	3.8%
3.	Accounted loss in value	26,935	66,271	146.0%
4.	Difference between formation and utilization of provisions	(189)	(898)	-375.1%
5.	Fixed assets sold	(3,319)	(3,290)	0.9%
6.	Variation in accounts payable (trade creditors)	29,818	(211,178)	-808.2%
7.	Variation in other short-term liabilities	(70,230)	(746,387)	-962.8%
8.	Variation in accrued and deferred liabilities	45,957	23,888	-48.0%
9.	Variation in trade debtors	859,946	423,083	-50.8%
10.	Variation in current assets (w/o trade debtors and liquid	(187,677)	231,538	223.4%
11.	Variation in accrued and deferred assets	36,752	8,016	-78.2%
12.	Tax paid or payable (on profit)	(119,885)	(176,846)	-47.5%
13.	Dividends, shares paid or payable	(744,352)	-	100.0%
I.	**OPERATION CASH-FLOW:**	**1,401,286**	**1,289,471**	**-8.0%**
14.	Purchase of fixed assets	(828,118)	(377,395)	54.4%
15.	Sale of fixed assets	22,005	25,261	14.8%
16.	Dividend received	-	68,663	-
II.	**INVESTMENT CASH-FLOW:**	**(806,113)**	**(283,471)**	**64.8%**
17.	Receipts from shares issue (capital influx)	-	-	-
18.	Receipts from the issue of bonds and securities signifying	-	-	-
19.	Borrowings	240,000	-	-100.0%
20.	Repayment, termination or redemption of long-term loans	337	891	164.4%
21.	Non-repayable assets received	21,650	-	-100.0%
22.	Cancellation of shares, disinvestments (capital reduction)	-	-	-
23.	Redeemed bonds and securities signifying a creditor	-	-	-
24.	Loan installment payments	(436,611)	(412,500)	5.5%
25.	Long-term loans and bank deposits	-	-	-
26.	Non-repayable assets transferred	(5,220)	(5,522)	-5.8%
27.	Variation in liabilities due to founders and in other long-	-	-	-
III.	**FINANCIAL CASH-FLOW:**	**(179,844)**	**(417,131)**	**-131.9%**
IV.	**VARIATION OF FINANCIAL ASSETS:**	**415,329**	**588,869**	**41.8%**
	Cash and equivalents at the beginning of the period	**579,272**	**994,601**	**71.7%**
	Cash and equivalents at the end of the period	**994,601**	**1,583,470**	**59.2%**

5.8 Financial indices

34. Table: Liquidity, financial and other efficiency indices

Description		FY 2006	FY 2007	Change %
A	Current assets	3,944,688	3,811,867	-3.37%
B	Inventories	1,195,678	742,928	-37.87%
C	Trade receivables	1,474,101	1,050,576	-28.73%
D	Cash and equivalents	994,601	1,583,470	59.21%
E	Equity	3,126,869	4,209,540	34.62%
F	Short term liabilities	2,690,485	1,632,620	-39.32%
G	Trade creditors	986,258	775,080	-21.41%
H	Total equity and liabilities	6,484,164	6,196,810	-4.43%
I	Net sales	12,061,578	10,833,030	-10.19%
J	Material type expenditures	7,427,160	6,092,951	-17.96%
K	Operating (trading) profit	1,152,690	1,230,351	6.74%
L	Average statistical number of employees	551	549	-0.36%
Liquidity indices:				
Short term liquidity I.: (A / F)		1.47	2.33	58.50%
Short term liquidity II.: ((A – B) / F)		1.02	1.88	84.31%
Quick ratio: (D / F)		0.37	0.97	162.16%
Dynamic liquidity: (K / F)		0.43	0.75	74.42%
Financial indices:				
Debtors day: (($C_{Current}$ + C_{Prior}) / 2 * (365 / I))		71	43	-39.44%
Creditors day: (($G_{Current}$ + G_{Prior}) /2 * (365 / J))		46	53	15.22%
Other efficiency indices:				
Return on net sales: (K / I)		9.56%	11.36%	18.83%
Return on equity (K / E)		36.86%	29.23%	-20.70%
Net sales headcount ratio (in HUF '000/person): (I / L)		21,890	19,732	-9.86%

Budapest, February 15, 2008

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Chief Executive Officer

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

State Printing House Plc.

Business report

for the year ended December 31, 2007

Analysis of the FY 2007 achievement of the Company

Net sales of State Printing house Plc. were HUF 10,833 million in 2007, of which export sales were HUF 771 million.
Operating profit was HUF 1,230 million, which is higher by HUF 78 million (6.7%) than the corresponding 2006 figure.
Profit before tax was HUF 1,260 million, EBITDA amounted HUF 1,747 million. Profit after tax including financial activities, extraordinary profit and taxation was HUF 1,083 million.

Analysis of profit and loss statement

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

Table 1: Net sales by segments

Sales segments	FY 2006 in HUF millions	FY 2007 in HUF millions	Change in HUF millions	Change %
Security products and solutions	4,777	5,138	361	7.56%
Card production and personalization	2,937	3,195	258	8.78%
Form production and personalization, data processing	3,193	1,863	(1,330)	-41.65%
Traditional printing products	852	362	(490)	-57.51%
Other	303	275	(28)	-9.24%
Total net sales	**12,062**	**10,833**	**(1,229)**	**-10.19%**

State Printing House Plc had consolidated net sales of HUF 10,833 million in 2007, a drop of 10.2% (HUF 1,229 million) compared to prior year figure.

Sales of security products and solutions came to HUF 5,138 million in 2007 which means a year-on-year rise of HUF 361 million (7.56%). The reason for this improvement first of all is that the turnover of tax stamps increased and we sold security equipment (mainly equipments used for personalizing security products) for a Hungarian system integrator in a project.

The Company's revenues from card production and personalization totalled HUF 3,195 million in 2007, a HUF 258 million (8.8%) increase compared to the previous year. According to international trends, phone card sales are decreasing compared to the basis which was partly compensated by the rising bank card and commercial card sales. From September, this key product segment has continued to expand, so we count on long term growth in the document personalization service. The expanded machine park of the printing house personalizes further documents. As a result of this project, the sales revenue growth of personalization amounts to HUF 317 million from September.

The Company's revenues from form production, personalization and data processing came to HUF 1,863 million in 2007, a HUF 1,330 million (41.7%) drop compared to 2006. The change in the sales revenue of this product group is mainly the result of the almost HUF 900 million missing sales revenue of last year's parliamentary and municipal election forms.

Sales of traditional printing products amounted to HUF 362 million in 2007, which is HUF 490 million (57.5%) lower than a year earlier. The change is contributed to the fact that the Company examined the profitability of this segment and adjusted the portfolio.

Other sales totalled HUF 275 million in 2007, which means a drop of HUF 28 million (9.2%) year-on-year. This segment mainly comprises revenues from the sale of commercial materials and goods.

Operating income came to HUF 1,230 million, an increase of HUF 78 million (6.7%) compared to the previous year. The rise in operating income was mainly due to the higher ratio in sales revenue of higher value added products, and the favourable development of cost structure and exchange rates.
Gross profit totalled HUF 3,995 million, which means a 36.9% gross margin. General (SG&A) expenses amounted to HUF 2,540 million in 2007, which equals 23.4% of net sales. Material expenses dropped by 18% (HUF 1,334 million) last year. The change in material expenses reflects beside the volume of sales the change in the composition of sales revenue (portfolio adjustment, higher value added products).

Personnel expenses totalled HUF 2,690 million, which means a 5.7% (HUF 162 million) decrease compared to the previous year. Headcount of full time employees in State Printing House Plc. was 552 persons at the end of 2006, while 549 persons at the end of 2007, which means a 3 person (0.5%) decrease compared to previous year.

EBITDA amounted to HUF 1,747 million due to change in operating income, an increase of HUF 123 million (7.6%). So the EBITDA margin amounts to 16.1%.

Net financial profit increased by HUF 126 million in 2007, due to the interest expense decrease after credits taken, and to the dividend received from subsidiaries in value of HUF 69 million

Balance sheet analysis

The Company had total assets of HUF 6,197 million on 31 December 2007, which means a decrease of 4.4% (HUF 287 million) compared to a year ago. Te reason for this decrease is the mutual effect of treasury shares purchased in value of HUF 158 million and trade receivables decrease in value of HUF 424 million.

Trade receivables amounted to HUF 1,051 million which represents a 29% decrease year-on-year. The reason for this decrease is the year end cash receipt from a preferential project.

The Company has reimbursed its credits during the year, and after that has a balance of cash and equivalents of HUF 1,583 million within current assets.

The value of inventories is HUF 743 million, 37.9% lower than at year end 2006.

Accounts payable decreased by 21.4% to HUF 775 million in 2007. The lower figure is attributed to the lower material and subcontractor turnover. The decrease of other short term liabilities can be explained by the dividend paid in 2007.

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. The book value of this credit is HUF 169 million, which is a HUF 335 million decrease compared to the basis figure, due to the quarterly instalments.
The Company took out a mid-term loan of capital investment in September 2006. Regular instalments were transferred according to the plan, since the balance of the credit at year end was HUF 144 million at year end 2007.

Strategic plans of the Company

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

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

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

Off balance sheet date events

There was no significant event or process between the balance sheet date and the preparation of the balance sheet, which may significantly influence the financial situation of State Printing House Plc.

Environment protection

The company has ISO 14001:2004 Environmental Control System certificate audited by Det-Norske Veritas. The expiry date of the certification is January 11, 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 2007, 42,217 kg dangerous waste was transported and eliminated.

Research and development

The company has two significant R&D areas:
1, R&D projects included in the activity of the Document Security Laboratory
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 31,750 thousands.

Premises of the Company:

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

Treasury shares in the year 2007:

Table 2: Repurchased treasury shares

Description	Number of shares	Face value (HUF thousands)	Purchase value (HUF thousands)
Opening balance January 1, 2007	**0**	**0**	**0**
Closing balance December 31, 2007	**11,100**	**10,878**	**158,130**

The Company purchased 11,100 pieces of treasury shares in face value of HUF 10,878 thousands during the year 2007.

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.

Budapest, February 15, 2008

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Chief Executive Officer

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

STATEMENT ON RESPONSIBILITY

to the 2007 Annual Financial Report of State Printing House Public Company Limited by Shares

The 2007 Annual Financial Report of State Printing House Public Company Limited by Shares contains true data and statements and does not conceal any fact that in the Issuer's opinion might have significance for the evaluation of the Issuer's position.

State Printing House Plc. takes the responsibility for paying that proven damage which was caused by the lack of regular and extraordinary disclosures or by their misleading content.

Budapest, February 15, 2008

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Chief Executive Officer