State Printing House Plc.
Audited Consolidated Financial Statements
December 31, 2007

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

State Printing House Public Company Limited by Shares

Independent Auditors' Report and Consolidated Financial Statements

for the year ended December 31, 2007

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

State Printing House Public Company Limited by Shares

Audited Consolidated Financial Statements

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ÁLLAMI NYOMDA
STATE PRINTING COMPANY

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Állami Nyomda Nyrt. and subsidiaries, which comprise the consolidated balance sheet as at December 31, 2007, and the related consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Hungarian Standards on Auditing and applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Állami Nyomda Nyrt. and subsidiaries as of December 31, 2007, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Budapest, February 15, 2008

(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

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

Consolidated Balance Sheet December 31, 2007 and December 31, 2006

In HUF thousands:	Notes	December 31, 2007	December 31, 2006
Current assets			
Cash and bank		1,786,969	1,109,720
Accounts receivable	3	1,752,318	1,787,337
Inventory	4	837,626	1,256,610
Other current assets and prepayments	5	236,859	570,733
Total current assets		**4,613,772**	**4,724,400**
Non-current assets			
Property, plant and equipment	6	2,149,176	2,255,702
Investments		70	83
Intangibles		14,509	19,756
Other assets		5,347	7,403
Total non-current assets		**2,169,102**	**2,282,944**
Total assets		**6,782,874**	**7,007,344**
Current liabilities			
Trade accounts payables		955,285	1,159,243
Other payables and accruals	7	935,645	819,696
Short term debt	8	313,014	428,036
Of which short term part of long term loan		312,900	413,200
Total current liabilities		**2,203,944**	**2,406,975**
Long term liabilities			
Deferred tax liability	15	176,254	149,511
Long term debt	8	3,323	318,042
Other long term liabilities		8,936	1,934
Total long term liabilities		**188,513**	**469,487**
Shareholders' equity			
Share capital	9	1,449,876	1,449,876
Capital reserve		250,686	250,686
Retained earnings	11	2,765,616	2,351,752
Treasury shares	10	(158,130)	-
Minority interest		82,369	78,568
Total shareholders' equity		**4,390,417**	**4,130,882**
Total liabilities and shareholders' equity		**6,782,874**	**7,007,344**

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

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

Statement of consolidated income December 31, 2007 and December 31, 2006

In HUF thousands:	Notes	FY 2007	FY 2006
Net sales	12	13,472,000	14,188,565
Cost of sales		(8,717,413)	(9,679,700)
Gross profit		**4,754,587**	**4,508,865**
Selling general and administration		(3,098,177)	(3,032,211)
Gain on sale of fixed assets		3,198	3,388
Gain on sale of investments		-	6,779
Foreign currency losses		(6,026)	(26,302)
Other expense	13	(263,068)	(195,873)
Operating income	14	**1,390,514**	**1,264,646**
Interest income / (expense), net		4,534	(32,202)
Income before tax and minority interest		**1,395,048**	**1,232,444**
Deferred tax expense	15	(26,743)	(23,107)
Income tax expense	15	(199,451)	(139,078)
Profit after tax		**1,168,854**	**1,070,259**
Minority interest		(10,638)	(10,318)
Net income		**1,158,216**	**1,059,941**
Earnings per share (EPS):			
Basic (HUF per share)	16	785	716
Fully diluted (HUF per share)	16	785	716

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

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

Statement of Changes in Consolidated Shareholders' Equity December 31, 2007

	Issued Capital	Capital Reserve	Retained Earnings	Treasury Shares	Minority Interest	Total
January 1, 2006	**1,449,876**	**250,686**	**2,049,478**	**-**	**75,720**	**3,825,760**
Dividend paid	-	-	(757,667)	-	-	(757,667)
Net income	-	-	1,059,941	-	-	1,059,941
Dividend paid to minority shareholders (after FY 2005 income)	-	-	-	-	(7,470)	(7,470)
Minority interest in income for the year	-	-	-	-	10,318	10,318
December 31, 2006	**1,449,876**	**250,686**	**2,351,752**	**-**	**78,568**	**4,130,882**
Dividend paid	-	-	(744,352)	-	-	(744,352)
Net income	-	-	1,158,216	-	-	1,158,216
Purchase of treasury shares	-	-	-	(158,130)	-	(158,130)
Dividend paid to minority shareholders (after FY 2006 income)	-	-	-	-	(6,837)	(6,837)
Minority interest in income for the year	-	-	-	-	10,638	10,638
December 31, 2007	**1,449,876**	**250,686**	**2,765,616**	**(158,130)**	**82,369**	**4,390,417**

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

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

Statement of Consolidated Cash-flow December 31, 2007 and December 31, 2006

In HUF thousands:	Notes	FY 2007	FY 2006
Cash flows from operating activities			
Net income before taxation and minority interest		1,395,048	1,232,444
Depreciation and amortization		607,908	575,104
Amortization of development cost		5,247	7,061
Changes in provisions		114,956	30,205
Gain on sale of property, plant and equipment		(3,198)	(3,388)
Gain on sale of investments		-	(6,779)
Minority interest changes (Subsidiary dividend)		(6,837)	(7,470)
Interest expense		65,331	105,865
Interest income		(69,865)	(73,663)
Operating cash-flow before working capital changes:		**2,108,590**	**1,859,379**
Decrease in accounts receivable and other current assets		350,588	484,359
Decrease / (increase) in inventories		313,928	(133,738)
Decrease in accounts payables and accruals		(78,697)	(85,148)
Cash provided by operations		**2,694,409**	**2,124,852**
Interest received / (paid), net		22,123	(32,720)
Taxes paid, net		(218,501)	(96,983)
Net cash provided by operating activities		**2,498,031**	**1,995,149**
Cash flows from investing activities			
Purchase of property, plant and equipment		(523,471)	(694,140)
Proceeds on sale of property, plant and equipment		25,286	18,954
Sale of investments		-	11,729
Net cash flow used in investing activities		**(498,185)**	**(663,457)**
Cash flows from financing activities			
(Decrease) / increase in short term loans		(14,722)	11,485
Purchase of treasury shares		(158,130)	-
Decrease in loans to employees		2,056	196
Decrease in long term debt		(408,017)	(190,190)
Dividend paid		(743,784)	(757,667)
Net cash flow used in financing activities		**(1,322,597)**	**(936,176)**
Increase in cash and cash equivalents		**677,249**	**395,516**
Cash and Bank at beginning of period		**1,109,720**	**714,204**
Cash and Bank at end of the period		**1,786,969**	**1,109,720**

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

Supplementary Notes to the Consolidated Financial Statements Dec. 31, 2007

1. General

State Printing House Public Company Limited by Shares (State Printing House Plc. or the Company) is a limited liability company incorporated under the laws of the Republic of Hungary. The Company operated as a State enterprise until 1992 when it was transformed into a limited liability company (Rt.). The Company's registered office is located at Halom u.5, Budapest, District 10. The consolidated financial statements of State Printing House for the year ended December 31, 2007 were authorized for issue by the Chief Executive Officer (Gyergyák György) on 15th February, 2008.

As of December 31, 2007 – based on the Company's share book – the following owners have more than 5% voting right or the following groups of investors own the Company:

Investor	Voting right (%)	Owner right (%)
Owners above 5% share		
EG Capital SA	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%
Owners below 5% share		
Domestic Institutional Investors	24.87%	23.27%
Foreign Institutional Investors	6.38%	5.97%
Domestic Individual Investors	9.82%	9.20%
Foreign Individual Investors	0.25%	0.24%
Management, employees	6.24%	11.45%
Treasury shares	0.00%	0.75%
Other	3.26%	3.05%

State Printing House produces security products and solutions (tax stamps, stickers with security elements), plastic and paper cards (document cards, bank and telephone cards, as well as commercial cards), personalized business and administration forms, as well as conventional printing products.

The consolidated subsidiaries and joint-ventures of the Company at December 31, 2007 are as follows:

Subsidiary	Principal Activity	Country of Incorporation	Holding at December 31, 2007	Holding at December 31, 2006
Specimen Zrt.	Printing	Hungary	80.2%	80.2%
Security Audit Kft.	Consulting	Hungary	64.16 %	64.16 %
Gyomai Kner Nyomda Zrt.	Printing	Hungary	92.81 %	92.81 %
TipoDirect SRL	Printing, Sales	Romania	50.0%	50.0%
Direct Services OOD	Printing, Sales	Bulgaria	50.0%	50.0%
Slovak Direct SRO	Sales	Slovakia	100.0%	100.0%

The Company prepares consolidated financial statement for the whole group.

2. Significant accounting policies

Basis of preparation

The accounting records of the companies comprising the Group are compiled according to accounting principles generally accepted in Hungary ("HAS"). These supplementary consolidated financial statements have been compiled primarily for the requirements of relevant sections of Hungarian Act on Accounting to companies listed on the Stock Exchange, and therefore contain reclassifications and alterations in order to they comply with the International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB), except for portfolio hedge accounting under IAS 39 which has not been approved by the EU. The Company does not have any transactions which would qualify as a portfolio hedge.

The reporting currency of the Group is the Hungarian Forint ("HUF").

Basis of consolidation

The consolidated financial statements include the financial statements of State Printing House Plc. and its significant subsidiaries after elimination of all material intercompany transactions and balances, including unrealized intercompany profits. Subsidiaries are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations.

On acquisition, the assets and liabilities of a subsidiary are measured in the consolidated statements at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net assets of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is included as intangible in the balance sheet, to which impairment loss is calculated, if necessary. For the purpose of impairment test, the value of goodwill is allocated to those Cash Generating Units (hereinafter: CGU) of the Group that probably will have positive effects from the synergies. Those CGU-s, to which goodwill is allocated are subject of goodwill impairment test annually or more often, if circumstances indicate any loss in the value of the Unit. If the book value of the goodwill is higher then the fair value of the CGU, impairment loss is accounted on the goodwill. The impairment loss decreases mainly the value of the goodwill allocated on the CGU, then the remaining amount decreases the net book value of the CGU's other assets, in proportion of the book value of the assets. The impairment loss once accounted can not be reversed in the future. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The results of subsidiaries acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The transactions between the associated enterprises, including unrealized gains and losses as well as realized intra-group gains, were eliminated during consolidation.

The equity and net income attributable to minority interests are shown as separate items in the consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash at bank in hand, balances of bank accounts and short-term deposits with an original maturity of three months or less.

Statement of cash flows

For the cash flow statement the Cash and cash equivalents include cash and the value of bank deposits, as well as other short term (a term of three months or less at the time of their purchase) liquid investments, which may be immediately exchanged for the amount indicated on them, and their conversion does not come with the risk of a change in their value.

Inventory

Inventory is stated at the lower of cost or net realizable value after making allowance for any obsolete or slow moving items. Cost is determined at standard cost adjusted to actual purchase price at period end. For finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate allocation of manufacturing fixed and variable overheads.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Freehold land is not depreciated. Depreciation is provided using the straight-line method at rates calculated to write off the cost of the asset over its expected economic useful life. The rates used are as follows:

Buildings	2% to 3%
Leasehold improvements	6%
Machinery and equipment	14.5 to 33%

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication in accordance with internal or external information that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of such an impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately.

Intangible assets

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

Fair value of financial instruments

The fair values of financial instruments, consisting of cash, receivables, payables, and obligations under debt instruments, are considered to be equal to their carrying values. The fair values of the Group's existing investments are not readily determinable as the underlying shares are not frequently traded in a well-established and organized market.

Investments

Investments are carried at cost, less provision for any permanent diminution in value.

Taxation

The amount of company tax is based on the taxation obligation defined according to the law on corporate income tax and dividend taxes, which is modified by the deferred tax.

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to realize or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized only if it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the Group re-assesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The Group recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilized.

Treasury shares

Shares repurchased are included in shareholders' equity. Premiums and discounts arising on sale of treasury shares, and differences on repurchase, are credited or debited to retained earnings.

Revenue recognition

Revenue is recognized at the time goods are dispatched and services rendered by the Group, as this is the point at which the significant risks and rewards of ownership of the goods and services are transferred to the customer.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

The Group as lessor

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease, and they are amortised during their economic useful life.
The principal is accounted as decrease of liability from the lease contract, while interest is accounted as an expense, so that the lease liability decreases at a constant rate during the term of the lease contract.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In case when operative lease contract is cancelled before the contractual term is over, all the amounts paid to the lessor as a charge for cancelling the contract are recognised as an expense in the relevant period.

Earnings per share

Basic earnings per share data is calculated based on the weighted average number of shares outstanding during the period excluding treasury held by the Company and employee shares. Fully diluted earnings per share is calculated based on the weighted average number of shares outstanding as calculated for basic earnings per share and as adjusted for giving effect to the assumed issuance of all potentially dilutive securities. Net income is adjusted in the fully diluted earnings per share calculation for any income or expense associated with the potentially dilutive securities.

Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Exchange differences are recognised in profit or loss in the period in which they arise.
For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Currency Units using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and recognised in the Group's reserves.

Adoption of new Standards

The impact of the adoption of International Financial Reporting Standards effective as at January 1, 2006 on the financial statements of the year 2006:
The Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) effective as at January 1, 2006 relevant to the Group, which are the following:

- IAS 39. (Financial Instruments: Recognition and Measurement) especially considering the accounting of cash-flow hedge and fair value option transactions (effective for accounting period beginning on or after January 1, 2006)
- IAS 1. (Presentation of Financial Statements) Regulations of the Standard regarding Equity (effective for accounting period beginning on or after January 1, 2006)

The above mentioned Standards had no significant impact on the international consolidated financial statements of the Group in 2006.
Revision of other IAS Standards had also impact on the international consolidated financial statements of the Group, but these impacts were also not significant.

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

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

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

Critical accounting judgements and estimates by applying the accounting policy

The process of preparing financial statements in accordance with International Financial Reporting Standards requires the use of estimates and assumptions regarding the carrying amounts of assets and liabilities presented in the consolidated financial statements and the Notes.

Critical assumptions by applying the accounting policy

The Management of the Group had certain assumptions when applying the accounting policy, that can influence the carrying amounts of assets and liabilities presented in the consolidated financial statements (apart from the impact of the estimates, presented at the next point). These assumptions are presented in details in the Notes, but the most important ones are the following:

- The temporary differences calculated with deferred tax liabilities will reverse in the foreseeable future, and the corporate tax rate will remain 16%
- The outcome of certain contingent liabilities.

Uncertainties in the estimates

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

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

Reclassification of prior year

Certain items in the 2006 financial statements have been reclassified in order to conform with the 2007 presentation.

3. Accounts receivables

	December 31, 2007	December 31, 2006
Trade receivables	1,812,832	1,837,964
Provision for doubtful debts	*(60,514)*	*(50,627)*
Total:	**1,752,318**	**1,787,337**

The carrying value of trade receivables approximates fair value.

4. Inventories

	December 31, 2007	December 31, 2006
Raw materials	593,336	847,505
Goods	63,472	30,326
Work in progress	134,588	249,415
Finished goods	123,615	138,046
Cumulated loss in value for inventories	*(77,385)*	*(8,682)*
Total:	**837,626**	**1,256,610**

5. Other current assets and prepayments

	December 31, 2007	December 31, 2006
Employee loans	9,641	74,240
Advances paid	31,484	333,701
VAT receivable	22,929	72,655
Corporate income tax receivable	40,281	21,231
Other taxes receivable	35,502	8,687
Other receivables	53,361	36,896
Prepayments	43,661	23,323
Total:	**236,859**	**570,733**

6. Property, Plant and Equipment

	Land and buildings	Machinery and equipment	Property rights	Vehicles and other	Capital projects	Total
Cost:						
January 1, 2007	**255,935**	**5,747,065**	**10,771**	**916,523**	**152,727**	**7,083,021**
Additions	95,588	468,027	-	95,771	536,599	1,195,985
Disposals and transfers	(38,700)	(54,697)	-	(37,929)	(659,386)	(790,712)
December 31, 2007	**312,823**	**6,160,395**	**10,771**	**974,365**	**29,940**	**7,488,294**
Accumulated depreciation:						
January 1, 2007	**35,391**	**4,099,622**	**10,771**	**681,535**	**-**	**4,827,319**
Charge for year	10,297	513,443	-	84,168	-	607,908
Disposals	-	(65,554)	-	(30,555)	-	(96,109)
December 31, 2007	**45,688**	**4,547,511**	**10,771**	**735,148**	**-**	**5,339,118**
Net book value:						
January 1, 2007	**220,544**	**1,647,443**	**-**	**234,988**	**152,727**	**2,255,702**
December 31, 2007	**267,135**	**1,612,884**	**-**	**239,217**	**29,940**	**2,149,176**

7. Other payables and accruals

	December 31, 2007	December 31, 2006
Wages	74,617	60,359
Social security	93,663	95,401
Advance payments from customers	8,904	6,064
Personal income tax	66,851	74,600
Other taxes	18,520	31,669
Dividend liability	200	-
Other short term liabilities	24,782	24,429
VAT payable	265,018	172,013
Accrued management bonuses	248,552	195,024
Accruals of EU subsidy	90,869	113,819
Other accruals	43,669	46,318
Total:	**935,645**	**819,696**

The Company purchased equipments to improve card production operation in amount of HUF 507 million in 2005, to which HUF 150 million of non-reimbursable EU subsidy has been won, which was immediately accrued in line with the relevant standards. The depreciation rate of the purchased equipments is 14.5%. The release of accrued income is in proportion with the depreciation charged. HUF 22,950 thousands accrued income was released in 2007. The Company has fulfilled all its obligations connected to the subsidy in 2007.

8. Short and long term debt

	December 31, 2007	December 31, 2006
Overdraft, interest rate of BUBOR + 0.75% annually, secured by revenue flow to the bank, credit-limit HUF 150,000 thousands	-	14,836
Total overdrafts:	**-**	**14,836**
Long-term loan for capital project convertible to foreign exchange, credit limit: HUF 300,000 thousands, interest rate: 3 months BUBOR + 0.5% or 3 months EURIBOR + 0.5% annually (depended on the foreign exchange), secured by revenue-flow to the bank. Date of maturity: September 20, 2008		
Short term part	144,000	76,800
Long term part	-	144,000
Long-term loan (original amount of EUR 4,000,000), interest rate of 3 months EURIBOR + 1% annually, secured by immediate collection, inclusion and revenue-flow to the bank. Date of maturity: May 11, 2008		
Short term part	168,900	336,400
Long term part	-	168,200
Other short term loans taken by subsidiaries	114	-
Other loans for capital projects taken by subsidiaries	3,323	5,842
Total loans for capital projects:	**316,337**	**731,242**
Total short term debts:	313,014	428,036
Total long term debts:	3,323	318,042
Total short and long term debts:	**316,337**	**746,078**

The carrying value of overdrafts and loans approximates fair value.

9. Issued Share Capital

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

	December 31, 2007		December 31, 2006	
	Issued	Treasury	Issued	Treasury
Registered shares	1,368,590	10,878	1,368,590	-
Employee shares	81,286	-	81,286	-
	1,449,876	**10,878**	**1,449,876**	**-**

The number of issued shares by the Company is 1,479,465 of which par value HUF 980 per share.

10. Treasury shares

Number of treasury shares held by the Company at 31st December 2007 is 11,100, which were purchased on an average price of HUF 14,246 per share during the 2007 financial year.

11. Retained earnings

Retained earnings available for distribution are based on the unconsolidated financial statements of the Company prepared in accordance with Hungarian accounting law as opposed to these accounts prepared under IFRS. At December 31, 2007, the financial statements of State Printing House Plc. not consolidated, prepared in accordance with Hungarian accounting standards indicated total retained earnings of HUF 916,546 thousands.

Restricted reserve is not available for distribution based on the Hungarian Accounting Standards. In 2007 the Company transferred HUF 473,010 thousands to restricted reserve representing the value of reorganization, research and development, an amount representing development reserve (refer to Note 17) and the amount used for repurchasing treasury shares, in line with Hungarian Accounting Standards.

12. Net sales

Sales segments	FY 2007 in HUF millions	FY 2006 in HUF millions
Security products and solutions	5,428	4,747
Card production and personalization	3,246	3,028
Form production and personalization, data processing	3,065	4,032
Traditional printing products	1,329	1,954
Other	404	428
Total net sales	**13,472**	**14,189**

13. Other incomes and expenditures

Other incomes and expenditures	FY 2007 in HUF thousands	FY 2006 in HUF thousands
EU subsidy	22,950	22,950
Reversed loss in value for trade receivables	14,462	13,465
Reversed loss in value for inventories	5,539	821
Allowances received	13,976	21,970
Other	15,400	6,835
Total other incomes	***72,327***	***66,041***
Local operational tax	159,673	160,040
Loss in value for inventories	103,418	25,630
Loss in value for trade receivables	24,350	16,574
Allowances given	6,998	8,426
Other	40,956	51,244
Total other expenditures	***335,395***	***261,914***
Total	**(263,068)**	**(195,873)**

14. Operating income

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

	Notes	FY 2007 in HUF thousands	FY 2006 in HUF thousands
Net sales	12	13,472,000	14,188,565
Changes in inventory and own performance		(97,431)	(16,254)
Material cost		(7,704,658)	(8,673,154)
Staff cost		(3,400,346)	(3,455,718)
Depreciation		(613,155)	(582,165)
Gain on sale of fixed assets		3,198	3,388
Gain on sale of investments		0	6,779
Foreign currency losses		(6,026)	(26,302)
Other expense		(263,068)	(180,493)
Operating income		**1,390,514**	**1,264,646**

The average number of employees of the Group during 2007 was 789 (2006: 804).

15. Taxation

	December 31, 2007	December 31, 2006
Current year corporate income tax	199,451	139,078
Change in deferred tax liability	26,743	23,107
Total tax expense	**226,194**	**162,185**

	December 31, 2007	December 31, 2006
Opening deferred tax liability	149,511	126,404
Deferred tax liability due to development reserve	50,173	41,600
Release of deferred tax due to use of development reserve	(23,430)	(18,493)
Closing deferred tax liability	**176,254**	**149,511**

Taxation has been provided at 16% on the profit, adjusted for taxation purposes in case of the domestic companies of the Group. According to the tax legislation effective in Hungary from September 1, 2006 domestic companies are obliged to pay "extra profit tax" of 4% after the adjusted profit before tax. ("Extra profit tax" was calculated on the time proportional part of the adjusted profit before tax in 2006.) The tax liability of the foreign companies of the Group is taken into consideration with the effective tax legislation of their country of incorporation.

Under the tax legislation the Company is allowed to establish a tax-deductible development reserve. Assets acquired using this reserve do not then qualify for tax depreciation up to the value of the reserve, therefore this is effectively a form of accelerated depreciation. Development reserves have been established based on the Company's 2007 and 2006 pre tax profits and a deferred tax liability has been recognized for the unused development reserves.

Tax losses can be carried forward up to five years to offset future taxable profits. Deferred tax assets relating to tax losses are netted off against deferred tax liabilities.

State Printing House Plc. and its subsidiaries are subject to periodic audits by the Hungarian Tax Authority (APEH). Since the application of tax laws and regulations may be susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

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

	December 31, 2007	December 31, 2006
Income before tax and minority interest	1,395,048	1,232,444
Tax at statutory rate of 16% [1]	223,208	197,191
Deferred tax due to development reserve	(26,743)	(23,107)
Other permanent differences (net)	2,986	(35,006)
Corporate income tax expense	**199,451**	**139,078**

[1] The tax legislation effective in foreign countries is not taken into consideration in this calculation. All differences that may occur due to this fact are classified on the 'Other temporary differences' line.

16. Earnings per share

Weighted average shares outstanding, net income used in the calculation of earnings per share and calculated earning per share details are set out below:

	December 31, 2007	December 31, 2006
Weighted average shares outstanding for:	1,476,003	1,479,465
Net income used in the calculation	1,158,216	1,059,941
Basic and diluted earnings per share:		
Basic (HUF per share)	785	716
Fully diluted (HUF per share)	785	716

17. Contingent liabilities

The Company has arranged bank guarantees. The guarantees largely relate to commitments under Government and corporate tenders. Guarantees are provided up to a maximum limit of HUF 500 million.

In 2007 the Company established a tax-deductible development reserve of HUF 314,880 thousands to be used on future capital expenditure. In the event that the Company does not fully utilize this reserve for capital expenditure in the following four years, it is required to repay the unused amount plus penalties and interest to the Hungarian Tax Authorities.

The Company signed a rental contract in 2007 for buildings and machineries for a 10 year period. The expected liability from this contract will be HUF 360 million in 2008. The conditions of the contract may change in 2008.

The Company leases and rents various facilities and properties under non-cancelable arrangements expiring in 2025. These contracts contain indexation clauses based on a percentage of inflation in Hungary. Future lease and rental payments under these non-cancelable operating agreements as of December 31, 2007 are as follows:

Periods	Amounts in EUR
2008	728,585
2009	743,157
2010	758,020
2011	773,181
2012	788,644
Later years	11,384,024
Total minimum payments	15,175,611

18. Financial lease

Machineries connected to card production are leased from BAWAG Leasing Zrt. for a 36 months period from 2007. The capitalized value of the machineries was HUF 136,146 thousands, while net book value at December 31, 2007 was HUF 122,024 thousands. The financial lease interest is connected to HUF/EUR foreign exchange rate and 3 months EURIBOR interest rate. Financial lease principal liabilities are in 2008 and in 2009 as follows:

Financial lease principal liabilities	Amounts in HUF thousands
2008	43,803
2009	40,910
Total	**84,713**

19. Related party transactions

Related party transactions	FY 2007 in HUF thousands	FY 2006 in HUF thousands
Balance of intercompany receivables eliminated	184,160	229,661
Balance of intercompany liabilities eliminated	184,160	229,661
Balance of intercompany revenues eliminated	451,789	398,001
Balance of intercompany expenditures eliminated	451,789	398,001

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

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

HUF 8,820 thousands remuneration was paid to the Supervisory Board, while HUF 12,480 thousands to the Board of Directors in 2007.

21. Risk management

Foreign currency risk

Among foreign currency transactions of the Group EURO based transactions are the most important ones. Foreign currency liabilities mainly occur from raw material purchases, which are hedged by the receivables form the export sales in foreign currency as a natural hedge. The balance of foreign currency receivables and liabilities are almost the same within the Group, therefore the foreign currency risk of the Group is not significant.

State Printing House Plc.*	Currency	December 31, 2007	December 31, 2006
Foreign currency assets	EUR	562,153	1,032,471
	USD	7,101	2,330
	GPB	36	2,799
	SKK	779,595	594,656
	PLN	161,650	0
Total (in HUF thousands)		**160,895**	**266,338**
Foreign currency liabilities	EUR	1,051,185	2,488,270
	CHF	201,781	58,773
	USD	1,051	5,368
	GBP	0	7,835
Total (in HUF thousands)		**297,255**	**640,990**
Impact of a possible 10% foreign exchange rate decrease in each foreign currency (in HUF thousands)		**December 31, 2007**	**December 31, 2006**
Impact on foreign currency assets		(16,090)	(26,634)
Impact on foreign currency liabilities		29,726	64,099
Total impact of possible FX rate change		**13,636**	**37,465**

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

The balances of foreign currency assets and liabilities of the subsidiaries and joint ventures of the Group are not significant. From the foreign subsidiaries and joint ventures of the Group TipoDirect S.R.L. keeps its books in Romanian Lei, Direct Services O.O.D. in Bulgarian Leva, while Slovak Direct S.R.O. keeps its books in Slovakian Crown. The balances of foreign currency assets and liabilities of the foreign subsidiaries and joint ventures of the Group are retranslated at the relevant MNB (National Bank of Hungary) foreign exchange rate in the consolidated financial statements.

Interest rate risk

Due to the low balance of debts in the Group, potential interest rate changes would not influence significantly the amount of interests to be paid by the Group. Based on the balance of Credits of the Group, a potential interest rate increase of 100 basis points relevant to our credits would increase our interest expenses by approximately HUF 3,163 thousands in the year 2008. (This was HUF 7,461 thousands in the year 2007.)

Liquidity risk

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

Állami Nyomda Group FY 2007	In 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total:
Trade payables (with short term lease liabilities)	894,531	59,493	452	809	-	**955,285**
Lease liabilities	3,580	7,198	33,025	40,910	-	**84,713**
Credits	-	103,650	209,364	3,323	-	**316,337**
Total	**898,111**	**170,341**	**242,841**	**45,042**	**-**	**1,356,335**

Állami Nyomda Group FY 2006	In 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total:
Trade payables (with short term lease liabilities)	1,080,907	68,233	9,302	801	-	**1,159,243**
Lease liabilities	-	-	-	-	-	**-**
Credits	-	103,300	324,736	318,042	-	**746,078**
Total	**1,080,907**	**171,533**	**334,038**	**318,843**	**-**	**1,905,321**

Other short term liabilities consist of mainly tax payables and accruals due in 1 month or in 1 to 3 months period, while other long term liabilities mature in 1 to 5 years period.

Credit risk

The financial discipline of the debtors of the Group is really good, which is also represented by the low portion of cumulated provision on trade receivables compared to the gross amount of trade receivables: 3.34%. (This was 2.75% in 2006.)