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, 2008

State Printing House Public Company Limited by Shares

Audited Consolidated Financial Statements

December 31, 2008

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ÁLLAMI NYOMDA
STATE PRINTING COMPANY

INDEPENDENT AUDITORS' REPORT

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English translation of the Hungarian Original

INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Budapest, February 06, 2009.

(The original Hungarian language version has been signed)

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Gion Gábor 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, 2008 and December 31, 2007

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

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

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

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

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

	Issued Capital	Capital Reserve	Retained Earnings	Treasury Shares	Minority Interest	Total
January 1, 2007	**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**
Dividend paid	-	-	(596,405)	-	-	(596,405)
Net income			1,318,323			1,318,323
Purchase of treasury shares	-	-	-	(278,845)	-	(278,845)
Dividend paid to minority shareholders (after FY 2007 income)				-	(7,959)	(7,959)
Additional ownership acquisition in subsidiary	-	-	-		(14,913)	(14,913)
Minority interest in income for the year				-	8,981	8,981
December 31, 2008	**1,449,876**	**250,686**	**3,487,534**	**(436,975)**	**68,478**	**4,819,599**

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

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

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

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, 2008

1. General

State Printing House Public Company Limited by Shares (State Printing House Plc. or the Company) is a limited liability company incorporated under the laws of the Republic of Hungary. The Company operated as a State enterprise until 1992 when it was transformed into a limited liability company (Rt.). The Company's registered office is located at Halom u.5, Budapest, District 10. The consolidated financial statements of State Printing House for the year ended December 31, 2008 were authorized for issue by the Chief Executive Officer (Gábor Zsámboki) on 6th February, 2009.

As of December 31, 2008 – based on the Company's share book – the following owners have more than 5% voting right or the following groups of investors own the Company:

Investor	Voting right (%)	Owner right (%)
Owners above 5% share		
EG Capital SA	24.78%	24.07%
AEGON MO. MPT AEGON VAGYONKEZELÉS	10.01%	9.72%
Genesis Emerging Markets Opportunities Fund Limited	6.71%	6.52%
AEGON Magyarország Általános Biztosító Zrt.	6.02%	5.85%
Owners below 5% share		
Domestic Institutional Investors	23.83%	23.15%
Foreign Institutional Investors	7.58%	7.36%
Domestic Individual Investors	10.55%	10.25%
Foreign Individual Investors	0.32%	0.31%
Management, employees	9.32%	9.06%
Treasury shares	0.00%	2.84%
Other	0.88%	0.87%

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

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

Subsidiary	Principal Activity	Country of Incorporation	Holding at December 31, 2008	Holding at December 31, 2007
Specimen Zrt.	Printing	Hungary	90.0%	80.2%
Security Audit Kft.	Consulting	Hungary	72.0 %	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.

All amounts in HUF thousands unless if otherwise indicated.

2. Significant accounting policies

Basis of preparation

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

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

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

Basis of consolidation

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

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

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

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

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

Cash and cash equivalents

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

Statement of cash flows

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

Inventory

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

Property, plant and equipment

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

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

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

Intangible assets

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

Fair value of financial instruments

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

Investments

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

Taxation

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

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

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

Treasury shares

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

Revenue recognition

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Earnings per share

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

Foreign currencies

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

Adoption of new Standards

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

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

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

There was no impact of the adoption of new IFRS Standards and the revised IAS Standards effective as at January 1, 2008 on the financial statements.

Critical accounting judgements and estimates by applying the accounting policy

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

Critical assumptions by applying the accounting policy

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

- The temporary differences calculated with deferred tax liabilities will reverse in the foreseeable

future, and the corporate tax rate will remain 16%
- The outcome of certain contingent liabilities.

Uncertainties in the estimates

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

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

3. Accounts receivables

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

The carrying value of trade receivables approximates fair value.

4. Inventories

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

5. Other current assets and prepayments

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

All amounts in HUF thousands unless if otherwise indicated.

6. Property, Plant and Equipment

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

All amounts in HUF thousands unless if otherwise indicated.

7. Other payables and accruals

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

The Company purchased equipments to improve card production operation in amount of HUF 507 million in 2005, to which HUF 150 million of non-reimbursable EU subsidy has been won, which was immediately accrued in line with the relevant standards. The depreciation rate of the purchased equipments is 14.5%. The release of accrued income is in proportion with the depreciation charged. HUF 22,949 thousands accrued income was released in 2008. The Company has fulfilled all its obligations connected to the subsidy in 2008.

8. Short and long term debt

	December 31, 2008	December 31, 2007
Bank overdraft of related party, total usable overdraft: 90,000 EUR	10,742	-
Total overdrafts:	**10,742**	**-**
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
Long term part	-	-
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
Long term part	-	-
Other short term loans taken by subsidiaries	-	114
Other loans for capital projects taken by subsidiaries	822	3,323
Total loans for capital projects:	**822**	**316,337**
Total short term debts:	10,742	313,014
Total long term debts:	822	3,323
Total short and long term debts:	**11,564**	**316,337**

The carrying value of overdrafts and loans approximates fair value.

All amounts in HUF thousands unless if otherwise indicated.

9. Issued Share Capital

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

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

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

10. Treasury shares

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

11. Retained earnings

Retained earnings available for distribution are based on the unconsolidated financial statements of the Company prepared in accordance with Hungarian accounting law as opposed to these accounts prepared under IFRS. At December 31, 2008, the financial statements of State Printing House Plc. not consolidated, prepared in accordance with Hungarian accounting standards indicated total retained earnings of HUF 955,701 thousands.

Restricted reserve is not available for distribution based on the Hungarian Accounting Standards. In 2008 the Company transferred HUF 956,871 thousands to restricted reserve representing the value of reorganization, research and development, an amount representing development reserve (refer to Note 17) and the amount used for repurchasing treasury shares, in line with Hungarian Accounting Standards.

12. Net sales

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

13. Other incomes and expenditures

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

14. Operating income

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

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

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

15. Taxation

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

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

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

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

Under the tax legislation the Company is allowed to establish a tax-deductible development reserve. Assets acquired using this reserve do not then qualify for tax depreciation up to the value of the reserve, therefore this is effectively a form of accelerated depreciation. Development reserves have been established based on the Company’s 2008 and 2007 pre tax profits and a deferred tax liability has been recognized for the unused development reserves, as well as for the residual value of financial lease assets. The Company decreased its deferred tax liabilities by the deferred tax effect of the accounting and tax depreciation difference of assets not connected to development reserve.

Tax losses can be carried forward up to five years to offset future taxable profits. Deferred tax assets relating to tax losses are netted off against deferred tax liabilities. The company raised deferred tax asset on write-off for bad debts and provisions in 2008.

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

All amounts in HUF thousands unless if otherwise indicated.

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

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

16. Earnings per share

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

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

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

17. Contingent liabilities

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

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

The Company leases and rents various facilities and properties under non-cancellable arrangements expiring in 2025. These contracts contain indexation clauses based on a percentage of inflation in

[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.

All amounts in HUF thousands unless if otherwise indicated.

Hungary. Future lease and rental payments under these non-cancellable operating agreements as of December 31, 2008 are as follows:

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

18. Financial lease

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

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

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

19. Related party transactions

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

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Through related party transactions mainly 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 10,262 thousands remuneration was paid to the Supervisory Board, while HUF 15,612 thousands to the Board of Directors in 2008.

21. Risk management

Foreign currency risk

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

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

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

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

Interest rate risk
Due to the low balance of debts in the Group, potential interest rate changes would not influence significantly the amount of interests to be paid by the Group. Based on the balance of Credits of the Group, a potential interest rate increase of 100 basis points relevant to our credits would increase our interest expenses by approximately HUF 116 thousands in the year 2009. (This was HUF 3,163 thousands in the year 2008.)

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

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

Állami Nyomda Group FY 2007	In 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total:
Trade payables*	894,531	59,493	452	809	-	**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**

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

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

22. Other information

The global financial crisis did not have a significant effect on the results of the Company in 2008. Though the share price of the State Printing House ordinary shares listed on the Budapest Stock Exchange similarly to the most listed share prices decreased due to the financial crisis, the results of the Company were not reflected in its share price.

All amounts in HUF thousands unless if otherwise indicated.