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, 2009

State Printing House Public Company Limited by Shares

Audited Consolidated Financial Statements

December 31, 2009

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ÁLLAMI NYOMDA
STATE PRINTING COMPANY

INDEPENDENT AUDITORS' REPORT

Deloitte.

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FÜGGETLEN KÖNYVVIZSGÁLÓI JELENTÉS

Az Állami Nyomda Nyrt. Igazgatósága és Részvényesei részére

Elvégeztük az Állami Nyomda Nyrt. és leányvállalatai (a „Csoport") mellékelt konszolidált pénzügyi kimutatásainak a könyvvizsgálatát, amely pénzügyi kimutatások a 2009. december 31-i konszolidált pénzügyi helyzet kimutatásból, az ezen időponttal végződő évre vonatkozó konszolidált átfogó eredménykimutatásból, sajáttőke-változás kimutatásból és cash flow-kimutatásból, valamint a jelentős számviteli politikák összefoglalásából és az egyéb magyarázó megjegyzésekből állnak.

A vezetőség felelőssége a pénzügyi kimutatásokért

A konszolidált pénzügyi kimutatásoknak az Európai Unió által elfogadott Nemzetközi Pénzügyi Beszámolási Standardok szerint történő elkészítése és valós bemutatása a vezetőség felelőssége. Ez a felelősség magában foglalja: az akár csalásból, akár hibából eredő, lényeges hibás állításoktól mentes pénzügyi kimutatások elkészítése és valós bemutatása szempontjából releváns belső ellenőrzés kialakítását, bevezetését és fenntartását; a megfelelő számviteli politikák kiválasztását és alkalmazását; és az adott körülmények között ésszerű számviteli becslések elkészítését.

A könyvvizsgáló felelőssége

A mi felelősségünk véleményt mondani ezekről a konszolidált pénzügyi kimutatásokról könyvvizsgálatunk alapján. A könyvvizsgálatot a Nemzetközi Könyvvizsgálati Standardok alapján hajtottuk végre. Ezek a standardok megkövetelik, hogy megfeleljünk bizonyos etikai követelményeknek, valamint hogy a könyvvizsgálatot úgy tervezzük meg és végezzük el, hogy kellő bizonyosságot szerezzünk arról, hogy a konszolidált pénzügyi kimutatások nem tartalmaznak lényeges hibás állításokat.

A könyvvizsgálat magában foglalja olyan eljárások végrehajtását, amelyek célja könyvvizsgálati bizonyítékot szerezni a konszolidált pénzügyi kimutatásokban szereplő összegekről és közzétételekről. A kiválasztott eljárások, beleértve a konszolidált pénzügyi kimutatások akár csalásból, akár tévedésből eredő, lényeges hibás állításai kockázatának felmérését is, a könyvvizsgáló megítélésétől függnek. A kockázatok ilyen felmérésekor a könyvvizsgáló a konszolidált pénzügyi kimutatások gazdálkodó általi elkészítése és valós bemutatása szempontjából releváns belső ellenőrzést azért mérlegeli, hogy olyan könyvvizsgálati eljárásokat tervezzen meg, amelyek az adott körülmények között megfelelőek, de nem azért, hogy a gazdálkodó belső ellenőrzésének hatékonyságára vonatkozóan véleményt mondjon. A könyvvizsgálat magában foglalja az alkalmazott számviteli politikák megfelelőségének és a vezetés számviteli becslései ésszerűségének, valamint a pénzügyi kimutatások átfogó bemutatásának értékelését is.

Meggyőződésünk, hogy a megszerzett könyvvizsgálati bizonyíték elegendő és megfelelő alapot nyújt könyvvizsgálói záradékunkhoz.

Záradék

Véleményünk szerint a konszolidált pénzügyi kimutatások megbízható és valós képet adnak az Állami Nyomda Nyrt. és leányvállalatai (a „Csoport") 2009. december 31-i konszolidált pénzügyi helyzetéről, és az ezen időponttal végződő évre vonatkozó konszolidált pénzügyi teljesítményéről és cash flow-iról az Európai Unió által elfogadott Nemzetközi Pénzügyi Beszámolási Standardokkal összhangban.

Budapest, 2010. február 5.

Gion Gábor Deloitte Könyvvizsgáló és Tanácsadó Kft. 1068 Budapest, Dózsa György út 84/C. 000083	Horváth Tamás bejegyzett könyvvizsgáló 003449

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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 statement of financial position as at December 31, 2009, and the related consolidated statement of comprehensive income, 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.

Registered by the Budapest Court of Registration
Company Reg. No.: 01-09-071057

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, 2009, 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 05, 2010.

(The original Hungarian language version has been signed)

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

Consolidated Statement of Financial Position as at December 31, 2009 and December 31, 2008

In HUF thousands:	Notes	December 31, 2009	December 31, 2008
Current assets			
Cash and bank	4	474,989	1,840,401
Accounts receivable	5	2,893,254	1,748,050
Inventory	6	1,902,441	835,085
Other current assets and prepayments (without current tax receivable)	7	178,980	97,327
Current tax receivable	7	291,395	57,609
Total current assets		**5,741,059**	**4,578,472**
Non-current assets			
Property, plant and equipment	8	2,911,368	2,864,592
Investments		62	64
Goodwill		58,778	12,123
Intangibles		57,111	9,262
Deferred tax assets		0	7,900
Other assets		14,311	4,922
Total non-current assets		**3,041,630**	**2,898,863**
Total assets		**8,782,689**	**7,477,335**
Current liabilities			
Trade accounts payables		1,548,156	1,095,886
Short term part of lease liabilities	20	98,960	140,093
Other payables and accruals (without current tax payables)	9	399,872	543,529
Current tax payables	9	115,939	400,917
Short term debt	10	931,125	10,742
Total current liabilities		**3,094,052**	**2,191,167**
Long term liabilities			
Deferred tax liability	17	348,047	227,945
Long term part of lease liabilities	20	127,450	229,351
Long term debt	10	11,402	822
Other long term liabilities		8,996	8,451
Total long term liabilities		**495,895**	**466,569**
Shareholders' equity			
Share capital	11	1,449,876	1,449,876
Capital reserve		250,686	250,686
Retained earnings	13	3,758,259	3,487,534
Treasury shares	12	(436,975)	(436,975)
Non controlling interest		170,896	68,478
Total shareholders' equity		**5,192,742**	**4,819,599**
Total liabilities and shareholders' equity		**8,782,689**	**7,477,335**

ÁLLAMI NYOMDA
STATE PRINTING COMPANY

Statement of Comprehensive Income as at December 31, 2009 and December 31, 2008

In HUF thousands:	Notes	FY 2009	FY 2008
Net sales	14	14,007,440	14,620,024
Cost of sales		(9,459,902)	(9,454,773)
Gross profit		**4,547,538**	**5,165,251**
Selling general and administration		(3,081,942)	(3,382,854)
Gain on sale of fixed assets		1,099	11,037
Gain on sale of investments		0	-
Foreign currency losses		(45,345)	1,003
Other expense	15	(90,481)	(220,190)
Operating income	16	**1,330,869**	**1,574,247**
Interest income / (expense), net		49,104	19,735
Profit before tax and non-controlling interest		**1,379,973**	**1,593,982**
Deferred tax expense	17	(128,002)	(43,791)
Income tax expense	17	(152,657)	(222,887)
Profit after tax		**1,099,314**	**1,327,304**
Other comprehensive income for the year		0	0
Total comprehensive income for the year		**1,099,314**	**1,327,304**
Profit attributable to			
Owners of the Company		***1,054,840***	***1,318,323***
Non controlling interests		*(44,474)*	*(8,981)*
Earnings per share (EPS):			
Basic (HUF per share)	18	**73**	91
Fully diluted (HUF per share)	18	**73**	91

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

Statement of Changes in Consolidated Shareholders' Equity as at December 31, 2009

	Issued Capital	Capital Reserve	Retained Earnings	Treasury Shares	Non controlling Interest	Total
January 1, 2008	**1,449,876**	**250,686**	**2,765,616**	**(158,130)**	**(82,369)**	**(4,390,417)**
Dividend paid	0	0	(596,405)	0	0	(596,405)
Total profit attributable to owners of the Company	0	0	1,318,323	0	0	1,318,323
Purchase of treasury shares	0	0	0	(278,845)	0	(278,845)
Dividend paid to non-controlling interests (after FY 2007 income)	0	0	0	0	(7,959)	(7,959)
Purchase of interest in formerly owned subsidiary	0	0	0	0	(14,913)	(14,913)
Total profit attributable to non-controlling interests	0	0	0	0	8,981	8,981
December 31, 2008	**1,449,876**	**250,686**	**3,487,534**	**(436,975)**	**68,478**	**4,819,599**
Dividend paid	0	0	(784,115)	0	0	(784,115)
Dividend paid to minority shareholders (after FY 2008 income)	0	0	0	0	(6,833)	(6,833)
Purchase of interest in formerly owned subsidiary	0	0	0	0	(42,854)	(42,854)
Non-controlling interest from joint ventures turned into subsidiaries	0	0	0	0	107,631	107,631
Total profit attributable to non-controlling interests	0	0	0	0	44,474	44,474
Total profit attributable to owners of the Company			1,054,840			1,054,840
December 31, 2009	**1,449,876**	**250,686**	**3,758,259**	**(436,975)**	**(170,896)**	**5,192,742**

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

Statement of Consolidated Cash-flow as at December 31, 2009 and December 31, 2008

In HUF thousands:	Notes	FY 2009	FY 2008
Cash flows from operating activities			
Profit before tax and non-controlling interest		1,379,973	1,593,982
of which foreign currency gain/(loss)		(45,345)	1,003
Depreciation cost of fixed assets	8	668,083	603,770
Amortization cost of intangibles		5,247	5,247
Changes in provisions		(8,255)	(53,625)
Gain on sale of property, plant and equipment		(1,099)	(11,037)
Non controlling interest changes (subsidiary dividend)		(6,833)	(7,959)
Non controlling interest changes (joint ventures turned into subsidiaries)		107,631	-
Interest expense		33,087	40,062
Interest income		(82,191)	(59,797)
Operating cash-flow before working capital changes:		2,095,643	2,110,643
(Increase) / decrease in accounts receivable and other current assets	5,7	(1,392,979)	71,327
(Increase) / decrease in inventories	6	(1,051,744)	49,650
Increase / (decrease) in accounts payables and accruals		(5,854)	280,907
Cash provided by operations		(354,934)	2,512,527
Interest income		87,358	54,410
Interest expense		(33,140)	(41,911)
Taxes paid, net		(232,843)	(196,114)
Net cash provided by operating activities		**(533,559)**	**2,328,912**
Cash flows from investing activities			
Purchase of property, plant and equipment		(715,868)	(994,699)
Proceeds on sale of property, plant and equipment		2,108	11,395
Development costs		(73,605)	0
Purchase of investments		(69,000)	(27,036)
Net cash flow used in investing activities		**(856,365)**	**(1,010,340)**
Cash flows from financing activities			
Increase in short term loans	10	920,383	10,629
Purchase of treasury shares	12	0	(278,845)
(Increase) / decrease in loans to employees		(9,389)	425
Increase / (decrease) in long term debt	10	11,125	(315,886)
Payments of capital lease obligations	20	(113,492)	(85,058)
Dividend paid		(784,115)	(596,405)
Net cash flow used in financing activities		**24,512**	**(1,265,140)**
(Decrease) / increase in cash and cash equivalents		**(1,365,412)**	**53,432**
Cash and cash equivalents at beginning of period		**1,840,401**	**1,786,969**
Cash and cash equivalents at end of the period	4	**474,989**	**1,840,401**

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, 2009

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, 2009 were authorized for issue by the Chief Executive Officer (Gábor Zsámboki) on 5th February, 2010.

As of December 31, 2009 – 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 KÖZÉP EURÓPAI RÉSZVÉNY BEFEKTETÉSI ALAP	9.09%	8.83%
AEGON MO. MPT AEGON VAGYONKEZELÉS	8.55%	8.31%
Genesis Emerging Markets Opportunities Fund Limited	6.71%	6.52%
Owners below 5% share		
Domestic Institutional Investors	23.55%	22.89%
Foreign Institutional Investors	1.62%	1.57%
Domestic Individual Investors	9.73%	9.46%
Foreign Individual Investors	0.05%	0.05%
Management, employees	8.39%	8.15%
Treasury shares	0.00%	2.84%
Other	7.53%	7.31%

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 of the Company at December 31, 2009 are as follows:

Subsidiary	Principal Activity	Country of Incorporation	Holding at December 31, 2009	Holding at December 31, 2008	Holding at December 31, 2008 Correction*
Specimen Zrt.	Printing	Hungary	90.00%	90.0%	90.0%
Security Audit Kft.	Consulting	Hungary	72.00%	72.0 %	72.0 %
Gyomai Kner Nyomda Zrt.	Printing	Hungary	98.98%	92.81 %	92.81 %
Technoprogress Kft.	Sales	Hungary	100.0%	0.00%	0.00%
TipoDirect SRL	Printing, Sales	Romania	50.00%	50.0%	50.0%
Direct Services OOD	Printing, Sales	Bulgaria	50.00%	50.0%	50.0%
Slovak Direct SRO	Sales	Slovakia	100.00%	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.

Financial instruments

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity’ investments, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Fair value of financial instruments

The fair values of financial instruments, consisting of cash, receivables, payables, and obligations under debt instruments, are approximated 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.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.
For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.
For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.
For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.
The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.
When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.
With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.
In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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.
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.

The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2009

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- IAS 1 (Revised) Presentation of Financial Statements – a revised presentation (effective for annual periods beginning on or after 1 January 2009)
- IAS 23 (Revised) Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
- IAS 32 (Amendment) Financial Instruments: Presentation and IAS 1 Presentation of Financial statements – Puttable financial instruments and obligations arising on liquidation (effective for annual periods beginning on or after 1 January 2009)
- IFRS 1 (Amendment) First-time adoption of IFRS and IAS 27 (Amendment) Consolidated and Separate Financial Statements – Cost of investment in a subsidiary, jointly-controlled entity or associate (effective for annual periods beginning on or after 1 January 2009)
- IFRS 2 (Amendment) Share-based Payment – Vesting conditions and cancellations (effective for annual periods beginning on or after 1 January 2009)
- IFRS 7 (Amendment) Financial Instruments: Disclosures - Improving disclosures about financial instruments (effective for annual periods beginning on or after 1 January 2009)*
- IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 9 (Amendment) Reassessment of Embedded Derivatives and IAS 39 (Amendment) Financial Instruments: Recognition and Measurement – Embedded derivatives (effective for annual periods ending on or after 30 June 2009)
- IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)
- IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)*
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)*
- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 22 May 2008 (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2009),

The adoption of the above presented Amendments and new Standards and Interpretations had no significant impact on the consolidated financial statements of the Group.

Amendments to IFRSs effective on or after 1 January 2010, not yet adopted

At the balance sheet date of these financial statements, the following Standards and Interpretations were issued but not yet effective:

- IAS 24 (Amendment) Related party disclosures - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after 1 January 2011)*
- IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
- IAS 32 (Amendment) Financial instruments: Presentation – Accounting for rights issues (effective for annual periods beginning on or after 1 February 2010)
- IAS 39 (Amendment) Financial Instruments: Recognition and Measurement – Eligible hedged items (effective for annual periods beginning on or after 1 July 2009)

- IFRS 1 (Amendment) First time adoption of IFRS – Additional exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010)*
- IFRS 2 (Amendment) Share based payment – Group cash-settled share based payment transactions (effective for annual periods beginning on or after 1 January 2010)*
- IFRS 3 (Revised) Business Combinations (effective for annual periods beginning on or after 1 July 2009)
- IFRS 9 Financial instruments (effective for annual periods beginning on or after 1 January 2013)*
- IFRIC 14 (Amendment) The Limit on a defined benefit Asset, Minimum Funding Requirements and their interaction – Prepayments of a minimum funding requirement (effective for annual periods beginning on or after 1 January 2011)*
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective for transfer of assets from customers received on or after 1 July 2009)
- IFRIC 19 Extinguishing Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)*

Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after 1 January 2010*

*Not yet endorsed by the EU.

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the 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 19%, which is effective from 1st January 2010.
- 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. Effects of the changes in consolidation

State Printing House Plc signed a co-operational agreement with the co-owners of both foreign joint ventures (TipoDirect S.R.L. and Direct Services O.O.D. both 50% of shares held by State Printing House Plc.) on 21st December 2008 effective from 1st January 2009. The main two purposes of these cooperational agreements are to increase market share of the Companies and to create the circumstances of an effective and profitable operation in the present economic situation. According to the co-operational agreements, the operation, the financial and operational policies and rules of both foreign companies are controlled and governed by State Printing House Plc. As the above mentioned agreements meet the relevant criteria of International Financial Reporting Standards (IFRS 3), State Printing House Plc consolidates TipoDirect S.R.L. and Direct Services O.O.D. as subsidiaries effective from 1st January 2009, with 50% of shares from share equity.

In order to provide comparability, in the 2009 IFRS Consolidated Financial Statements the tables were adjusted by one "FY 2008 adjusted" column, which reports figures of 31st December 2008 as those agreements would have been signed between State Printing House and the co-owners of the two foreign joint ventures effective from 1st January 2008. Accordingly, the figures of the two foreign companies are consolidated by 100% in this column, based on the regulation of IFRS 3 effective in 2009.

The total assets of the Group increased by HUF 253 million (3%) due to the changes in consolidation. HUF 177 million increase can be allocated to the current assets while HUF 76 million to the non-current assets especially to fixed assets. Short term liabilities rose by HUF 118 million on the liability side. Long term liabilities increased by HUF 3 million, while non-controlling interest rose by HUF 131 million.

Group revenue increased by HUF 645 million (4.4%) due to the changes in consolidation, while operational profit increased by HUF 41 million while after tax profit rose by HUF 37 million. EBITDA climbed up by HUF 48 million due to the changes. New group structure has neither effect on the net profit, nor on the EPS.

Effects of the changes in consolidation on the Statement of Financial Position as at December 31, 2009

In HUF thousands:	Notes	FY 2009	FY 2008	FY 2008 adjusted*
Current assets				
Cash and bank	4	474,989	1,840,401	1,902,982
Accounts receivable	5	2,893,254	1,748,050	1,825,391
Inventory	6	1,902,441	835,085	862,640
Other current assets and prepayments (without current tax receivable)	7	178,980	97,327	105,817
Current tax receivable	7	291,395	57,609	57,925
Total current assets		**5,741,059**	**4,578,472**	**4,754,755**
Non-current assets				
Property, plant and equipment	8	2,911,368	2,864,592	2,940,449
Investments		62	64	64
Goodwill		58,778	12,123	12,123
Intangibles		57,111	9,262	9,262
Deferred tax assets		0	7,900	7,900
Other assets		14,311	4,922	5,151
Total non-current assets		**3,041,630**	**2,898,863**	**2,974,949**
Total assets		**8,782,689**	**7,477,335**	**7,729,704**
Current liabilities				
Trade accounts payables		1,548,156	1,095,886	1,180,094
Short term part of lease liabilities	20	98,960	140,093	140,093
Other payables and accruals (without current tax liabilities)	9	399,872	543,529	558,219
Current tax liabilities	9	115,939	400,917	409,459
Short term debt	10	931,125	10,742	21,486
Total current liabilities		**3,094,052**	**2,191,167**	**2,309,351**
Long term liabilities				
Deferred tax liability	17	348,047	227,945	227,945
Long term part of lease liabilities	17	127,450	229,351	229,351
Long term debt	10	11,402	822	1,644
Other long term liabilities		8,996	8,451	11,131
Total long term liabilities		**495,895**	**466,569**	**470,071**
Shareholders' equity				
Share capital	11	1,449,876	1,449,876	1,449,876
Capital reserve		250,686	250,686	250,686
Retained earnings	13	3,758,259	3,487,534	3,487,534
Treasury shares	12	(436,975)	(436,975)	(436,975)
Non controlling interest		170,896	68,478	199,161
Total shareholders' equity		**5,192,742**	**4,819,599**	**4,950,282**
Total liabilities and shareholders' equity		**8,782,689**	**7,477,335**	**7,729,704**

*** 31st December 2008 figures, based on the assumption that TipoDirect S.R.L. and Direct Services O.O.D. are consolidated at 100%.**

Effects of the changes in consolidation on the Statement of Comprehensive Income as at December 31, 2009

In HUF thousands:	Notes	FY 2009	FY 2008	FY 2008 adjusted*
Net sales	14	14,007,440	14,620,024	15,265,252
Cost of sales		(9,459,902)	(9,454,773)	(9,958,528)
Gross profit		**4,547,538**	**5,165,251**	**5,306,724**
Selling general and administration		(3,081,942)	(3,382,854)	(3,476,077)
Gain on sale of fixed assets		1,099	11,037	11,037
Foreign currency losses		(45,345)	1,003	(4,508)
Other expense	15	(90,481)	(220,190)	(221,758)
Operating income	16	**1,330,869**	**1,574,247**	**1,615,418**
Interest income / (expense), net		49,104	19,735	20,053
Income before tax and minority interest		**1,379,973**	**1,593,982**	**1,635,471**
Deferred tax expense	17	(128,002)	(43,791)	(43,791)
Income tax expense	17	(152,657)	(222,887)	(227,243)
Profit after tax		**1,099,314**	**1,327,304**	**1,364,437**
Other comprehensive income for the year		0	0	0
Total comprehensive income for the year		**1,099,314**	**1,327,304**	**1,364,437**
Profit attributable to				
Owners of the Company		***1,054,840***	***1,318,323***	***1,318,323***
Non controlling interests		(44,474)	(8,981)	(46,114)
Earnings per share (EPS):				
Basic (HUF per share)	18	**73**	**91**	**91**
Fully diluted (HUF per share)	18	**73**	**91**	**91**

*** 31st December 2008 figures, based on the assumption that TipoDirect S.R.L. and Direct Services O.O.D. are consolidated at 100%.**

Effects of the changes in consolidation on the Cash-Flow as at December 31, 2009

In HUF thousands:	Notes	FY 2009	FY 2008	FY 2008 adjusted*
Cash flows from operating activities				
Profit before tax and non-controlling interest		1,379,973	1,593,982	1,635,473
of which foreign currency gain/(loss)		*(45,345)*	*1,003*	*(4,508)*
Depreciation cost of fixed assets	8	668,083	603,770	625,269
Amortization cost of intangibles		5,247	5,247	5,247
Changes in provisions		(8,255)	(53,625)	(53,625)
Gain on sale of property, plant and equipment		(1,099)	(11,037)	(11,037)
Non controlling interest changes (subsidiary dividend)		(6,833)	(7,959)	(7,959)
Non controlling interest changes (joint ventures turned into subsidiaries)		107,631	0	93,550
Interest expense		33,087	40,062	41,055
Interest income		(82,191)	(59,797)	(61,108)
Operating cash-flow before working capital changes:		2,095,643	2,110,643	2,266,865
(Increase) / decrease in accounts receivable and other current assets	5,7	(1,392,979)	71,327	(14,311)
(Increase) / decrease in inventories	6	(1,051,744)	49,650	22,095
Increase / (decrease) in accounts payables and accruals		(5,854)	280,907	388,348
Cash provided by operations		(354,934)	2,512,527	2,662,997
Interest income		87,358	54,410	55,528
Interest expense		(33,140)	(41,911)	(42,904)
Taxes paid, net		(232,843)	(196,114)	(200,786)
Net cash provided by operating activities		**(533,559)**	**2,328,912**	**2,474,835**
Cash flows from investing activities				
Purchase of property, plant and equipment		(715,868)	(994,699)	(1,092,103)
Proceeds on sale of property, plant and equipment		2,108	11,395	11,447
Development costs		(73,605)	0	0
Purchase of investments		(69,000)	(27,036)	(27,036)
Net cash flow used in investing activities		**(856,365)**	**(1,010,340)**	**(1,107,692)**
Cash flows from financing activities				
Increase in short term loans	10	920,383	10,629	21,371
Purchase of treasury shares	12	0	(278,845)	(278,845)
(Increase) / decrease in loans to employees		(9,389)	425	196
Increase / (decrease) in long term debt	10	11,125	(315,886)	(312,384)
Payments of capital lease obligations	20	(113,492)	(85,058)	(85,058)
Dividend paid		(784,115)	(596,405)	(596,405)
Net cash flow used in financing activities		**24,512**	**(1,265,140)**	**(1,251,125)**
(Decrease) / increase in cash and cash equivalents		**(1,365,412)**	**53,432**	**116,018**
Cash and cash equivalents at beginning of period		**1,840,401**	**1,786,969**	**1,786,969**
Cash and cash equivalents at end of the period	4	**474,989**	**1,840,401**	**1,902,987**

*** 31st December 2008 figures, based on the assumption that TipoDirect S.R.L. and Direct Services O.O.D. are consolidated at 100%.**

4. Cash and cash equivalents

	December 31, 2009	December 31, 2008	December 31, 2008 adjusted*
Cash and cash equivalents	474,989	1,840,401	1,902,982
Bank overdraft	931,125	10,742	21,486
Total cash and cash equivalents netted by bank overdrafts:	**(456,136)**	**1,829,659**	**1,881,496**

5. Accounts receivables

	December 31, 2009	December 31, 2008	December 31, 2008 adjusted*
Trade receivables	2,944,079	1,802,042	1,879,383
Provision for doubtful debts	*(50,825)*	*(53,992)*	*(53,992)*
Total:	**2,893,254**	**1,748,050**	**1,825,391**

*** 31st December 2008 figures, based on the assumption that TipoDirect S.R.L. and Direct Services O.O.D. are consolidated at 100%.**

The carrying value of trade receivables approximates fair value. Not due debts represent more than 90% out of the parent company's trade receivables, which represent 81% of total trade receivables.

All amounts in HUF thousands unless if otherwise indicated.

6. Inventories

	December 31, 2009	December 31, 2008	December 31, 2008 adjusted*
Raw materials	1,650,496	501,545	518,961
Goods	58,195	150,632	160,771
Work in progress	148,287	141,953	141,953
Finished goods	134,464	125,480	125,480
Cumulated loss in value for inventories	(89,001)	(84,525)	(84,525)
Total:	**1,902,441**	**835,085**	**862,640**

*** 31st December 2008 figures, based on the assumption that TipoDirect S.R.L. and Direct Services O.O.D. are consolidated at 100%.**

Inventories totalled HUF 1,902 million, which is a HUF 1,067 million (128%) growth compared to the 31 December 2008 figure. The raw material purchase at the end of the year caused the significant growth of inventories. This purchase is a part of a transaction in the frame of which State Printing House Plc purchased the blank document inventories owned by the Buyer at the end of 2009 and from 2010 the Company will ensure adequate material inventory for the Buyer based on State Printing House's own production timing and consumption forecasts. Most of these inventories are expected to be used up by Q3 2010.

7. Other current assets and prepayments

	December 31, 2009	December 31, 2008	December 31, 2008 adjusted*
VAT receivable	163,196	38,282	38,282
Corporate income tax receivable	93,693	13,508	13,824
Other taxes receivable	34,506	5,819	5,819
Total current tax receivables	**291,395**	**57,609**	**57,925**
Employee loans	5,973	4,372	4,954
Advances paid	15,004	3,090	5,331
Other receivables	78,600	39,155	44,057
Prepayments	79,403	50,710	51,475
Total:	**178,980**	**97,327**	**105,817**

*** 31st December 2008 figures, based on the assumption that TipoDirect S.R.L. and Direct Services O.O.D. are consolidated at 100%.**

All amounts in HUF thousands unless if otherwise indicated.

8. Property, Plant and Equipment (PP&E)

	Land and buildings	Machinery and equipment	Property rights	Vehicles and other	Capital projects	Total
Cost:						
January 1, 2008	**312,823**	**6,258,302**	**10,771**	**991,016**	**29,940**	**7,602,852**
Additions	56,037	1,208,761	-	106,215	1,391,796	**2,762,809**
Disposals and transfers	-	(113,174)	-	(10,110)	(1,371,013)	**(1,494,297)**
December 31, 2008	**368,860**	**7,353,889**	**10,771**	**1,087,121**	**50,723**	**8,871,364**
January 1, 2009	**368,860**	**7,353,889**	**10,771**	**1,087,121**	**50,723**	**8,871,364**
Additions	56,558	556,679	-	81,256	699,137	**1,393,630**
Disposals and transfers	-	(82,056)	-	(11,368)	(694,493)	**(787,917)**
December 31, 2009	**425,418**	**7,828,512**	**10,771**	**1,157,009**	**55,367**	**9,477,077**
Accumulated depreciation:						
January 1, 2008	**45,688**	**4,572,485**	**10,771**	**741,069**	**-**	**5,370,013**
Charge for year	12,635	512,177	-	100,457	-	**625,269**
Disposals	-	(55,712)	-	(8,655)	-	**(64,367)**
December 31, 2008	**58,323**	**5,028,950**	**10,771**	**832,871**	**-**	**5,930,915**
January 1, 2009	**58,323**	**5,028,950**	**10,771**	**832,871**	**-**	**5,930,915**
Charge for year	17,310	562,051	-	88,722	-	**668,083**
Disposals	-	(23,539)	-	(9,750)	-	**(33,289)**
December 31, 2009	**75,633**	**5,567,462**	**10,771**	**911,843**	**-**	**6,565,709**
Net book value:						
January 1, 2008	**267,135**	**1,685,817**	**-**	**249,947**	**29,940**	**2,232,839**
December 31, 2008	**310,537**	**2,324,939**	**-**	**254,250**	**50,723**	**2,940,449**
December 31, 2009	**349,785**	**2,261,050**	**-**	**245,166**	**55,367**	**2,911,368**

*** 31st December 2008 figures, based on the assumption that TipoDirect S.R.L. and Direct Services O.O.D. are consolidated at 100%.**

Fair value of the PP&E exceeds book value, therefore no impairment loss was calculated.

All amounts in HUF thousands unless if otherwise indicated.

9. Other payables and accruals

	December 31, 2009	December 31, 2008	December 31, 2008 adjusted*
VAT	85,593	301,713	308,391
Personal income tax	9,417	71,788	72,309
Other taxes	20,929	27,416	28,759
Total current tax liabilities	**115,939**	**400,917**	**409,459**
Wages	69,340	73,989	75,209
Social security	91,268	100,095	102,408
Advance payments from customers	13,534	6,521	7,037
Dividend liability	0	2,970	2,970
Other short term liabilities	40,573	12,234	19,222
Accrued management bonuses	42,192	232,093	232,093
Accruals of EU subsidy	44,970	67,920	67,920
Other accruals	97,995	47,707	51,360
Other payables and accruals	**399,872**	**543,529**	**558,219**

*** 31st December 2008 figures, based on the assumption that TipoDirect S.R.L. and Direct Services O.O.D. are consolidated at 100%.**

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 VAT content of the capital project financed by the government subsidy was reclaimed in 2009. The Company won a research and development subsidy in value of HUF 67 million in 2009, out of which HUF 27 million has been used till the end of the period. The release of accrued income is in proportion with the depreciation charged. The Company has fulfilled all its obligations connected to the subsidies in 2009.

10. Loans and borrowings

	December 31, 2009	December 31, 2008	December 31, 2008 adjusted*
Bank overdraft of parent company	918,217	0	0
Bank overdraft of subsidiaries, limit: 90 000 EUR	12,908	10,742	21,486
Total bank overdraft	**931,125**	**10,742**	**21,486**
Long term loan of subsidiary	11,402	822	1,644
Total investment loans and borrowings	**11,402**	**822**	**1,644**
Total loans and borrowings:	**942,527**	**11,564**	**23,130**

*** 31st December 2008 figures, based on the assumption that TipoDirect S.R.L. and Direct Services O.O.D. are consolidated at 100%.**

The carrying value of overdrafts and loans approximates fair value.

All amounts in HUF thousands unless if otherwise indicated.

11. Issued Share Capital

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

	December 31, 2009		December 31, 2008	
	Issued	Treasury	Issued	Treasury
Registered shares	1,449,876	41,209	1,449,876	41,209
Employee shares	0	0	0	0
	1,449,876	**41,209**	**1,449,876**	**41,209**

The number of issued shares by the Company is 14,794,650 of which par value is HUF 98 per share.

12. Treasury shares

Number of treasury shares held by the Company at 31st December 2009 is 420,500, which were purchased on an average price of HUF 1,038 per share during the 2007 and 2008 financial year. In 2009 the Company calculated impairment on treasury shares in the statutory financial statement of the parent company prepared according to the Hungarian Accounting Law in value of HUF 56,002 thousands, due to the long term significant share price decrease on the Budapest Stock Exchange. Book value of the treasury shares in the financial statement of the parent company is HUF 906 per share, which was the current share price of the Stock Exchange at the date of preparing the statement of financial position. Impairment of treasury shares did not influence the profit of the Group according to the International Financial Reporting Standards, as the impairment with all of its tax effect was eliminated during consolidation.

13. 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, 2009, the financial statements of State Printing House Plc. not consolidated, prepared in accordance with Hungarian accounting standards indicated total retained earnings of HUF 1,262,049 thousands.

Restricted reserve is not available for distribution based on the Hungarian Accounting Standards. In 2009 the Company transferred HUF 1,189,597 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.

14. Net sales

Sales segments	December 31, 2009	December 31, 2008	December 31, 2008 adjusted*
Security products and solutions	5,138	5,893	5,893
Card production and personalization	3,053	3,782	3,790
Form production and personalization, data	4,315	3,254	3,881
Traditional printing products	1,189	1,373	1,373
Other	312	318	328
Total net sales	**14,007**	**14,620**	**15,265**

*** 31st December 2008 figures, based on the assumption that TipoDirect S.R.L. and Direct Services O.O.D. are consolidated at 100%.**

15. Other incomes and expenditures

Other incomes and expenditures	December 31, 2009	December 31, 2008	December 31, 2008 adjusted*
EU subsidy dissolved	22,950	22,950	22,950
Reversed loss in value for trade receivables	25,380	45,751	45,751
Reversed loss in value for inventories	12,731	34,451	34,451
Allowances received	1,606	676	676
VAT reclaim of EU subsidy	26,304	-	-
Other	70,238	29,077	29,988
Total other incomes	***159,209***	***132,905***	***133,816***
Local operational tax	155,727	180,949	180,992
Loss in value for inventories	27,580	80,386	80,386
Loss in value for trade receivables	22,213	42,207	42,207
Allowances given	7,474	6,985	7,120
Other	36,696	42,568	44,869
Total other expenditures	***249,690***	***353,095***	***355,574***
Total	**(90,481)**	**(220,190)**	**(221,758)**

*** 31st December 2008 figures, based on the assumption that TipoDirect S.R.L. and Direct Services O.O.D. are consolidated at 100%.**

16. Operating income

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

	Notes	December 31, 2009	December 31, 2008	December 31, 2008 adjusted*
Net sales	12	14,007,440	14,620,024	15,265,253
			,	
Changes in inventory and own performance		77,770	29,960	29,960
Material cost		(8,613,886)	(8,598,018)	(9,111,074)
Staff cost		(3,332,398)	(3,660,553)	(3,722,976)
Depreciation		(673,330)	(609,017)	(630,516)
Gain on sale of fixed assets		1,099	11,037	11,037
Foreign currency losses		(45,345)	1,003	(4,508)
Other expense		(90,481)	(220,190)	(221,758)
Operating income		**1,330,869**	**1,574,247**	**1,615,418**

*** 31st December 2008 figures, based on the assumption that TipoDirect S.R.L. and Direct Services O.O.D. are consolidated at 100%.**

The average number of employees of the Group during 2009 was 817 (2008: 795, adjusted number for 2008: 824).

All amounts in HUF thousands unless if otherwise indicated.

17. Taxation

	December 31, 2009	December 31, 2008
Current year corporate income tax	161,617	222,887
Change in deferred tax liability	119,042	43,791
Total tax expense	**280,659**	**266,678**

	December 31, 2009	December 31, 2008
Opening deferred tax liability	227,945	176,254
Deferred tax liability due to development reserve	145,430	85,600
Release of deferred tax due to use of development reserve	(55,978)	(29,808)
Deferred tax on accounting and tax depreciation difference of assets not connected to development reserve	33,901	(6,610)
Deferred tax arising from treasury shares valuation	8,960	0
Deferred tax on residual value of financial lease assets	(1,694)	(2,509)
Closing deferred tax liability	**358,564**	**227,945**
	December 31, 2009	**December 31, 2008**
Opening deferred tax assets	7,900	-
Deferred tax asset on write-off for bad debts	2,481	7,176
Deferred tax asset on provisions	136	724
Closing deferred tax assets	**10,517**	**7,900**
	December 31, 2009	**December 31, 2008**
Opening deferred tax liability net	**220,045**	**176,254**
Closing deferred tax liability net	**348,047**	**220,045**

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 2009 and 2008 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 2009.

State Printing House Plc. and its subsidiaries are subject to periodic audits by the Hungarian Tax

All amounts in HUF thousands unless if otherwise indicated.

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, 2009	December 31, 2008
Profit before tax and non-controlling interest	1,379,973	1,593,982
Tax at statutory rate of 16% [1]	220,796	255,037
Deferred tax	(128,002)	(43,791)
Other permanent differences (net)	59,863	11,641
Corporate income tax expense	**152,657**	**222,887**

Based on the corporate tax regulations effective from 1st January 2010 in Hungary the corporate tax rate rose from 16% to 19%, while "extra profit tax" of 4% ceased. The tax rate change influenced the balance of deferred tax liability of the Company as it is shown below:

	December 31, 2009
Base of deferred tax liability	1,831,826
Calculated deferred tax liability on 19% tax rate	348,047
Calculated deferred tax liability on 16% tax rate	293,092
Change of deferred tax liability arising from tax rate change	**54,955**

18. 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, 2009	December 31, 2008
Weighted average shares outstanding for:	14,374,150	14,561,681
Net income used in the calculation	1,054,840	1,318,323
Basic and diluted earnings per share:		
Basic (HUF per share)	73	91
Fully diluted (HUF per share)	73	91

[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.

19. Contingent liabilities

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

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

The Company leases and rents various facilities and properties under non-cancellable arrangements expiring in 2025. These contracts contain indexation clauses based on a percentage of inflation in Hungary. Future lease and rental payments under these non-cancellable operating agreements as of December 31, 2009 are as follows:

Periods	**Amounts in EUR**
2010	756,312
2011	771,438
2012	786,867
2013	802,604
2014	818,656
Later years	10,161,237
Total minimum payments	14,097,114

20. 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, 2009 was HUF 639,433 thousands. Short term and long term financial lease principal liabilities are as follows:

Financial lease liabilities	**FY 2009 in HUF thousands**	**FY 2008 in HUF thousands**
Short term part	98,960	140,093
Long term part	127,450	229,351
Total	**226,410**	**369,444**

The fair value of the leased assets approximates book value.

21. Related party transactions

Related party transactions	FY 2009 in HUF thousands	FY 2008 in HUF thousands	FY 2008 in HUF thousands adjusted*
Balance of intercompany receivables eliminated	471,072	214,881	265,018
Balance of intercompany liabilities eliminated	473,080	215,679	265,817
Balance of intercompany revenues eliminated	434,531	515,257	598,801
Balance of intercompany expenditures eliminated	431,939	515,710	599,253

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.

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

HUF 9,912 thousands remuneration was paid to the Supervisory Board, while HUF 14,439 thousands to the Board of Directors in 2009.

23. Risk management

<u>Foreign currency risk</u>
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, 2009	December 31, 2008
Foreign currency assets	EUR	1,622,653	517,527
	USD	233	1,024
	GPB	36	36
	SKK	0	184,939
	PLN	5,420	23,590
Total (in HUF thousands)		**439,891**	**140,354**
Foreign currency liabilities	EUR	514,042	588,440
	CHF	19,534	57,182
	USD	0	2,550
	GBP	1,841	315
Total (in HUF thousands)		**143,343**	**166,538**
Impact of a possible 10% foreign exchange rate decrease in each foreign currency (in HUF thousands)		**December 31, 2009**	**December 31, 2008**
Impact on foreign currency assets		(43,989)	(14,035)
Impact on foreign currency liabilities		14,334	16,654
Total impact of possible FX rate change		**(29,655)**	**2,619**

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

The fair value of the financial instruments approximates the book value.

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 9,425 thousands in the year 2010. (This was HUF 116 thousands in the year 2009.)

Liquidity risk

Liquidity risk of the Group, due to 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 2009	In 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total:
Trade payables*	1,161,274	311,174	75,708	0	-	**1,548,156**
Lease liabilities	8,284	16,547	74,130	127,449	-	**226,410**
Credits	-	-	931,125	11,402	-	**942,527**
Other liabilities and accruals (without taxes)	312,249	64,673	22,950	-	-	**399,872**
Current tax liabilities	112,068	-	3,331	-	-	**115,939**
Total	**1,594,415**	**392,394**	**1,107,244**	**138,851**	**-**	**3,232,904**

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**
Other liabilities and accruals (without taxes)	518,745	4,506	20,278	-	-	**543,529**
Current tax liabilities	394,320	-	6,597	-	-	**400,917**
Total	**1,758,026**	**274,466**	**158,675**	**229,351**	**-**	**2,420,518**

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: 1.76%. (This was 3.00% in 2008.)

24. Significant events after the reporting period

No event was occurred at the Company after the reporting period, which could influence the financial statements significantly.

All amounts in HUF thousands unless if otherwise indicated.

25. Indices

Indicators (% or HUF thousands)		2009	2008	Change	Change %
A	Current assets	5,741,059	4,578,472	1,162,587	25.39%
B	Inventories	1,902,441	835,085	1,067,356	127.81%
C	Owners' equity	5,192,742	4,819,599	373,143	7.74%
D	Short term debts	3,094,052	2,191,167	902,885	41.21%
E	Total Assets / Liabilities	8,782,689	7,477,335	1,305,354	17.46%
F	Sales revenues	14,007,440	14,620,024	(612,584)	-4.19%
G	Interest expense	33,087	40,062	(6,975)	-17.41%
H	Operating Income	1,330,869	1,574,247	(243,378)	-15.46%
I	Profit attributable to owners of the Company	1,054,840	1,318,323	(263,483)	-19.99%
Liquidity ratios:					
Liquidity ratio: (A / D)		1.86	2.09	(0.23)	
Quick ratio: ((A - B) / D)		1.24	1.71	(0.47)	
Gearing ratios:					
Debts over Equity ratio ((E - C) / E)		40.88%	35.54%	5.34%	
Interest cover (H / G)		40.22	39.30	0.92	
Profitability ratios:					
Return on Sales: ROS (I / F)		7.53%	9.02%	-1.49%	
Return on Equity: ROE (I / C)		20.31%	27.35%	-7.04%	
Return on Assets: ROA (I / E)		12.01%	17.63%	-5.62%	

26. Effect of the global financial crisis

The global financial crisis influenced the sales and the profit of the Company in 2009. The decrease of the net sales of the high added value segments like security documents and solutions, card manufacturing and personalization contributed mostly to the significant decrease of the profit for the year. The lower net sales of these two segments are the consequence of the significantly lower volumes of products connected to the car industry and the much lower solvent demand. In spite of these the Company could maintain its profitability, due to the strict cost management policy.

At the same time we paid extra attention to maintaining the security level and human resources needed for the operation and for the international audits this year. We also continue the developments which are essential in achieving the long term strategic goals, and which contribute to the profitable operation of the Company in the future.