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# ANY Security Printing Company Public Limited Company by Shares

## Independent Auditors' Report and Consolidated Financial Statements

## for the year ended December 31, 2016

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# ANY Security Printing Company Public Limited Company by Shares

## Audited Consolidated Financial Statements

## December 31, 2016

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Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

*Translation of the Hungarian original*

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ANY Biztonsági Nyomda Nyrt.

## *Opinion*

We have audited the consolidated financial statements of ANY Biztonsági Nyomda Nyrt. and its subsidiaries (the „Group") for the year 2016 which comprise the consolidated statement of financial position as at December 31, 2016 - which shows a total assets of thHUF 15,373,582 -, and the related consolidated statement of comprehensive income - which shows a comprehensive income for the year attributable to the Shareholders of thHUF 1,202,475 -, consolidated statement of changes in Shareholders' equity and consolidated statement of cash flows for the year then ended and consolidated notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the ANY Biztonsági Nyomda Nyrt. and its subsidiaries as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## *Basis for the opinion*

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the effective Hungarian laws and other regulations on audits. Our responsibilities under these standards are further described in the "The auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in compliance with the Hungarian ethical requirements pertaining to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements.

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

## *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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| Key audit matter | Related audit procedures |
|---|---|
| **Valuation of goodwill** | |
| (See Sections 2 and 3 of the Notes to the Consolidated Financial Statements for the details)<br><br>The Group performed several acquisitions in prior years and as a result of these acquisitions a net amount of thHUF 335,009 goodwill has been recorded in its consolidated statement of financial position.<br><br>As required by the applicable accounting standards, management conducts regular impairment tests (at least annually or more often if required) to assess whether there is a need to record impairment with respect to the goodwill.<br><br>The Group applies the discounted cash-flow method to determine the recoverable amounts in the impairment tests. This method is based on several material assumptions and the professional judgement of management (e.g. discount rates applied, growth rates, cost levels, future risk costs, fx rates, etc).<br><br>They also examine during the evaluation that the carrying value of the goodwill permanently and significantly exceed their recoverable amount.<br><br>Based on the significance of the above described circumstances the valuation of goodwill was identified as a key audit matter. | During our audit procedures regarding the valuation of goodwill we focused on the testing of the appropriateness of the assumptions applied by management. We performed the following procedures:<br><br>- Evaluating whether the model used by management complies with the requirements of Accounting Act,<br><br>- Validating the assumptions used to calculate the discount rates and growth rates,<br><br>- Analyzing the future projected cash flows used in the model to determine whether they are reasonable and supportable given the expected future performance of given goodwill,<br><br>- Comparing the projected cash flows and growth rates, against historical performance to test the accuracy of management's projections.<br><br>We also evaluated the appropriate application of the relevant accounting standards and disclosures. |

***Other information***

Other information comprises the information included in the consolidated business report of ANY Biztonsági Nyomda Nyrt. and its subsidiaries for 2016, which we obtained prior to the date of this auditor's report, and the management summary as part of the annual report, which is expected to be made available to us after that date, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information and for the preparation of the consolidated business report in accordance with the relevant provisions of the Act C of 2000 on Accounting (hereinafter: "the Accounting Act") and other regulations. Our opinion on the consolidated financial statements provided in the section of our report entitled "Opinion" does not apply to the other information.

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Our responsibility in connection with our audit of the consolidated financial statements is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the consolidated business report also include reviewing the consolidated business report to assess whether the consolidated business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the consolidated business report complies with the requirements of Section 95/B (2) e) and f) of the Accounting Act. Furthermore, in accordance with the Accounting Act we shall make a statement whether the information referred to in Section 95/B (2) a)-d), g) and h) has been provided in the consolidated business report.

In our opinion, the consolidated business report of ANY Biztonsági Nyomda Nyrt. and its subsidiaries for 2016 corresponds to the consolidated financial statements of ANY Biztonsági Nyomda Nyrt. and its subsidiaries for 2016 and the consolidated business report was prepared in accordance with the provisions of the Accounting Act. The information referred to in Section 95/B (2) a)-d), g) and h) of the Accounting Act has been provided.

As the Group is not subject to additional requirements under any other regulation in connection with the consolidated business report, our opinion on the consolidated business report does not include an opinion under Section 156 (5) h) of the Accounting Act.

In addition to the above, based on the information obtained about the Group and its environment, we must report on whether we became aware of any material misstatements in the other information that we obtained prior to the date of this auditor's report and, if so, on the nature of such material misstatements. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

***The auditor's responsibilities for the audit of the consolidated financial statements***

Our objectives during the audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Hungarian National Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they are considered material if, individually or in the aggregate, they

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could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Hungarian National Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the Group's internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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The engagement partners on the audit resulting in this independent auditor's report are the signatories of the report.

Budapest, March 6, 2017

*The original Hungarian version has been signed.*

Tamás Horváth
on behalf of Deloitte Auditing and Consulting Ltd.
and as a statutory registered auditor

Deloitte Auditing and Consulting Ltd.
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Registration number of statutory registered auditor: 003449

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# FÜGGETLEN KÖNYVVIZSGÁLÓI JELENTÉS

Az ANY Biztonsági Nyomda Nyrt. részvényeseinek

***Vélemény***

Elvégeztük az ANY Biztonsági Nyomda Nyrt. és leányvállalatai (a „Csoport") 2016. évi konszolidált pénzügyi kimutatásainak könyvvizsgálatát, amely konszolidált pénzügyi kimutatások a 2016. december 31-i fordulónapra készített konszolidált mérlegből – melyben a mérlegfőösszeg 15.373.582 E Ft -, az ezen időponttal végződő üzleti évre vonatkozó konszolidált átfogó eredménykimutatásból – melyben a részvényesekre jutó tárgyévi nettó eredmény 1.202.475 E Ft nyereség –, konszolidált saját tőke változás kimutatásból és konszolidált cash flow-kimutatásból, valamint a számviteli politika jelentős elemeinek összefoglalását is tartalmazó konszolidált jegyzetekből állnak.

Véleményünk szerint a mellékelt konszolidált pénzügyi kimutatások megbízható és valós képet adnak az ANY Biztonsági Nyomda Nyrt. és leányvállalatai 2016. december 31-én fennálló vagyoni és pénzügyi helyzetéről, valamint az ezen időponttal végződő üzleti évre vonatkozó jövedelmi helyzetéről és cash-flow-iról az Európai Unió által elfogadott Nemzetközi Pénzügyi Beszámolási Standardokban foglaltakkal összhangban.

***A vélemény alapja***

Könyvvizsgálatunkat a Magyar Nemzeti Könyvvizsgálati Standardokkal összhangban és a könyvvizsgálatra vonatkozó – Magyarországon hatályos – törvények és egyéb jogszabályok alapján hajtottuk végre. Ezen standardok értelmében fennálló felelősségünk bővebb leírását jelentésünk „A könyvvizsgáló konszolidált pénzügyi kimutatások könyvvizsgálatáért való felelőssége" szakasza tartalmazza.

A konszolidált pénzügyi kimutatások általunk végzett könyvvizsgálatára vonatkozó, Magyarországon hatályos etikai követelményeknek megfelelve, függetlenek vagyunk a Csoporttól, és ugyanezen etikai követelményekkel összhangban eleget tettünk egyéb etikai felelősségeinknek is.

Meggyőződésünk, hogy az általunk megszerzett könyvvizsgálati bizonyíték elegendő és megfelelő alapot nyújt véleményünkhöz.

***Kulcsfontosságú könyvvizsgálati kérdések***

A kulcsfontosságú könyvvizsgálati kérdések azok a kérdések, amelyek szakmai megítélésünk szerint a legjelentősebbek voltak a tárgyidőszaki konszolidált pénzügyi kimutatások általunk végzett könyvvizsgálata során. Ezeket a kérdéseket a konszolidált pénzügyi kimutatások egésze általunk végzett könyvvizsgálatának összefüggésében és az arra vonatkozó véleményünk kialakítása során vizsgáltuk, és ezekről a kérdésekről nem bocsátunk ki külön véleményt.

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| Kulcsfontosságú könyvvizsgálati területek | Kapcsolódó könyvvizsgálati eljárások |
|---|---|
| **Goodwill értékelése** | |
| (Részletek a jegyzetek a konszolidált pénzügyi kimutatásokhoz 2. és 8. pontjában)<br><br>A Csoport a korábbi években és tárgyévben akvizíciókat hajtott végre, melyek eredményeként a konszolidált mérlegben 335.009 eFt értékben mutat ki goodwill-t.<br><br>Ahogy azt a vonatkozó számviteli standardok előírják, a menedzsment rendszeresen (legalább évente, vagy szükség esetén gyakrabban) értékvesztés-tesztet készít abból a célból, hogy megvizsgálja, hogy szükség van-e a goodwill tekintetében értékvesztés elszámolására.<br><br>Az értékvesztés teszt során, a megtérülő értékek meghatározására a Csoport a diszkontált cash-flow módszert alkalmazza. Ezen módszer számos feltételezésen és a menedzsment szakmai megítélésén alapulnak (ilyen feltételezések pl. az alkalmazott diszkont-ráták, növekedési ütemek, költségszintek, várható kockázati költségek, devizaárfolyamok stb.).<br><br>Az értékelés során azt is vizsgálják, hogy a goodwill könyv szerinti értéke tartósan és jelentősen meghaladja-e annak várható megtérülési értékét.<br><br>A fentiekre tekintettel a goodwill értékelését és a felvásárlások elszámolását és a nettó eszközök felvásárlása során meglévő valós értékelését kulcsfontosságú könyvvizsgálati területnek tekintettük. | A goodwill értékelés teszttel kapcsolatos könyvvizsgálati eljárásaink során a menedzsment által alkalmazott feltételezések megfelelősségének vizsgálatára fókuszáltunk. Az alábbi eljárásokat végeztünk el:<br><br>- vizsgáltuk, hogy a menedzsment által alkalmazott modell megfelel-e a Számviteli törvénynek,<br><br>- validáltuk a feltételezéshez használt diszkont- és növekedési rátákat,<br><br>- elemeztük a modellben alkalmazott előrejelzéseket annak megállapítására, hogy azok ésszerűek és alátámaszthatóak az adott goodwill jövőbeli teljesítményére,<br><br>- a várható pénzáramokat és növekedési rátákat összehasonlítottuk a tény adatokkal, hogy teszteljük a menedzsment előrejelzéseinek pontosságát.<br><br>Vizsgáltuk a releváns számviteli standardok megfelelő alkalmazását, a megfelelő számviteli elszámolásokat és közzétételeket. |

***Egyéb információk***

Az egyéb információk az ANY Biztonsági Nyomda Nyrt. és leányvállalatai 2016. évi konszolidált üzleti jelentéséből állnak, amelyet a könyvvizsgálói jelentés dátuma előtt megszereztünk, valamint az éves jelentés részét képező vezetőségi jelentésből állnak, amelyet várhatóan a könyvvizsgálói jelentés dátuma után bocsátanak rendelkezésünkre, de nem tartalmazzák a konszolidált pénzügyi kimutatásokat és az arra vonatkozó könyvvizsgálói jelentésünket. A vezetés felelős az egyéb információkért, továbbá a konszolidált üzleti jelentésnek a számvitelről szóló 2000. évi C. törvény (a továbbiakban: „számviteli törvény"), illetve egyéb más jogszabály vonatkozó előírásaival összhangban történő elkészítéséért. A jelentésünk

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„Vélemény" szakaszában a konszolidált pénzügyi kimutatásokra adott véleményünk nem vonatkozik az egyéb információkra.

A konszolidált pénzügyi kimutatások általunk végzett könyvvizsgálatával kapcsolatban a mi felelősségünk a fent azonosított egyéb információk átolvasása és ennek során annak mérlegelése, hogy az egyéb információk lényegesen ellentmondanak-e a konszolidált pénzügyi kimutatásoknak vagy a könyvvizsgálat során szerzett ismereteinknek, vagy egyébként úgy tűnik-e, hogy azok lényeges hibás állítást tartalmaznak.

A konszolidált üzleti jelentéssel kapcsolatban, a számviteli törvény alapján a mi felelősségünk továbbá a konszolidált üzleti jelentés átolvasása során annak a megítélése, hogy a konszolidált üzleti jelentés a számviteli törvény, illetve, ha van, egyéb más jogszabály vonatkozó előírásaival összhangban készült-e, beleértve, hogy a konszolidált üzleti jelentés megfelel-e a számviteli törvény 95./B. § (2) bekezdés e) és f) pontjában foglalt követelményeknek. A számviteli törvény alapján nyilatkoznunk kell továbbá arról, hogy a konszolidált üzleti jelentésben rendelkezésre bocsátották-e a számviteli törvény 95./B. § (2) bekezdés a)-d), és g) pontjában meghatározott információkat.

Véleményünk szerint az ANY Biztonsági Nyomda Nyrt. és leányvállalatai 2016. évi konszolidált üzleti jelentése összhangban van az ANY Biztonsági Nyomda Nyrt. és leányvállalatai 2016. évi konszolidált pénzügyi kimutatásaival és a konszolidált üzleti jelentés a számviteli törvény előírásaival összhangban készült. A konszolidált üzleti jelentésben rendelkezésre bocsátották a számviteli törvény 95./B. § (2) bekezdés a)-d), és g) pontjában meghatározott információkat.

Mivel egyéb más jogszabály a Csoport számára nem ír elő a konszolidált üzleti jelentésre vonatkozó további követelményeket, ezért ezzel kapcsolatban a konszolidált üzleti jelentésre vonatkozó véleményünk nem tartalmaz a számviteli törvény 156. § (5) bekezdésének h) pontjában előírt véleményt.

A fentieken túl a Csoportról és annak környezetéről megszerzett ismereteink alapján jelentést kell tennünk arról, hogy a tudomásunkra jutott-e bármely lényegesnek tekinthető hibás közlés (lényeges hibás állítás) a jelen könyvvizsgálói jelentés dátuma előtt megszerzett egyéb információkban, és ha igen, akkor a szóban forgó hibás közlés (hibás állítás) milyen jellegű. Ebben a tekintetben nincs jelenteni valónk.

Amikor átolvassuk az éves jelentés részét képező vezetőségi jelentést, ha arra a következtetésre jutunk, hogy az lényeges hibás állítást tartalmaz, kötelességünk az adott kérdést kommunikálni az irányítással megbízott személyek felé.

***A vezetés és az irányítással megbízott személyek felelőssége a konszolidált pénzügyi kimutatásokért***

A vezetés felelős a konszolidált pénzügyi kimutatásoknak az Európai Unió által elfogadott Nemzetközi Pénzügyi Beszámolási Standardokkal összhangban történő és a valós bemutatás követelményének megfelelő elkészítéséért, valamint az olyan belső kontrollért, amelyet a vezetés szükségesnek tart ahhoz, hogy lehetővé váljon az akár csalásból, akár hibából eredő lényeges hibás állítástól mentes konszolidált pénzügyi kimutatások elkészítése.

A konszolidált pénzügyi kimutatások elkészítése során a vezetés felelős azért, hogy felmérje a Csoportnak a vállalkozás folytatására való képességét és az adott helyzetnek megfelelően közzétegye a vállalkozás folytatásával kapcsolatos információkat, valamint a vezetés felel a vállalkozás folytatásának elvén alapuló számvitel konszolidált pénzügyi kimutatásokban való alkalmazásáért, azt az esetet kivéve, ha a vezetésnek szándékában áll megszüntetni a Csoportot vagy beszüntetni az üzletszerű tevékenységet, vagy amikor ezen kívül nem áll előtte más reális lehetőség.

Az irányítással megbízott személyek felelősek a Csoport pénzügyi beszámolási folyamatának felügyeletéért.

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*A könyvvizsgáló konszolidált pénzügyi kimutatások könyvvizsgálatáért való felelőssége*

A könyvvizsgálat során célunk kellő bizonyosságot szerezni arról, hogy a konszolidált pénzügyi kimutatások egésze nem tartalmaz akár csalásból, akár hibából eredő lényeges hibás állítást, valamint az, hogy ennek alapján a véleményünket tartalmazó független könyvvizsgálói jelentést bocsássunk ki. A kellő bizonyosság magas fokú bizonyosság, de nem garancia arra, hogy a Magyar Nemzeti Könyvvizsgálati Standardokkal összhangban elvégzett könyvvizsgálat mindig feltárja az egyébként létező lényeges hibás állítást. A hibás állítások eredhetnek csalásból vagy hibából, és lényegesnek minősülnek, ha ésszerű lehet az a várakozás, hogy ezek önmagukban vagy együttesen befolyásolhatják a felhasználók adott konszolidált pénzügyi kimutatások alapján meghozott gazdasági döntéseit.

Egy, a Magyar Nemzeti Könyvvizsgálati Standardokkal összhangban elvégzésre kerülő könyvvizsgálatnak a részeként szakmai megítélést alkalmazunk, és szakmai szkepticizmust tartunk fenn a könyvvizsgálat egésze során. Emellett:

- Azonosítjuk és felbecsüljük a konszolidált pénzügyi kimutatások akár csalásból, akár hibából eredő lényeges hibás állításainak kockázatait, az ezen kockázatok kezelésére alkalmas könyvvizsgálati eljárásokat alakítunk ki és hajtunk végre, valamint véleményünk megalapozásához elegendő és megfelelő könyvvizsgálati bizonyítékot szerzünk. A csalásból eredő lényeges hibás állítás fel nem tárásának kockázata nagyobb, mint a hibából eredőé, mivel a csalás magában foglalhat összejátszást, hamisítást, szándékos kihagyásokat, téves nyilatkozatokat, vagy a belső kontroll felülírását.

- Megismerjük a könyvvizsgálat szempontjából releváns belső kontrollt annak érdekében, hogy olyan könyvvizsgálati eljárásokat tervezzünk meg, amelyek az adott körülmények között megfelelőek, de nem azért, hogy a Csoport belső kontrolljának hatékonyságára vonatkozóan véleményt nyilvánítsunk.

- Értékeljük a vezetés által alkalmazott számviteli politika megfelelőségét és a vezetés által készített számviteli becslések és kapcsolódó közzétételek ésszerűségét.

- Következtetést vonunk le arról, hogy helyénvaló-e a vezetés részéről a vállalkozás folytatásának elvén alapuló számvitel alkalmazása, valamint a megszerzett könyvvizsgálati bizonyíték alapján arról, hogy fennáll-e lényeges bizonytalanság olyan eseményekkel vagy feltételekkel kapcsolatban, amelyek jelentős kétséget vethetnek fel a Csoport vállalkozás folytatására való képességét illetően. Amennyiben azt a következtetést vonjuk le, hogy lényeges bizonytalanság áll fenn, független könyvvizsgálói jelentésünkben fel kell hívnunk a figyelmet a konszolidált pénzügyi kimutatásokban lévő kapcsolódó közzétételekre, vagy ha a közzétételek e tekintetben nem megfelelőek, minősítenünk kell véleményünket. Következtetéseink a független könyvvizsgálói jelentésünk dátumáig megszerzett könyvvizsgálati bizonyítékon alapulnak. Jövőbeli események vagy feltételek azonban okozhatják azt, hogy a Csoport nem tudja a vállalkozást folytatni.

- Értékeljük a konszolidált pénzügyi kimutatások átfogó prezentálását, felépítését és tartalmát, beleértve a konszolidált jegyzetekben tett közzétételeket, valamint értékeljük azt is, hogy a konszolidált pénzügyi kimutatásokban teljesül-e az alapul szolgáló ügyletek és események valós bemutatása.

- A konszolidált pénzügyi kimutatásokra vonatkozó vélemény nyilvánításához elegendő és megfelelő könyvvizsgálati bizonyítékot szerzünk a Csoporton belüli gazdálkodó egységek vagy üzleti tevékenységek pénzügyi információiról. Felelősek vagyunk a csoportaudit irányításáért, felügyeletéért és elvégzéséért. Továbbra is kizárólagos felelősséggel tartozunk a könyvvizsgálói véleményünkért.

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Kommunikáljuk az irányítással megbízott személyek felé - egyéb kérdések mellett - a könyvvizsgálat tervezett hatókörét és ütemezését, a könyvvizsgálat jelentős megállapításait, beleértve a Csoport által alkalmazott belső kontrollnak a könyvvizsgálatunk során általunk azonosított jelentős hiányosságait is.

Nyilatkozunk az irányítással megbízott személyeknek arról, hogy megfelelünk a függetlenségre vonatkozó releváns etikai követelményeknek, és kommunikáljuk feléjük mindazon kapcsolatokat és egyéb kérdéseket, amelyekről ésszerűen feltételezhető, hogy befolyásolják a függetlenségünket, valamint adott esetben a kapcsolódó biztosítékokat.

Az irányítással megbízott személyek felé kommunikált kérdések közül meghatározzuk azokat a kérdéseket, amelyek a tárgyidőszaki konszolidált pénzügyi kimutatások könyvvizsgálata során a legjelentősebb kérdések, és ennélfogva a kulcsfontosságú könyvvizsgálati kérdések voltak. Könyvvizsgálói jelentésünkben ismertetjük ezeket a kérdéseket, kivéve, ha jogszabály vagy szabályozás kizárja az adott kérdés nyilvános közzétételét, vagy ha - rendkívül ritka körülmények között - azt állapítjuk meg, hogy egy adott kérdést a könyvvizsgálói jelentésben nem lehet kommunikálnunk, mert ésszerű várakozások alapján annak hátrányos következményei súlyosabbak lennének, mint a kommunikáció közérdekű hasznai.

A jelen független könyvvizsgálói jelentést eredményező könyvvizsgálat megbízásért felelős partnerének a jelentés aláírója minősül.

Budapest, 2017. március 6.

..............................................................

Horváth Tamás
A Deloitte Könyvvizsgáló és Tanácsadó Kft. képviseletében
illetve mint kamarai tag könyvvizsgáló

Deloitte Könyvvizsgáló és Tanácsadó Kft.
1068 Budapest Dózsa György út 84/C.
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Kamarai tag könyvvizsgálói tagszám: 003449

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## Consolidated Statement of Financial Position as at December 31, 2016 and December 31, 2015

| In HUF thousands: | Notes | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and bank | 3 | 865,496 | 814,876 |
| Accounts receivables | 4 | 3,445,270 | 2,992,385 |
| Inventories | 5 | 2,143,714 | 2,028,222 |
| Other current assets and prepayments (without current tax receivable) | 6 | 1,121,160 | 1,168,025 |
| Current tax receivables | 6 | 178,147 | 235,455 |
| **Total current assets** | | **7,753,787** | **7,238,963** |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7 | 7,229,706 | 3,757,640 |
| Goodwill | 8 | 335,009 | 335,009 |
| Intangibles | 9 | 50,066 | 80,434 |
| Other assets | | 5,014 | 8,726 |
| **Total non-current assets** | | **7,619,795** | **4,181,809** |
| | | | |
| **Total assets** | | **15,373,582** | **11,420,772** |
| | | | |
| **Current liabilities** | | | |
| Trade accounts payables | | 2,467,331 | 2,878,441 |
| Short term part of lease liabilities | 22 | 264,267 | 105,631 |
| Other payables and accruals (without current tax liabilities) | 10 | 965,991 | 709,122 |
| Current tax liabilities | 10 | 692,962 | 340,519 |
| Short term loans | 11 | 1,035,947 | 83 |
| **Total current liabilities** | | **5,426,498** | **4,033,796** |
| | | | |
| **Long term liabilities** | | | |
| Deferred tax liability | 18 | 302,121 | 243,289 |
| Long term part of lease liabilities | 22 | 515,231 | 207,850 |
| Long term loans | 11 | 1,632,839 | - |
| Other long term liabilities | | 122,448 | 43,763 |
| **Total long term liabilities** | | **2,572,639** | **494,902** |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | 12 | 1,449,876 | 1,449,876 |
| Capital reserve | 14 | 250,686 | 250,686 |
| Retained earnings | 14 | 5,004,574 | 4,763,751 |
| Treasury shares | 13 | (455,048) | (455,048) |
| **Total owners' equity** | | **6,250,088** | **6,009,265** |
| Non controlling interest | 14 | 1,124,357 | 882,809 |
| **Total shareholders' equity** | | **7,374,445** | **6,892,074** |
| | | | |
| **Total liabilities and shareholders' equity** | | **15,373,582** | **11,420,772** |

**The Supplementary Notes are inseparable parts of the consolidated financial statements.**

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## Consolidated Statement of Comprehensive Income as at December 31, 2016 and December 31, 2015

| In HUF thousands: | Notes | FY 2016 | FY 2015 |
|---|---|---|---|
| | | | |
| Net sales | 15 | 24,911,120 | 21,366,017 |
| Cost of sales | 17 | (17,219,214) | (15,135,453) |
| | | | |
| **Gross profit** | | **7,691,906** | **6,230,564** |
| | | | |
| Selling general and administration | 17 | (5,276,526) | (4,604,737) |
| Gain on sale of fixed assets | | 8,087 | 18,829 |
| Foreign currency (loss) / gain | | 10,700 | (10,508) |
| Other expense, net | 16 | (464,805) | (268,576) |
| | | | |
| **Operating income** | | **1,969,362** | **1,365,572** |
| | | | |
| Interest income | | 15,862 | 12,232 |
| Interest expense | | (118,862) | (23,075) |
| | | | |
| **Profit before tax and non-controlling interest** | | **1,866,362** | **1,354,729** |
| | | | |
| Deferred tax income / (expense) | 18 | (58,058) | 4,846 |
| Income tax expense | 18 | (212,832) | (141,174) |
| | | | |
| **Profit after tax** | | **1,595,472** | **1,218,401** |
| | | | |
| Other comprehensive income for the year | 19 | (10,383) | 48,095 |
| | | | |
| **Total comprehensive income for the year** | | **1,585,089** | **1,266,496** |
| | | | |
| *Profit attributable to* | | | |
| ***Shareholders of the Company*** | | ***1,202,475*** | ***931,702*** |
| *Non controlling interests* | | *382,614* | *334,794* |
| | | | |
| **Earnings per share (EPS):** | | | |
| Basic (HUF per share) | 20 | **84** | **65** |
| Fully diluted (HUF per share) | 20 | **84** | **65** |
| | | | |
| Dividend per share paid (DPS) | | **67** | **75** |

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## Consolidated Statement of Changes in Shareholders' Equity as at December 31, 2016 and December 31, 2015

| | Issued Capital | Capital Reserve | Retained Earnings | Treasury Shares | Non controlling Interest | Total |
|---|---|---|---|---|---|---|
| | | | | | | |
| **January 1, 2015** | **1,449,876** | **250,686** | **4,912,058** | **(455,048)** | **680,527** | **6,838,099** |
| Dividend paid (after FY 2014) | - | - | (1,080,009) | - | - | (1,080,009) |
| Dividend paid to minority shareholders (after FY 2014 income) | - | - | - | - | (128,087) | (128,087) |
| FX difference to dividend paid to minority shareholders | - | - | - | - | 791 | 791 |
| FX difference to equity to non-controlling interests | - | - | - | - | (5,216) | (5,216) |
| Total comprehensive income attributable to non-controlling interests | - | - | - | - | 334,794 | 334,794 |
| Total comprehensive income attributable to owners of the Company | - | - | 931,702 | - | - | 931,702 |
| **December 31, 2015** | **1,449,876** | **250,686** | **4,763,751** | **(455 048)** | **882,809** | **6,892,074** |
| | | | | | | |
| Dividend paid (after FY 2015) | - | - | (961,652) | - | - | (961,652) |
| Dividend paid to minority shareholders (after FY 2015 income) | - | - | - | - | (127,374) | (127,374) |
| FX difference to dividend paid to minority shareholders | - | - | - | - | (546) | (546) |
| FX difference to equity to non-controlling interests | - | - | - | - | (13,146) | (13,146) |
| Total comprehensive income attributable to non-controlling interests | - | - | - | - | 382,614 | 382,614 |
| Total comprehensive income attributable to owners of the Company | - | - | 1,202,475 | - | - | 1,202,475 |
| **December 31, 2016** | **1 449 876** | **250 686** | **5,004,574** | **(455 048)** | **1,124,357** | **7,374,445** |

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## Consolidated Statement of Cash-flow as at December 31, 2016 and December 31, 2015

| In HUF thousands: | Notes | FY 2016 | FY 2015 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax and non-controlling interest | | 1,866,362 | 1,354,729 |
| *of which foreign currency (loss) / gain* | | *10,700* | *(10,508)* |
| IFRS effect of negatives goodwill | | (126,104) | - |
| Depreciation cost of fixed assets | 7 | 977,325 | 891,629 |
| Amortization cost of intangibles | 9 | 30,368 | 19,493 |
| Foreign exchange differences on the line of the other comprehensive income | | (9,609) | 1,192 |
| Changes in provisions | | 75,539 | (2,838) |
| Gain on sale of property, plant and equipment | | (8,087) | (18,829) |
| Interest expense | | 118,862 | 23,075 |
| Interest income | | (15,862) | (12,232) |
| **Operating cash-flow before working capital changes:** | | **2,908,794** | **2,256,219** |
| Changes in accounts receivable and other current assets | 4,6 | (239,764) | (700,995) |
| Changes in inventories | 5 | (219,747) | (462,397) |
| Changes in accounts payables and accruals | 10 | 198,955 | 496,091 |
| **Cash provided by operations** | | **2,648,238** | **1,588,918** |
| Interest income | | (119,617) | (22,320) |
| Interest expense | | 14,792 | 3,795 |
| Taxes paid, net | 18 | (267,038) | (119,785) |
| **Net cash provided by operating activities** | | **2,276,375** | **1,450,608** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (4,429,207) | (1,319,673) |
| Proceeds on sale of property, plant and equipment | | 89,053 | 32,990 |
| Development costs | 9 | 0 | (59,317) |
| **Net cash flow used in investing activities** | | **(4,340,154)** | **(1,346,000)** |
| **Cash flows from financing activities** | | | |
| Non controlling interest changes | | (141,066) | (132,512) |
| *of which dividend paid to minority shareholders* | | *(127,374)* | *(128,087)* |
| *of which FX diff. to dividend of minority shareholders* | | *(546)* | *791* |
| *of which FX diff. to equity of non-controlling interests* | | *(13,146)* | *(5,216)* |
| Changes in short term loans | 11 | 1,035,864 | (45,370) |
| Purchase of treasury shares | 13 | - | - |
| Changes in loans to employees | | 3,712 | 4,960 |
| Changes in long term debt | 11 | 1,711,524 | - |
| Changes of capital lease obligations | 22 | 466,017 | 311,464 |
| Dividend paid | | (961,652) | (1,080,009) |
| **Net cash flow used in financing activities** | | **2,114,399** | **(941,467)** |
| **Changes in cash and cash equivalents** | | **50,620** | **(836,859)** |
| **Cash and cash equivalents at beginning of period** | | **814,876** | **1,651,735** |
| **Cash and cash equivalents at end of the period** | 3 | **865,496** | **814,876** |

**The Supplementary Notes are inseparable parts of the consolidated financial statements.**

**All amounts in HUF thousands unless otherwise indicated.**

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## Supplementary Notes to the Consolidated Financial Statements Dec. 31, 2015

### 1 General

ANY Security Printing Company Public Limited Company by Shares (ANY 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.

As of December 31, 2016 – 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 (%) | Ownership (%) |
|---|---|---|
| ***Owners above 5% share*** | | |
| EG CAPITAL LLC(*) | 11.98% | 11.62% |
| DIGITAL FOREST LLC(**) | 6.97% | 6.76% |
| AEGON ALFA SZÁRMAZTATOTT ALAP | 7.43% | 7.20% |
| ***Owners below 5% share*** | | |
| Domestic Institutional Investors | 26.92% | 26.11% |
| Foreign Institutional Investors | 20.42% | 19.79% |
| Foreign Individual Investors | 0.32% | 0.32% |
| Domestic Individual Investors | 22.37% | 21.69% |
| Management, employees | 3.17% | 3.07% |
| Treasury shares | 0.00% | 3.03% |
| Other | 0.42% | 0.41% |

(*) The Chairman of the Board of Directors of ANY Security Printing Company PLC as owner of EG Capital LLC has a further indirect ownership through Fortunarum Kft.
(**) Based on the AGM of March 31, 2014 the Tamás Erdős has been elected as a member of the Board of Directors of ANY Security Printing Company PLC has indirect ownership.

ANY PLC 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.

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The consolidated subsidiaries of the Company at December 31, 2015 are as follows:

| Name of the Company | Equity | Share of ownership | Voting right [1] | Classification [2] |
|---|---|---|---|---|
| Gyomai Kner Nyomda Zrt. | HUF 200,000,000 | 98.98% | 98.98% | L |
| Specimen Zrt.**** | HUF 100,000,000 | 100.00% | 100.00% | L |
| ANYpay Fizetési Megoldások Zrt.***** | HUF 50,000,000 | 100.00% | 100.00% | L |
| Techno-progress Kft. | HUF 5,000,000 | 100.00% | 100.00% | L |
| ANY Ingatlanhasznosító Kft. ******* | HUF 3,000,000 | 100.00% | 100.00% | L |
| Zipper Services SRL****** | RON 476,200 | 50.00% | 50.00% | L* |
| Tipo Direct Serv SRL*** | 30.308 MDL | 50.00% | 50.00% | L |
| Zipper Data SRL** | 1,584,110 RON | 50.00% | 50.00% | L* |
| Direct Services OOD | BGN 570,000 | 50.00% | 50.00% | L* |
| Slovak Direct SRO | SKK 1,927,000 | 100.00% | 100.00% | L |

[1] Voting rights that entitle the holder to participate in decision making at the general meeting of the company included in consolidation.

[2] Fully controlled subsidiaries (L); Joint ventures (K); Associated undertakings (T)

(*) Classification as subsidiary is the result of the co-operational agreement signed by the co-owner of the Company.

(**) Zipper Data SRL is the member of consolidation circle since 1st February, 2011. The name of the company changed from GPV Mail Services SRL to Zipper Data SRL in October 2011.

(***) 100 per cent subsidiary of Zipper Services SRL, it has been consolidated since 1st January, 2011,

(****) Specimen Zrt. has been 100% owned subsidiary of ANY Security Printing Company Plc. since 1st June 2013.

(*****) 100 per cent subsidiary of Specimen Zrt, it has been consolidated since 21th November, 2013

(******) The name of the company changed from Tipo Direct SRL to Zipper Services SRL in 17th June, 2014

(*******)ANY Ingatlanhasznosító Kft has been 100% owned subsidiary of ANY Security Printing Company Plc. since 3rd March 2016

Romanian Zipper Data S.R.L. was merged into also Romanian Zipper Services S.R.L. on 31st December 2016.

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## 2 Significant accounting policies

### Basis of preparation

The accounting records of ANY Security Printing Plc. and the Hungarian subsidiaries are compiled according to accounting principles generally accepted in Hungary ("HAS"), while accounting records of foreign subsidiaries are compiled according to accounting principles generally accepted in their own countries, though in order for preparing the consolidated financial statements consolidation packages are compiled according to 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").

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies are set out below.

Financial Statements are prepared based on the assumption of going concern of the activity of the Group in the foreseeable future.

### Basis of consolidation

The consolidated financial statements include the financial statements of ANY PLC and its subsidiaries after elimination of all 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 to 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 than 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

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the net book value of the CGU's other assets, in proportion of the book value of the assets. The goodwill impairment loss once accounted cannot 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 goodwill impairment calculation is based upon companies' budgets containing more financial years. Present value of net sales and earnings before interest, tax and depreciation are calculated to the date of year end, using the companies' expected net sales and earnings before interest, tax and depreciation ratio as a discount factor. Thus enterprise values are calculated by using the enterprise value based on the market share price effective on the date of preparing the financial statements and net sales ratio and by using the enterprise value based on the market share price effective on the date of preparing the financial statements and earnings before interest, tax and depreciation ratio of ANY Security Printing Company Plc as a listed company operating in the same sector, which are assessed by the Group in proportion of the ownership regarding the proportional equity and accounted goodwill of the given subsidiary.

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. Statement of cash-flow is prepared based upon the indirect cash-flow method.

**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 purchased inventories cost comprises purchase price, possible additional customs, delivery costs, non-refundable taxes and any other costs related to acquiring the inventory. 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

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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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

**Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with infinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Amortization is provided at rates between 16.7% and 33% per year.

An item of intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of intangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**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.

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**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.

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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**

The Group shows in the investments the amount of parent company's investments in their subsidiaries which has been eliminated in the process of capital consolidation. Other investments different from previous ones 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.

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**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.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is separated into five different product segment by the Group. The management considers these product segments strategically important. These segments are monitored and these are the basis of evaluating the performance. However, classification of turnover by product segments do not mean that these products can be produced in a clearly separable way in terms of assets and liabilities. According to this preparation of segment reporting under IFRS 8 is not possible.

**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). (Dividend realized within the Group will be eliminated during consolidation.)

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 lessee**

Assets held under finance leases are initially recognised as assets of the Group (with similar rights and liabilities as the assets owned by the Group) at their fair value at the inception of the lease, and they are amortised during their economic useful life. The present value of the minimum lease payment is lower than their fair value they are recognized at that.

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. Fixed assets mean the cover in Group's leasing transactions.

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### Provisions

The Group is involved in a low number of ongoing legal disputes. Based upon historical experience and expert reports, the Group assesses the developments in these cases, and the likelihood and the amount of potential financial losses which are appropriately provided for. The Group recognises provision in case when:

- an entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

### Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

### Government grants

The Group applies for government grants in order to purchase assets or to finance R+D activities. In both cases government grants are accounted and accrued as other revenue, then accrued revenue is reversed in proportion of the accounted depreciation of the asset purchased or of the R+D capitalised.

### 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. From the foreign subsidiaries of the Group TipoDirect S.R.L. and Zipper Data S.R.L. keep their books in Romanian Lei, Tipo Direct SERV S.R.L. in Moldavian Lei, Direct Services O.O.D. in Bulgarian Leva, while Slovak Direct S.R.O. keeps its books in EURO. The balances of foreign currency assets and liabilities of the foreign subsidiaries of the Group are retranslated at the relevant MNB (National Bank of Hungary) foreign exchange rate in the consolidated financial statements in the

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parent company's functional currency (HUF). The details of the conversion have been presented in table 26 Risk Management.

***Initial application of new amendments to the existing Standards and Interpretation effective for the current reporting period***

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016).

  On 18 December 2014 the International Accounting Standards Board issued amendments to International Financial Reporting Standard (IFRS) 10 Consolidated Financial Statements, International Financial Reporting Standard (IFRS) 12 and International Accounting Standard (IAS) 28 Investments in Associates and Joint Ventures. The amendments introduce clarifications to the requirements when accounting for investment entities.

  The adoption of the above presented Amendments had no significant impact on the financial statements.

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016).

  The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

  The adoption of the above presented Amendment had no significant impact on the financial statements.

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),

  The amendments aim to improve the effectiveness of disclosure and to encourage companies to apply professional judgement in determining what information to disclose in their financial statements when applying IAS 1.

  The adoption of the above presented Amendment had no significant impact on the financial statements.

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),

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**All amounts in HUF thousands unless otherwise indicated.**

The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The adoption of the above presented Amendments had no significant impact on the financial statements.

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Agriculture: Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),

  The Amendments change the financial reporting for bearer plants. The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

  The adoption of the above presented Amendments had no significant impact on the financial statements.

- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),

  The amendments aim to simplify and clarify the accounting for employee or third party contributions linked to defined benefit plans.

  The adoption of the above presented Amendments would have no impact on the financial statements.

- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016).

  The amendments allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

  The adoption of the above presented Amendment had no significant impact on the financial statements.

- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),

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- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Group's financial statements.

***Amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective***

At the date of authorisation of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018),

  On 24 July 2014 the International Accounting Standards Board issued IFRS 9 Financial instruments, as a replacement of IAS 39 Financial instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The version of IFRS 9 issued in 2014 supersedes all previous versions. IFRS 9 does not replace the requirements for portfolio fair value hedge accounting for interest rate risk (often referred to as the 'macro hedge accounting' requirements) since this phase of the project was separated from the IFRS 9 project due to the longer term nature of the macro hedging project.

  The application of IFRS 9 might have significant impact on the group financial statement, the Group will analyse the impact after the adoption of the standard by EU.

- **IFRS 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018),

  IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments). IFRS 15 replaces the previous revenue Standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition.

  The adoption of the above presented new Standard would have no significant impact on the financial statements.

***New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU***

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at [date of publication of financial statements] (the effective dates stated below is for IFRS in full):

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- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

  On 30 January 2014 the International Accounting Standards Board issued IFRS 14 Regulatory Deferral Accounts, with the objective to specify the financial reporting requirements for "regulatory deferral account balances" that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. IFRS 14 is designed as a limited scope Standard to provide an interim, short-term solution for rateregulated entities that have not yet adopted International Financial Reporting Standards (IFRS).

  The adoption of the above presented new Standard would have no impact on the financial statements.

- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),

  The International Accounting Standards Board (IASB) issued IFRS 16 Leases in January 2016. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor')

  At its October 2015, the IASB decided to require an entity to apply the new Leases Standard for annual periods beginning on or after 1 January 2019 and to permit early application if the entity also applies IFRS 15 Revenue from Contracts with Customers at or before the date of early application.

  The aim of the standard is to ensure that assets and liabilities arising under leases are recognised in the statement of the financial position.

  IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. (IFRIC 4)

  The adoption of the above presented new Standard would have no impact on the financial statements

- **Amendments to IFRS 2 "Share-based payment"** - Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016, effective for annual periods beginning on or after 1 January 2018).

  The amendments provide requirements on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

  The adoption of the above presented Amendment would have no significant impact on the financial statements.

- **Amendments to IFRS 4 "Insurance contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016, effective for annual periods beginning on or after 1 January 2018).

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The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach");
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach").

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

The adoption of the above presented Amendment would have no significant impact on the financial statements.

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded),

  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business.

  The adoption of the above presented Amendments would have no significant impact on the financial statements.

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),

  The objective of this project is to clarify the guidance in IFRS 15 in respect of issues arising from the discussions of the Transition Resource Group for Revenue Recognition (TRG).
  The discussions of the TRG highlighted potential diversity in stakeholders' understanding of some topics in IFRS 15.

  Those topics have been referred to the IASBfor further consideration. The Board discussed the specific issues arising from the TRG discussions on those topics, and the IASB issued amendments in order to clarify the requirements in IFRS 15.

  The adoption of the above presented Amendment would have no significant impact on the financial statements.

- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),

  Disclosure Initiative issued by IASB on 29 January 2016. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes

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The adoption of the above presented Amendments would have no significant impact on the financial statements.

- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

  The International Accounting Standards Board (the Board) issued amendments to IAS 12 Income Taxes at 19 January 2016. The amendments, Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value.

  IAS 12 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments issued clarify the requirements on recognition of deferred tax assets for unrealised losses to address diversity in practice.

  Entities are required to apply the amendments for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

  The amendments to the Standard follow on from a recommendation by the International Financial Reporting Interpretations Committee

  The adoption of the above presented Amendments would have no significant impact on the financial statements.

- **Amendments to IAS 40 "Investment property"** - Transfers of Investmenty Property (issued on 8 December 2016, effective for annual periods beginning on or after 1 January 2018).

  The IASB amended the standard to reinforce the principle for transfers into, or out of, investment property in IAS 40 to specify that such a transfer should only be made when there has been a change in use of the property.

  The adoption of the above presented Amendment would have no significant impact on the financial statements.

- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),

- **IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration** (issued on 8 December 2016, effective for annual periods beginning on or after 1 January 2018). The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

  The adoption of the above presented Interpretation would have no significant impact on the financial statements.

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The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities, whose principles have not been adopted by the EU remains unregulated.
According to the Group`s estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"**, would not significantly impact the financial statements, if applied as at the end of the reporting period.

**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 is 9%, which is effective from 1st January 2017.
- The outcome of certain contingent liabilities.
- Zipper Services Srl, Zipper Data Srl. and Direct Services Ood are subsidiaries of the Group although the Group only owns a 50% ownership interest in these companies. Based on the contractual arrangements between the Group and other investors, the Group has the power to appoint and remove the majority of the board of management of these companies that has the power to direct the relevant activities of these companies. Therefore, the management of the Company concluded that the Group has the practical ability to direct the relevant activities of these companies unilaterally and hence the Group has control over these companies.

**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

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## 3 Cash and bank

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | | |
| Cash and cash equivalents | 865,496 | 814,876 |
| **Total cash and cash equivalents:** | **865,496** | **814,876** |

## 4 Accounts receivables

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | | |
| Trade receivables | 3,458,599 | 3,034,430 |
| *Allowance for doubtful debts* | (13,329) | (42,045) |
| **Total:** | **3,445,270** | **2,992,385** |

The carrying value of trade receivables is fair value. Balance of trade debtors is HUF 3,445 million, which is HUF 453 million (15%) higher than at the end of 2015.

Movement of the allowance in doubtful debts is broken down below:

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | | |
| **Balance at the beginning of the year** | **42,045** | **61,978** |
| Impairment losses recognised on receivables | 5,996 | 3,154 |
| Impairment losses reversed | (968) | (6,839) |
| Derecognition of receivables as uncollectable debt | (33,744) | (16,248) |
| **Balance at the end of the year** | **13,329** | **42,045** |

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## 5 Inventories

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Raw materials | 1,310,396 | 1,221,262 |
| Work in progress | 623,156 | 518,542 |
| Finished goods | 436,517 | 411,344 |
| Goods | 41,933 | 41,107 |
| *Cumulated loss in value for inventories* | (268,288) | (164,033) |
| **Total:** | **2,143,714** | **2,028,222** |

The total amount of inventories is HUF 2,144 million, which increased by HUF 115 million (6%) compared to 31 December 2015. The amount of raw materials and consumables increased by HUF 89 million (7%) compared to the prior period, caused by the higher raw material needs of security products. HUF 105 million (20%) increase was in the amount of work-in-progress due to the ongoing production of security products.

## 6 Other current assets and prepayments

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| VAT receivable | 85,905 | 177,847 |
| Corporate income tax receivable | 70,634 | 16,428 |
| Other taxes receivable | 21,608 | 41,180 |
| **Total current tax receivables** | **178,147** | **235,455** |
| Prepayments | 582,283 | 561,713 |
| *Of which: revenue recognized but not invoiced* | *428,806* | *377,663* |
| *Of which: prepaid interest* | *28,631* | *27,561* |
| *Of which: rental fee of softwares* | *31,189* | *23,644* |
| Guarantee receivables | 371,434 | 328,298 |
| Paid VAT of lease fee | 0 | 107,276 |
| Advances paid | 10,094 | 58,612 |
| *Of which: advances paid for PP&E* | *7,591* | *49,344* |
| *Of which: other advances paid* | *2,503* | *9,268* |
| Employee loans | 32,635 | 49,991 |
| Other receivables | 124,714 | 62,135 |
| **Total other current assets and prepayments:** | **1,121,160** | **1,168,025** |
| **Total other current assets, prepayments and tax receivables:** | **1,299,307** | **1,403,480** |

Year-end balance of current tax receivables is HUF 57 million lower than in previous period which caused by the HUF 92 million decrease of VAT receivables, HUF 55 million increase of corporate income tax receivables and the HUF 19 million decrease of other tax receivables.
The significant increase in the amount of prepayments is caused by not invoiced items until preparation of balance sheet at the Romanian subsidiaries. Interest in employees loans are the same for each employee, Hungarian prime rate + 5%.

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## 7 Property, Plant and Equipment

| | Land and buildings | Machinery and equipment | Property rights | Vehicles and other equipments | Capital projects | Total |
|---|---|---|---|---|---|---|
| ***Cost:*** | | | | | | |
| **January 1, 2015** | **696,933** | **10,429,507** | **10,767** | **1,569,549** | **85,562** | **12,792,318** |
| Capitalization | 34,681 | 1,097,657 | - | 98,602 | -1,230,940 | - |
| Additions | - | - | - | - | 1,425,057 | **1,425,057** |
| Disposals and transfers | (1,960) | (384,639) | - | (18,404) | - | **(405,003)** |
| **December 31, 2015** | **729,654** | **11,142,525** | **10,767** | **1,649,747** | **279,679** | **13,812,372** |
| **January 1, 2016** | **729,654** | **11,142,525** | **10,767** | **1,649,747** | **279,679** | **13,812,372** |
| Capitalization | 216,872 | 1,811,731 | - | 281,600 | (2,310,203) | - |
| Additions | 3,636,653 | - | - | - | 2,075,580 | **5,712,233** |
| Disposals and transfers | (78) | (366,998) | - | (13,180) | - | **(380,256)** |
| **December 31, 2016** | **4,583,101** | **12,587,258** | **10,767** | **1,918,167** | **45,056** | **19,144,348** |
| ***Accumulated depreciation:*** | | | | | | |
| **January 1, 2015** | **237,914** | **8,018,496** | **10,767** | **1,198,179** | **-** | **9,465,356** |
| Charge for year | 34,588 | 728,689 | - | 128,352 | - | **891,629** |
| Disposals | (1,508) | (282,532) | - | -18,213 | - | **(302,253)** |
| **December 31, 2015** | **270,994** | **8,464,653** | **10,767** | **1,308,318** | **-** | **10,054,732** |
| **January 1, 2016** | **270,994** | **8,464,653** | **10,767** | **1,308,318** | **-** | **10,054,732** |
| Charge for year | 99,705 | 758,228 | - | 119,392 | - | **977,325** |
| Additions | 969,723 | - | - | - | - | **969,723** |
| Disposals | (5,133) | (76,072) | - | (5,932) | - | **(87,137)** |
| **December 31, 2016** | **1,335,289** | **9,146,809** | **10,767** | **1,421,778** | **-** | **11,914,643** |
| ***Net book value:*** | | | | | | |
| **January 1, 2015** | **459,019** | **2,411,011** | **-** | **371,370** | **85,562** | **3,326,962** |
| **December 31, 2015** | **458,660** | **2,677,872** | **-** | **341,429** | **279,679** | **3,757,640** |
| **December 31, 2016** | **3,247,812** | **3,440,449** | **-** | **496,389** | **45,056** | **7,229,706** |

Fair value of the PP&E exceeds book value, therefore no impairment loss was calculated. Real estates owned by ANY Ingatlanhasznosító Kft. are on the line Additions. UniCredit Bank Zrt. has EUR 6.500.000 mortgage right on the real estates, covering the risk of the loan of ANY Ingatlanhasznosító Kft.

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## 8 Goodwill

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Cost | 335,009 | 335,009 |
| **Goodwill** | **335,009** | **335,009** |

### Cost

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Balance at beginning of year | 335,009 | 335,009 |
| **Balance at end of year** | **335,009** | **335,009** |

### Accumulated impairment losses

At the end of the year the Group examined goodwill's remunerative value and recognized that there was no need to account impairment losses on the goodwill.

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## 9 Intangibles

| | Capitalised research and development costs | Total |
|---|---|---|
| ***Cost:*** | | |
| **January 1, 2015** | **209,844** | **209,844** |
| Additions | 59,317 | 59,317 |
| **December 31, 2015** | **269,161** | **269,161** |
| | | |
| **January 1, 2016** | **269,161** | **269,161** |
| **December 31, 2016** | **269,161** | **269,161** |
| | | |
| ***Accumulated depreciation:*** | | |
| **January 1, 2015** | **169,234** | **169,234** |
| Charge for year | 19,493 | 19,493 |
| **December 31, 2015** | **188,727** | **188,727** |
| | | |
| **January 1, 2016** | **188,727** | **188,727** |
| Charge for year | 30,368 | 30,368 |
| **December 31, 2016** | **219,095** | **219,095** |
| | | |
| ***Net book value:*** | | |
| **January 1, 2015** | **40,610** | **40,610** |
| **December 31, 2015** | **80,434** | **80,434** |
| **December 31, 2016** | **50,066** | **50,066** |

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## 10 Other payables and accruals

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| VAT | 363,866 | 197,203 |
| Personal income tax | 68,852 | 64,487 |
| Other taxes | 260,244 | 78,829 |
| **Total current tax liabilities** | **692,962** | **340,519** |
| | | |
| Accrued management bonuses | 360,527 | 258,365 |
| Other accruals | 256,825 | 170,409 |
| *Of which: grant of PP&E purchase* | *0* | *52,845* |
| *Of which: accrued creditors* | *113,921* | *29,628* |
| Social security | 30,733 | 123,941 |
| Salaries and wages | 185,898 | 108,560 |
| Advance payments from customers | 24,440 | 37,358 |
| Accruals of research and development subsidy | 0 | - |
| Other short term liabilities | 107,568 | 10,489 |
| **Other payables and accruals** | **965,991** | **709,122** |
| | | |
| **Total current tax liabilities, other payables and accruals** | **1,658,953** | **1,049,641** |

Total current tax liabilities, other payables and accruals amounts to HUF 1,659 million, which increased by HUF 609 million (58%) compared to December 31, 2015, due to the higher balance of the current tax liabilities and accruals, liabilities connected to salaries and wages.

## 11 Short term and long term loans

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | | |
| Bank overdraft of the Parent Company | 835,529 | - |
| **Total overdrafts** | **835,529** | **-** |
| Short term part of long term loan of subsidiaries | 197,563 | - |
| Other short term loans of subsidiaries | 2,855 | 83 |
| **Total short term loans and overdrafts** | **1,035,947** | **83** |
| | | |
| Long term loan of subsidiary | 1,632,839 | - |
| **Total investment loans and borrowings** | **1,632,839** | **-** |
| **Total loans and borrowings:** | **2,668,786** | **83** |

The carrying value of loans and overdrafts is fair value. The balance of the Parent Company's bank overdraft at the end of 2016 is HUF 836 million. Amount of the long term loan taken during the purchase of ANY Ingatlanhasznosító Kft., that owns the real-estates was HUF 2,025 million, while HUF 1,827 million was the year-end balance, of which HUF1,630 million was long term part and HUF 197 million was short term part.

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Intercompany loans and their conditions at the balance sheet date were the following:
ANY Plc - Direct Services O.O.D: EUR 30,710, interest rate is based on 3 months EURIBOR
ANY Plc – ANY Ingatlanhasznosító Kft.: 80,000,000 HUF interest rate is based on 1 months BUBOR.
Specimen Zrt. – ANY Plc..: HUF 73,000,000 HUF, interest rate is based on 1 month BUBOR,
Specimen Zrt. – ANYpay Fizetési Megoldások Zrt.: HUF 12,500,000 interest rate is based on 1 month BUBOR,
Zipper Services S.R.L - Tipo Direct Serv S.R.L: EUR 50,000, interest rate is based on 3 months EURIBOR,

## 12 Share capital

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

| | December 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | **Issued** | **Treasury** | **Issued** | **Treasury** |
| **Registered shares** | 1,449,876 | 43,683 | 1,449,876 | 43,683 |
| **Total** | **1,449,876** | **43,683** | **1,449,876** | **43,683** |

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

## 13 Treasury shares

Number of treasury shares held by the Company on 31st December 2016 is 448,842 which were purchased at an average price of HUF 1,014 per share.

## 14 Capital reserve. retained earnings, non-controlling interest

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. On December 31st 2016 the financial statements of ANY PLC not consolidated, prepared in accordance with Hungarian accounting standards indicated total retained earnings of HUF 2,044,747 thousands.

Non-controlling interest is a part of the Shareholders' equity, which belongs to the owners of the subsidiaries other than the parent Company in the proportion of their ownership.

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## 15 Net sales

| Sales segments | 2016 | 2015 |
|---|---|---|
| Security products and solutions | 6,679,876 | 6,138,709 |
| Card production and personalization | 5,937,030 | 4,186,098 |
| Form production and personalization. data processing | 10,715,223 | 9,205,214 |
| Traditional printing products | 1,142,871 | 1,106,365 |
| Other | 436,120 | 729,631 |
| **Total net sales** | **24,911,120** | **21,366,017** |

**Total revenue in 2016 by countries:**

| Revenue by Countries | 2016 | 2015 |
|---|---|---|
| Hungary | 15,682,752 | 13,016,875 |
| Romania | 7,207,817 | 6,130,642 |
| Bulgaria | 1,278,301 | 1,240,047 |
| Africa | 223,747 | 153,693 |
| Slovakia | 212,805 | 223,833 |
| Czech Republic | 109,387 | 396,906 |
| Albania | 46,399 | 44,038 |
| Moldavia | 41,415 | 83,857 |
| Germany | 38,164 | 18,918 |
| Iceland | 18,481 | 17,679 |
| Saint Vincent and Grenadine-islands | 14,104 | 0 |
| Cyprus | 10,021 | 5,425 |
| Austria | 8,032 | 762 |
| Italy | 5,881 | 8,694 |
| Switzerland | 2,935 | 2,033 |
| Poland | 2,778 | 4,138 |
| The Netherlands | 2,294 | 1,554 |
| United Kingdom | 2,218 | 13,547 |
| Finland | 320 | 1,983 |
| Other | 3,26 | 1,39 |
| **Total net sales** | **24,911,120** | **21,366,017** |

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## 16 Other expenses, net

| Other incomes and expenses | 2016 | 2015 |
|---|---|---|
| Derecognition of provision | 137,555 | 237 |
| IFRS effect from ownership purchase of ANY Ingatlanhasznosító Kft. | 126,104 | - |
| Allowances received | 7,957 | 31,125 |
| Reversed loss in value for trade receivables | 4,070 | 6,839 |
| Reversed loss in value for inventories | - | 97,414 |
| Other items | 57,100 | 32,442 |
| ***Total other incomes*** | ***332,786*** | ***168,057*** |
| Loss in value for inventories | 240,122 | 119,768 |
| Building tax, land tax and local income tax | 221,378 | 163,144 |
| Provision raised | 216,971 | - |
| Fines, penalties | 64,489 | 60,733 |
| Loss in value for trade receivables | 1,849 | 3,154 |
| Other items | 52,782 | 89,834 |
| ***Total other expenses*** | ***797,591*** | ***436,633*** |
| **Total** | ***(464,805)*** | ***(268,576)*** |

The customers' and inventories' impairment haven't been occurred in one company so the presentation of current years' impairment and impairment reversal on a net basis is not possible.

## 17 Cost of sales and selling general and administration costs

Breakdown of cost of sales and selling general and administration cost is the following:

| | 2016 (thHUF) | 2015 (thHUF) |
|---|---|---|
| | | |
| Material type expenditures | 16,145,257 | 14,345,229 |
| Personal type expenditures | 5,601,147 | 4,770,317 |
| Depreciation and amortization | 1,007,693 | 911,122 |
| Changes in inventory and own performance | (258,357) | (286,478) |
| **Total cost and expenditures** | **22,495,740** | **19,740,190** |
| | | |
| Cost of sales | 17,219,214 | 15,135,453 |
| Selling general and administration | 5,276,526 | 4,604,737 |
| **Total direct and indirect cost of sales** | **22,495,740** | **19,740,190** |

The average number of employees of the Group during the year was 842 (2015: 805).

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## 18 Taxation

| | December 31, 2016 | December 31, 2015 |
|---|---:|---:|
| Current year corporate income tax | 212,832 | 141,174 |
| Deferred tax (income) / expense | 58,058 | (4,846) |
| **Total tax expense** | **270,890** | **136,301** |

Based on the decision of the Hungarian Parliament, 9% corporate tax rate has to be applied for the Hungarian companies from the calendar year of 2017. In case of the domestic subsidiaries we applied the new 9% corporate tax rate when calculating deferred 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 then do not 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 current year and previous years pre-tax profit and a deferred tax liability has been recognized on the deferred tax effect of the accounting and tax depreciation difference of assets not connected to development reserve. The Company decreased its deferred tax liabilities by the valuation difference for treasury shares based on the Hungarian Accounting Standards.

Tax losses can be carried forward up to the next years offset future taxable profits (until its 50%). 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 in 2016.

ANY PLC and its subsidiaries are subject to periodic audits by the Hungarian Tax Authority (NAV). 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. In 2015 the Parent Company was subject to a comprehensive audit by NAV (National Tax and Customs Administration) for the years 2010, 2011 and 2012 to all kind of taxes. No material misstatement was explored by the Tax Authority.

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| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Opening deferred tax liability | **247,448** | **301,423** |
| Deferred tax liability due to development reserve | (774) | (46,904) |
| Deferred tax on accounting and tax depreciation difference of assets not connected to development reserve | 88,838 | 481 |
| Deferred tax arising from treasury shares valuation | 277 | (7,862) |
| Deferred tax on residual value of financial lease assets | 155 | 310 |
| **Closing deferred tax liability** | **335,944** | **247,448** |
| | **December 31, 2016** | **December 31, 2015** |
| Opening deferred tax assets | **4,159** | **6,385** |
| Deferred tax asset on write-off for bad debts | (3,005) | (2,226) |
| Deferred tax asset on deferred yearly losses | 32,669 | - |
| **Closing deferred tax assets** | **33,823** | **4,159** |
| | **December 31, 2016** | **December 31, 2015** |
| **Opening deferred tax liability net** | **243,289** | **295,038** |
| **Closing deferred tax liability net** | **302,121** | **243,289** |

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

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| **Profit before tax and non-controlling interest** | **1,866,362** | **1,354,729** |
| | | |
| Tax at statutory rate of 10%(*) | 186,636 | 135,473 |
| Other permanent differences (net) | 26,196 | 5,701 |
| | | |
| **Corporate income tax expense** | **212,832** | **141,174** |

* The foreign tax rules were not considered in this calculation. The differences from that method can be find in row of Other permanent differences (net). In this calculation 10% tax rate valid in 2015 has been applied.

## 19 Other comprehensive income for the year

| Other comprehensive income for the year | 31 December, 2016 | 31 December, 2015 |
|---|---|---|
| | | |
| Deferred tax recognized on equity instruments | (774) | 46,903 |
| Revaluation effect of P&L items in other currency than HUF based on IAS 21 | (9,609) | 1,192 |
| **Total other comprehensive income for the year** | **(10,383)** | **48,095** |

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## 20 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: (number of weighted average shares and net income is the same both at 'Basic' and 'Fully diluted' EPS calculation)

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | | |
| Weighted average shares outstanding for: | 14,345,808 | 14,345,808 |
| Net income used in the calculation | 1,202,475 | 931,702 |
| | | |
| Basic and diluted earnings per share: | | |
| Basic (HUF per share) | 84 | 65 |
| Fully diluted (HUF per share) | 84 | 65 |

## 21 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 750 million.

The Company reclassified HUF 659 million to the restricted reserves in 2012, in 2013, in 2014, in 2015 and in 2016 to finance future capital expenditures, which has not been utilised yet. Corporate tax base was decreased by this amount in line with the relevant Hungarian regulations under the condition, that this amount will be spent for capital expenditures in the following six years, otherwise the deducted corporate tax has to be repaid to the Hungarian Tax Authority grossed up with its fines and interests.

## 22 Short term and long term part of lease liabilities

Short term and long term financial lease principal liabilities belong to parent company and foreign subsidiary lease contracts for machineries, of which short term part is HUF 264,267 thousands and long term part is HUF 515,231 thousands, due in the next years.

| Financial lease liabilities (in HUF thousands) | 31 December, 2016 | 31 December, 2015 |
|---|---|---|
| | | |
| Short term part | 264,267 | 105,631 |
| Long term part | 515,231 | 207,850 |
| **Total** | **779,498** | **313,481** |

The book value of the leased assets is fair value. Fixed assets are the cover in Group's leasing transactions.

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## 23 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 5,440 thousands to the Board of Directors in 2016.
The following table presents the beginning and the end of the assignment of the members of the Board of Directors, the members of the Supervisory Board and the senior officers. The number of shares hold in ANY Security Printing Company PLC is also presented as at 31 December 2016.

| Type [1] | Name | Position | Assignment started | Assignment ends | Treasury stock owned (no.)** |
|---|---|---|---|---|---|
| BD | Dr. Ákos Erdős[2] | Chairman of Board of Directors | 1993* | May 31, 2019 | 2,195,253 |
| BD | Gábor Zsámboki | Deputy chairman of Board of Directors** | August 11, 2005* | May 31, 2019 | 143,923 |
| BD | György Gyergyák | Member of Board of Directors | 1994* | May 31, 2019 | 200,000 |
| BD | Péter Kadocsa | Member of Board of Directors | April 30, 2010* | May 31, 2019 | - |
| BD | Tamás Erdős[3] | Member of Board of Directors | May 31, 2014 | May 31, 2019 | 1,000,001 |
| BD | Erwin Fidelis Reisch | Member of Board of Directors | May 31, 2014 | May 31, 2019 | - |
| SB | Dr. Tamás Sárközy | Chairman of Supervisory Board | March 30, 2007* | May 31, 2019 | - |
| SB | Dr. Istvánné Gömöri[4] | Deputy chairman of Supervisory Board | August 11, 2005* | May 31, 2019 | 536,703 |
| SB | Ferenc Berkesi | Member of Supervisory Board | August 11, 2005* | May 31, 2019 | - |
| SB | Dr. Erzsébet Novotny | Member of Supervisory Board | April 30, 2010* | May 31, 2019 | 5,320 |
| SB | Dr. Imre Repa | Member of Supervisory Board | March 30, 2007* | May 31, 2019 | - |
| SB | Dr. János Stumpf | Member of Supervisory Board | April 19, 2011* | May 31, 2019 | - |
| SP | Gábor Zsámboki | Chief Executive Officer | May 1, 2008 | indefinite | *** |
| SP | László Balla | Deputy Chief Executive Officer | May 1, 2008 | indefinite | 30,190 |
| SP | Ferenc Berkesi | Chief Security Officer | 2001 | indefinite | *** |
| SP | Gábor Péter | Chief Information Officer | Dec 1, 2009 | indefinite | 16,194 |
| SP | Dr. Lajos Székelyhídi | Chief Research and Development Officer | 1999 | indefinite | 6,900 |
| SP | Zoltán Tóth | Chief Technical and Production Officer | July 1, 2008 | indefinite | - |
| **Number of shares hold, TOTAL:** | | | | | **4,134,484** |

[1] Employee in a strategic position (SP), Board of Directors member (BD), Supervisory Board member (SB)
[2] Dr. Ákos Erdős controls ANY shares indirectly through EG Capital LLC and Fortunarum Kft.
[3] Tamás Erdős controls ANY shares indirectly through Digital Forest LLC.
[4] Dr. Istvanné Gömöri controls ANY shares indirectly through BELU S.A.R.L.
* Re-elected by the Annual General Meeting held on 31st March, 2014
** Gábor Zsámboki has been the deputy chairman of the Board of Directors since 11th August, 2014.
*** Number of shares shown above

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**All amounts in HUF thousands unless otherwise indicated.**

## 24 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 from 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.

| ANY Group | Currency | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| | | | |
| **Foreign currency receivables** | EUR | 860,464 | 473,046 |
| | USD | - | 1,679 |
| | GBP | - | 561 |
| | BGN | 1,292,170 | 1,462,833 |
| | RON | 31,364,708 | 23,967,533 |
| | MDL | 837,012 | 240,724 |
| | DKK | - | 45,095 |
| | SEK | - | 18,669 |
| **Total (in HUF thousands)** | | **2,633,913** | **2,047,392** |
| | | | |
| **Foreign currency cash** | EUR | 298,788 | 559,442 |
| | USD | 4,579 | 1,679 |
| | GBP | 828 | 561 |
| | BGN | 1,454,527 | 1,185,065 |
| | RON | 6,201,369 | 4,546,075 |
| | MDL | 1,114,804 | 1,081,626 |
| **Total (in HUF thousands)** | | **767,026** | **696,074** |
| | | | |
| **Foreign currency liabilities** | EUR | 1,339,712 | 1,231,478 |
| | CHF | 7,126 | - |
| | BGN | 871,238 | 1,081,232 |
| | RON | 20,275,485 | 16,808,387 |
| | MDL | 540,848 | 189,521 |
| **Total (in HUF thousands)** | | **1,953,369** | **1,727,474** |
| | | | |
| **Impact of a possible 10% foreign exchange rate decrease in each foreign currency (in HUF thousands)** | | **December 31, 2016** | **December 31, 2015** |
| **Impact on foreign currency assets** | | **340,094** | **274,347** |
| **Impact on foreign currency liabilities** | | **(195,337)** | **(172,747)** |
| **Total impact of possible foreign exchange rate change** | | **144 ,757** | **101,600** |

The fair value of the financial instruments approximates the book value. The Group holds no financial assets held to maturity or available for sale.

**All amounts in HUF thousands unless otherwise indicated.**

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From the foreign subsidiaries and joint ventures of the Group Zipper Services S.R.L. and Zipper Data S.R.L. keep their books in Romanian Lei, TipoDirect SERV S.R.L. in Moldavian Lei, Direct Services O.O.D. in Bulgarian Leva, while Slovak Direct S.R.O. keeps its books in EURO. The balances of foreign currency assets and liabilities of the foreign subsidiaries of the Group are retranslated at the relevant national bank foreign exchange rates in the consolidated financial statements. In line with the regulation of IFRS the items of Statement of Financial Position were calculated at year end rate while items of Total Comprehensive Income were calculated at yearly average rate. The difference resulted from using different rates is disclosed in line of other comprehensive income.

Interest rate risk

Due to the moderate level 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 26,688 thousands in the year 2016. (This was HUF 2,079 thousands in the year 2015.)

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash-flows and by matching the maturity profiles of financial assets and liabilities.
Liquidity risk of the Group, due to the high balance of net working capital, is low. The maturity of trade payables, lease liabilities and credits is shown in the next table:

| **ANY Group FY 2016** | **In 1 month** | **1 - 3 months** | **3 months - 1 year** | **1 - 5 years** | **Over 5 years** | **Total:** |
|---|---|---|---|---|---|---|
| Trade payables | 2,347,515 | 84,165 | 33,006 | 2,645 | - | **2,467,331** |
| Lease liabilities | 59,506 | 127,939 | 76,822 | 515,231 | - | **779,498** |
| Credits | - | 51,510 | 984,437 | 1,632,839 | - | **2,668,786** |
| Other liabilities and accruals (without taxes) | 497,953 | 89,036 | 379,002 | - | - | **965,991** |
| Current tax liabilities | 637,274 | 9,809 | 45,879 | - | - | **692,962** |
| **Total** | **3,542,248** | **362,459** | **1,519,146** | **2,150,715** | **-** | **7,574,568** |

| **ANY Group FY 2015** | **In 1 month** | **1 - 3 months** | **3 months - 1 year** | **1 - 5 years** | **Over 5 years** | **Total:** |
|---|---|---|---|---|---|---|
| Trade payables | 2,525,076 | 353,366 | - | - | - | **2,878,441** |
| Lease liabilities | 8,786 | 17,570 | 79,275 | 207,850 | - | **313,481** |
| Credits | - | 4 | 79 | - | - | **83** |
| Other liabilities and accruals (without taxes) | 450,835 | 251,883 | 6,404 | - | - | **709,122** |
| Current tax liabilities | 257,694 | 8,551 | 74,274 | - | - | **340,519** |
| **Total** | **3,242,391** | **631,374** | **160,032** | **207,850** | **-** | **4,241,647** |

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Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Trade receivables consist of a large number of costumers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.
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: 1.36%. (This was 1.39% in 2015.)

## 25 Significant events after the reporting period

The Consolidated Financial Statements were accepted by the Board of Directors of ANY Nyrt. on 6th March, 2017.

**Budapest, 6th March 2017** ..........................................................................

**Chief Executive Officer**

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## ANY Security Printing Company Public Limited Company by Shares

# Consolidated business report

## for the year ended 31 December, 2016

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## Analysis of the Company's performance in FY 2016

Net sales of ANY PLC for 2016 amounted to HUF 24.9 billion which is higher by HUF 3.5 billion (17%) than in the previous year. Changes in case of strategic product segments were as follows: sales of security products, solutions amounted to HUF 6.7 billion, which is higher by HUF 0.5 billion (9%) compared to the basis year; sales of card production, personalisation amounted to HUF 5.9 billion, which shows a increase by HUF 1.8 billion (11%) compared to last year, whilst sales of segment of form production, personalisation, data processing were HUF 10.7 billion, which shows an increase of HUF 1.5 billion (16%) compared to year 2015. Ratio of strategic products segments in total net sales was 94% in 2016.

Export sales of the Company reached HUF 9.2 billion in 2016, which shows a HUF 0.9 billion (11%) increase compared to the previous year representing a 37% export sales ratio.

Consolidated EBITDA is HUF 2,977 million, an increase of HUF 700 million (31%) compared to 2015 base period. EBITDA margin increased to 12%, mostly due to the improving profitability.

Consolidated operating income is HUF 1,969 million, which is HUF 603 million (44%) higher than the profit for the base period. Consolidated net income after interest income, taxation and non-controlling interest is HUF 1,202 million, which shows an increase of HUF 270 million (29%) compared to 2015. Earnings per share are HUF 84 in 2016.

### Income statement analysis

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

1. Table: Net sales by segments

| Sales segments | 2015 HUF millions | 2016 HUF millions | Change (B-A) | Change % (B/A-1) |
|---|---|---|---|---|
| Security products and solutions | 6,139 | 6,680 | 541 | 8.81% |
| Card production and personalization | 4,186 | 5,937 | 1,751 | 41.83% |
| Form production and personalization, data processing | 9,205 | 10,715 | 1,510 | 16.40% |
| Traditional printing products | 1,106 | 1,143 | 37 | 3.35% |
| Other | 730 | 436 | (294) | -40.27% |
| **Total net sales** | **21,366** | **24,911** | **3,545** | **16.59%** |

ANY PLC had consolidated net sales of HUF 24,911 million in 2016, which is HUF 3,545 million (17%) lower than the sales for the base period.

Sales of **security products and solutions** came to HUF 6,680 million in 2016 which means a decrease of HUF 541 million (9%) compared to the base period.

The Company's revenues from **card production and personalisation** totalled HUF 5,937 million in the period of reference, a HUF 1,751 million (42%) increase compared to year 2015. The growth of the segment was caused mainly by the higher volume of card document production and personalisation.

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The Company's revenues from **form production, personalisation and data processing** came to HUF 10,715 million in 2016, a HUF 1,510 million (16%) higher than the sales for the base period. The change is due to the sales revenue of the referendum and the growing sales export of form production and personalisation and the expansion of connected logistic services.

Sales of **traditional printing products** amounted to HUF 1,143 million in the period of reference, which means a HUF 37 million (3%) increase compared to the previous year's similar period.

**Other sales** totalled HUF 436 million in 2016, which is a decrease of HUF 294 million (40%). This segment mainly comprises revenues from the sale of commercial materials and goods.

Operating income came to HUF 1,969 million, an increase of HUF 603 million (44%) compared to the previous year.
Gross profit totalled HUF 7,692 million, which means a 31% gross margin. General (SG&A) expenses amounted to HUF 5,277 million in 2016, which equals 21% of net sales. Material expenses increased by HUF 1,800 million (13%) in the reference period, due to the higher net sales.
The capitalized value of own performance line shows the capitalized value of assets produced and the change in inventories manufactured. These figures were driven mainly by the change in inventories in both periods presented; the most significant of them is the value of unfinished production connected with security and card products.
Personnel expenses totalled HUF 5,601 million, which is 17% higher than in the base period.
EBITDA amounted to HUF 2,977 million due to the change in operating income and depreciation, which is almost equal to the base-year figure. Therefore, EBITDA margin amounts to 12%.
Net interest income amounted to -103 million HUF in 2016. Net income – after financial operations, taxation and minority interest – came to HUF 1,202 million in 2016. Earnings per share are HUF 84.

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### Balance sheet analysis

The Company had total assets of HUF 15,374 million on 31 December, 2016, which increased significantly by HUF 3,953 million compared to the previous year-end.

Receivables amounted to HUF 3,445 million which represents a HUF 453 million (15%) increase compared to the 2015 year-end figure due to sales increased.

Cash and bank totalled HUF 865 million which represents a HUF 51 million increase compared to the 2015 year-end figure.

Inventories totalled HUF 2,144 million, which is a HUF 115 million (6%) increase compared to the 31 December 2015 figure.

Other current assets and prepayments amounted to HUF 1,299 million, which is a HUF 104 million decrease, compared to the prior year-end figure. The balance of property, plant and equipment at the end of December 2016 was HUF 7,230 million, an increase of 92% compared to the end of 2015, due to acquisition of the real estate company ANY Ingatlanhasznosító Kft. quota and purchase of production machineries.

Goodwill amounted to HUF 335 million that is the same amount as at the end of previous year.

Accounts payable totalled HUF 2,467 million, HUF 411 million (14%) lower compared to the end of December 2015. The reasons of the change were the decreasing supplier balance and creditor invoices arriving after the balance sheet preparation date which were posted as other liabilities.

Other payables and accruals amounted to HUF 1,659 million, which is an increase by HUF 609 million, due to mainly late creditor invoices mentioned previously.

Lease liability relating to the purchase of fixed assets HUF 779 million, from which HUF 515 million long-term part, HUF 264 million short-term liability. Due to the technological improvements lease liability increased by HUF 466 million.

Long-term loan amount HUF 1,827million, from which HUF 1,630 million long-term part, HUF 197 million short-term liability relating to the purchase of the Company's quota owning the real estates

The Company's operation was financed by short term loans which reached HUF 1,036 million on 31 December, 2016.

## 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 from 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.

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*Interest rate risk*

Due to the moderate level 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 26,688 thousands in the year 2016. (This was HUF 2,079 thousands in the year 2015.)

*Liquidity risk*

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash-flows and by matching the maturity profiles of financial assets and liabilities.
Liquidity risk of the Group, due to the high balance of net working capital, is low.

*Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Trade receivables consist of a large number of costumers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.
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: 1.36%. (This was 1.39% in 2015.)

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## Supplementary information for the business report of ANY Security Printing House PLC

### Significant events after the reporting period

The Consolidated Financial Statements were accepted by the Board of Directors of ANY Nyrt. on 6th March, 2017.

### Treasury shares in FY2016

2. Table: Treasury shares

| Description | Number of shares | Nominal value (HUF thousands) | Purchase value (HUF thousands) |
|---|---|---|---|
| **Opening balance as at 1 January, 2016** | **448,842** | **43,987** | **455,048** |
| **Closing balance as at 31 December, 2016** | **448,842** | **43,987** | **455,048** |

Number of treasury shares held by the Company on 31st December 2016 is 448,842 which were purchased at an average price of HUF 1,014 per share.

The Company's total equity was HUF 1,449,876 thousands on 31 December 2016 which consists of 14,794,650 pieces of series 'A' registered, dematerialized ordinary shares with a nominal value of HUF 98 each.

### Competence, election and removal of corporate officers

Statutes effective from 31st March 2014 of ANY Security Printing Company PLC point 10.10 prescribes the competence of the General Meeting, of which point 'd' regulates the election (simple majority of the votes of the shareholders present) and the removal (three-quarters of the votes of the shareholders present) of the corporate officers (Members of the Board of Directors, Members of the Supervisory Board or Members of the Audit Committee).

Competence and operation is regulated in point 12 of the Statutes for the Board of Directors is, while point 14 for the Supervisory Board and point 15 for the Audit Committee.

Purchase of treasury shares is regulated by point 9.3 of Statutes, according to which General Meeting authorises the Board of Directors for purchasing treasury shares of the Company by simple majority of the votes of the shareholders present. The Board of Directors authorises the management for purchasing treasury shares of the Company by simple majority of the votes of the Board members present. The regulation effective at present in connection with purchasing treasury shares is the General Meeting Resolution No 11/2015 (20th April).

Statutes effective of the ANY Security Printing Company PLC can be found on the website of the Company under the link of Investors.

(http://www.any.hu/wp-content/files_mf/1399629924ANY_Statutes_31.03.2014.pdf)

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## Modification of the Statutes

Statutes effective from 31st March 2014 of ANY Security Printing Company PLC point 10.10 prescribes the competence of the General Meeting, of which point 'a' regulates the modification of the Statutes, which is connected to three-quarters of the votes of the shareholders present.
Statutes effective of the ANY Security Printing Company PLC can be found on the website of the Company under the link of Investors.
(http://www.any.hu/wp-content/files_mf/1399629924ANY_Statutes_31.03.2014.pdf)

## Structure of shareholders over 5% share

3. Table: Structure of shareholders

| Investor | Voting right (%) | Ownership (%) |
|---|---|---|
| ***Owners above 5% share*** | | |
| EG CAPITAL LLC(*) | 11.98% | 11.62% |
| DIGITAL FOREST LLC(**) | 6.97% | 6.76% |
| AEGON ALFA SZÁRMAZTATOTT ALAP | 7.43% | 7.20% |
| ***Owners below 5% share*** | | |
| Domestic Institutional Investors | 26.92% | 26.11% |
| Foreign Institutional Investors | 20.42% | 19.79% |
| Foreign Individual Investors | 0.32% | 0.32% |
| Domestic Individual Investors | 22.37% | 21.69% |
| Management, employees | 3.17% | 3.07% |
| Treasury shares | 0.00% | 3.03% |
| Other | 0.42% | 0.41% |

(*) The Chairman of the Board of Directors of ANY Security Printing Company PLC as owner of EG Capital LLC has a further indirect ownership through Fortunarum Kft (3.22%).
(**) Indirect ownership of Tamás Erdős, member of the Board of Directors of ANY Security Printing Company PLC based on the AGM held on 31st March, 2014.

**Budapest, 6th March 2017** ..........................................................................

**Chief Executive Officer**