

ANY Security Printing Company PLC
Audited Financial Statements
December 31, 2017

ANY Security Printing Company Public Limited Company

Independent Auditors' Report and Financial Statements

for the year ended December 31, 2017

ANY Security Printing Company Public Limited Company

Audited Financial Statements

December 31, 2017

Table of content

TABLE OF CONTENT	2
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017 DECEMBER 31, 2016, AND JANUARY 01, 2016.....	10
FINANCIAL STATEMENT OF COMPREHENSIVE INCOME AS AT DECEMBER 31, 2017 11	
CHANGES IN SHAREHOLDERS' EQUITY AS AT DECEMBER 31, 2017.....	12
CASH-FLOW AS AT DECEMBER 31, 2017.....	13
SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS DEC. 31, 2017	14
1 GENERAL	14
2 SIGNIFICANT ACCOUNTING POLICIES	18
3 CASH AND BANK.....	27
4 ACCOUNTS RECEIVABLES	27
5 INVENTORIES	27
6 OTHER CURRENT ASSETS AND PREPAYMENTS.....	28
7 PROPERTY, PLANT AND EQUIPMENT	29
8 INVESTMENTS	30
9 INTANGIBLES	30
10 OTHER PAYABLES AND ACCRUALS	31
11 SHORT TERM AND LONG TERM LOANS	31

12	SHARE CAPITAL.....	32
13	SHAREHOLDERS' EQUITY.....	32
	TREASURY SHARES.....	33
14	NET SALES.....	33
15	OTHER EXPENSES, NET.....	35
16	COST OF SALES, SELLING, GENERAL AND ADMINISTRATION COSTS	35
17	DIVIDEND INCOME	36
18	TAXATION	36
19	CONTINGENT LIABILITIES.....	38
20	SHORT TERM AND LONG TERM PART OF LEASE LIABILITIES.....	38
	OPERATIVE LEASES	38
21	RELATED PARTY TRANSACTIONS	39
22	REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD AND THE BOARD OF DIRECTORS	39
23	RISK MANAGEMENT	40
24	SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD.....	42



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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of ANY Biztonsági Nyomda Nyilvánosan Működő Részvénytársaság

Report on the audit of the financial statements

Opinion

We have audited the accompanying 2017 financial statements of ANY Biztonsági Nyomda Nyilvánosan Működő Részvénytársaság ("the Company"), which comprise the statement of financial position as at 31 December 2017 - showing a balance sheet total of HUF 11,616,851 thousand and a total comprehensive income for the year of HUF 1,085,073 thousand -, the related statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and has been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements section" of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of investments in subsidiaries

The Company's investments in affiliated companies represent HUF 1,656 million, which is approximately 14% of total assets. Valuation of investments in affiliated companies is a significant judgmental area. Management annually assesses if the investments are impaired in accordance with EU IFRSs. This is a key audit matter as investments in affiliates represent a significant share in total assets and also require significant judgement to determine if the investments are recoverable.

Our audit procedures included, among others, evaluating assumptions and methodologies used by the Company to assess whether investments in affiliated companies are impaired. We evaluated the Company's assessment of any triggering events and assessed the accuracy of key inputs used in the model. We reconciled the model to the approved business plan of the subsidiaries and also assessed historical accuracy of management's estimates. We assessed the compliance of the valuation method with EU IFRSs and the consistency of application compared to the prior year. We assessed the adequacy of the Company's disclosures about investments in affiliated companies in accordance with EU IFRSs including the information how the impairment is evaluated by the Company.

The Company's accounting policy and disclosures about its investments in affiliated companies and related impairment are included in Notes 2 and 8 to the financial statements.



Other matters

The financial statements as at 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on 6 March 2017.

Other information

Other information consists of the 2017 business report of the Company. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the financial statements does not cover the business report.

In connection with our audit of the financial statements, our responsibility is to read the business report and, in doing so, consider whether 1) the business report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Our opinion on the business report of the Company should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available.

In our opinion, the business report of the Company, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2017 is consistent, in all material respects, with the 2017 financial statements of the Company and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Company further requirements with regard to its business report, we do not express opinion in this regard.

We also confirm that the Company have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Company and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the business report, and if so, the nature of the misstatement in question. We have nothing to report in this regard.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU IFRSs and the supplementary requirements of the Hungarian Accounting Law relevant for financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our 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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 internal control that we identify during our 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 financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of the Company by the General Assembly of Shareholders of the Company on 6 April 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 1 year.

Consistency with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.



Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the business report and in the financial statements, no other services were provided by us to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Zsuzsanna Bartha.

Budapest, 9 March 2018



Zsuzsanna Bartha
engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165



Zsuzsanna Bartha
Registered auditor
Chamber membership No.: 005268

Statement of Financial Position as at December 31, 2017 December 31, 2016, and
January 01, 2016

In HUF thousands:	Notes	December 31, 2017	December 31, 2016	January 01, 2016
Current assets				
Cash and bank	<u>3</u>	124,941	39,294	175,580
Accounts receivables	<u>4</u>	2,859,931	1,645,130	1,632,439
Inventories	<u>5</u>	2,645,153	2,018,342	1,884,765
Other current assets and prepayments (without current tax receivable)	<u>6</u>	892,973	329,234	312,710
Current tax receivables	<u>6</u>	25,820	70,647	36,962
Total current assets		6,548,818	4,102,647	4,042,456
Non-current assets				
Property, plant and equipment	<u>7</u>	3,371,183	3,274,265	2,579,733
Investments	<u>8</u>	1,656,211	1,653,325	1,058,043
Intangibles	<u>8</u>	36,579	50,066	80,434
Other assets	<u>9</u>	2,362	2,589	5,906
Deferred tax assets		1,698	2,265	2,552
Total non-current assets		5,068,033	4,982,510	3,726,668
Total assets		11,616,851	9,085,157	7,769,124
Current liabilities				
Trade accounts payables		1,902,562	1,229,274	1,682,106
Short term part of lease liabilities	<u>20</u>	318,610	249,969	89,186
Other payables and accruals (without current tax liabilities)	<u>10</u>	822,415	694,850	361,160
Current tax liabilities	<u>10</u>	406,485	578,914	316,034
Short term loans	<u>11</u>	2,946,317	835,529	-
Total current liabilities		6,396,389	3,588,536	2,448,486
Long term liabilities				
Deferred tax liability	<u>18</u>	204,808	192,342	185,120
Long term part of lease liabilities	<u>20</u>	370,061	501,045	178,838
Total long term liabilities		574,869	693,387	363,958
Shareholders' equity				
Share capital	<u>12</u>	1,449,876	1,449,876	1,449,876
Capital reserve		250,686	250,686	250,686
Retained earnings		3,400,079	3,557,720	3,711,166
Treasury shares	<u>13</u>	(455,048)	(455,048)	(455,048)
Total owners' equity		4,645,593	4,803,234	4,956,680
Total liabilities and shareholders' equity		11,616,851	9,085,157	7,769,124

Financial Statement of Comprehensive Income as at December 31, 2017

In HUF thousands:	Notes	FY 2017	FY 2016
Net sales	<u>14</u>	15,984,293	15,097,897
Cost of sales	<u>16</u>	(11,184,287)	(9,904,105)
Gross profit		4,800,006	5,193,792
Selling general and administration	<u>16</u>	(3,885,345)	(4,114,356)
Gain/(Loss) on sale of fixed assets		2,798	(3,825)
Dividend income	<u>17</u>	532,700	296,394
Foreign currency loss		(25,903)	(10,213)
Other expense, net	<u>15</u>	(84 893)	(270 727)
Operating income		1,339,363	1,091,065
Interest income		3,714	3,687
Interest expense		(39,334)	(66,611)
Profit before tax		1,303,743	1,028,141
Deferred tax expense	<u>18</u>	(13,033)	(7,510)
Income tax expense	<u>18</u>	(205,637)	(212,427)
Profit after tax		1,085,073	808,204
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,085,073	808,204

Changes in Shareholders' Equity as at December 31, 2017

in HUF thousands	Share capital	Capital reserve	Profit reserve	Own shares	Total
1, January 2016.	1,449,876	250,686	3,711,166	(455,048)	4,956,682
Dividend paid (after FY 2016)	0	0	(961,650)	0	(961,650)
Total comprehensive income for the year	0	0	808,204	0	808,204
31, December 2016	1,449,876	250,686	3,557,720	(455,048)	4,803,234
Dividend paid (after FY 2017)	0	0	(1,242,714)	0	(1,242,714)
Total comprehensive income for the year	0	0	1,085,073	0	1,085,073
31, December 2017	1,449,876	250,686	3,400,079	(455,048)	4,645,593

Cash-flow as at December 31, 2017

In HUF thousands:	Notes	FY 2017	FY 2016
Cash flows from operating activities			
Profit before tax		1,303,743	1,028,141
Depreciation cost of fixed assets	<u>7</u>	706,391	671,845
Amortization cost of intangibles	<u>9</u>	13,487	30,368
Changes in provisions		20,389	98,026
Gain/(loss) on sale of property, plant and equipment		2,798	(3,825)
Dividend income		(532,700)	(296,394)
Interest income		(3,714)	(3,687)
Interest expense		39,334	66,611
Operating cash-flow before working capital changes:		1,549,728	1,591,085
Changes in accounts receivable and other current assets	<u>4,6</u>	(1,681,736)	4,210
Changes in inventories	<u>5</u>	(653,514)	(237,832)
Changes in accounts payables and accruals	<u>10</u>	(630,052)	144,808
Cash provided by operations		(155,470)	1,502,271
Interest received		2,086	2,616
Interest paid		(51,354)	(64,780)
Taxes paid, net	<u>18</u>	(147,746)	(275,139)
Net cash provided by operating activities		(352,484)	1,164,968
Cash flows from investing activities			
Purchase of property, plant and equipment		(836,448)	(1,367,627)
Proceeds on sale of property, plant and equipment		30,341	5,075
Received dividend		441,166	296,394
Development costs	<u>9</u>	(2,886)	(595,282)
Changes in loans to employees		227	3,317
Net cash flow used in investing activities		(367,600)	(1,658,123)
Cash flows from financing activities			
Changes in short term loans	<u>11</u>	2,110,788	835,529
Increase in capital lease obligations	<u>20</u>	143,362	610,852
Decrease in capital lease obligations	<u>20</u>	(205,705)	(127,862)
Dividend paid		(1,242,714)	(961,650)
Net cash flow used in financing activities		805,731	356,869
Changes in cash and cash equivalents		85,647	(136,286)
Cash and cash equivalents at beginning of period		39,294	175,580
Cash and cash equivalents at end of the period	<u>3</u>	124,941	39,294

Supplementary Notes to the Financial Statements Dec. 31, 2017

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. The Company's webpage: www.any.hu.

The persons authorized to represent the Company, and to sign the annual report: Gábor Zsámboki, CEO (Address: 1028 Budapest, Csokonai utca 22). The person responsible for the accounting services registered in IFRS: Tamás Karakó, CFO (Address: 3956 Viss, Ady Endre u. 7). The auditor of the Company Ernst & Young Könyvvizsgáló Kft. (Address: 1132 Budapest, Váci út 20.), registered statutory auditor: Zsuzsanna Bartha (MKVK: 005268) (Address: 5900 Orosháza, Rákóczi út 25.). The audit fee in 2017 is HUF 7.9 million.

As of December 31, 2017 – based on the Company's share book – the following owners have more than 5% voting right or the following Companies 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	26.24%	25.45%
Foreign Institutional Investors	20.96%	20.32%
Foreign Individual Investors	0.35%	0.34%
Domestic Individual Investors	22.67%	21.98%
Management, employees	3.03%	2.93%
Treasury shares	0.00%	3.03%
Other	0.37%	0.37%

(*) 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.

As of December 31, 2016 – based on the Company's share book – the following owners have more than 5% voting right or the following Companies 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.

The consolidated subsidiaries of the Company at December 31, 2017 are as follows:

Name of the Company	Place of registration Country	Equity	Book value of investments	Share of ownership	Voting right ¹	Classification ²
Gyomai Kner Nyomda Zrt.	Hungary	HUF 200,000,000	363,596	99.48%	99.48%	L
Specimen Zrt.***	Hungary	HUF 100,000,000	151,052	100.00%	100.00%	L
ANYpay Fizetési Megoldások Zrt.****	Hungary	HUF 50,000,000	0	100.00%	100.00%	L
Techno-progress Kft.	Hungary	HUF 5,000,000	25,000	100.00%	100.00%	L
ANY Ingatlanhasznosító Kft. *****	Hungary	HUF 3,000,000	596,993	100.00%	100.00%	L
Zipper Services SRL*****	Romania	RON 2,060,310	454,540	50.00%	50.00%	L*
Tipo Direct Serv SRL**	Moldavia	30,308 MDL	0	50.00%	50.00%	L
Direct Services OOD	Bulgaria	BGN 570,000	45,192	50.00%	50.00%	L*
Slovak Direct SRO	Slovakia	SKK 1,927,000	19,838	100.00%	100.00%	L
Total:			1,656,211			

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.

(**) 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

The consolidated subsidiaries of the Company at December 31, 2016 are as follows:

Név	Place of registration Country	Equity	Book value of investments (thHUF)	Share of ownership	Voting right ¹	Classification ²
Gyomai Kner Nyomda Zrt.	Hungary	HUF 200,000,000	359,596	98.98%	98.98%	L
Specimen Zrt.****	Hungary	HUF 100,000,000	151,052	100.00%	100.00%	L
ANYpay Fizetési Megoldások Zrt.*****	Hungary	HUF 50,000,000	0	100.00%	100.00%	L
Techno-Progress Kft.	Hungary	HUF 5,000,000	25,000	100.00%	100.00%	L
ANY Ingatlanhasznosító Kft.*****	Hungary	HUF 3,000,000	596,993	100.00%	100.00%	L
Zipper Services SRL*****	Romania	RON 476,200	16,317	50.00%	50.00%	L*
Tipo Direct Serv SRL***	Moldavia	MDL 30,308	0	50.00%	50.00%	L
Zipper Data SRL**	Romania	1,584,110 RON	439,152	50.00%	50.00%	L*
Direct Services OOD	Bulgaria	BGN 570,000	45,321	50.00%	100.00%	L
Slovak Direct SRO	Slovakia	SKK 1,927,000	19,894	100.00%	100.00%	L
Total	---	---	1,653,325	---	---	---

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.

2 Significant accounting policies

Basis of preparation

The accounting records of ANY Security Printing Plc have been prepared in accordance with International Financial Reporting Standards (IFRS)

The 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 Company prepared its financial statements before preparing it according to IFRS based on the Hungarian Accounting Law. There is no significant difference between the financial statements prepared according to Hungarian Accounting Law and IFRS.

In case of IFRS first time adoption the Company's applied the following exemption:

- deemed cost exemption,
- exemption of measurement when recognising a financial instruments,
- exemption of compound financial instruments,
- exemption of borrowing cost,
- exemption for leases,
- exemption for business combination
- exemption of separate financial statements.

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

The 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 Company in the foreseeable future.

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 and the risk of their impairment is not significant.

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 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 Company 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. 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. 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 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.

Fair value of financial instruments

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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, 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 Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced

through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Investments

In the separate financial statements investments in subsidiaries are presented at cost according to IAS 27. Cost at initial recognition is the paid amount in cash or cash equivalent, or the fair value of other consideration given by the purchaser. Cost include those costs which are directly attributable to the acquisition.

Investments in subsidiaries are subject to impairment test when indicator of potential impairment exists. When an external or internal indicator of impairment exists, the recoverable amount has to be determined and compared with the net investment. If the recoverable amount is materially or permanently lower than the net investment, impairment should be recorded. If the recoverable amount is materially or permanently higher than the net investment, impairment reversal should be recorded.

The net recoverable amount is the present value of future cash flows of the investment proportioned based on ownership.

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 Company 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 Company re-assesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The Company 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 Company 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.

The Company classifies the local taxes and innovation contribution to corporate tax in profit and loss statement based on IAS 12 requirement.

Treasury shares

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

Revenue recognition

Revenue is recognized at the time goods are dispatched and services rendered by the Company, 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 Company. 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 Company and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company 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 Company as lessee

Assets held under finance leases are initially recognised as assets of the Company (with similar rights and liabilities as the assets owned by the Company) at lower of present value of minimum lease payments or their fair value at the inception of the lease, and they are amortised during their economic useful life.

The principal is accounted as decrease of liability from the lease contract, while interest is accounted as an expense.

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 Company's leasing transactions.

Provisions

The Company 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.

The Company has no legal affairs.

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

Assistance by the government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to operating activities of the entity.

Grants related to income should be recognised in the income statement on a systematic basis that matches them with the related costs that are intended to compensate.

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (HUF) 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.

The effect of adopting new and revised International Financial Reporting Standards effective from 1 January 2017

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 IAS 7 “Statement of Cash Flows” - Disclosure Initiative – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),

Amendments to IAS 12 “Income Taxes” - Recognition of Deferred Tax Assets for Unrealised Losses – adopted by EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017),

Amendments to IFRS 12 due to “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 – adopted by the EU on 7 February 2018 (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017).

New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

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

IFRS 9 “Financial Instruments” - The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting,

IFRS 15 “Revenue from Contracts with Customers” - The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard’s requirements will also apply to the recognition and measurement of gains and losses on the sale of some nonfinancial assets that are not an output of the entity’s ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates,

IFRS 16 “Leases” – The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged,

Amendments to IFRS 15 “Revenue from Contracts with Customers” - The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB’s intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the “separately identifiable” principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as

applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach.

Amendments to IFRS 1 and IAS 28 due to “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 – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the separate financial statements in the period of initial application.

Standards and Interpretations issued by IASB but not yet adopted by the EU

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,

IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021),

Amendments to IFRS 2 “Share-based Payment” - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),

Amendments to IFRS 9 “Financial Instruments” - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),

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 deferred indefinitely until the research project on the equity method has been concluded),

Amendments to IAS 19 “Employee Benefits” - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),

Amendments to IAS 28 “Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),

Amendments to IAS 40 “Investment Property” - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

Amendments to various standards due to “Improvements to IFRSs (cycle 2015-2017)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019)

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (effective for annual periods beginning on or after 1 January 2018),

IFRIC 23 “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019).

Hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, remains unregulated.

According to the Company’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 balance sheet date.

The adoption of the above presented Amendments and new Standards and Interpretations would have no significant impact on the separate financial statements in the period of initial application.

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 Company had certain assumptions when applying the accounting policy, that can influence the carrying amounts of assets and liabilities presented in the 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.
- The Company has 50% ownership interest in Zipper Services Srl and Direct Services Ood. Based on the contractual arrangements between the Company and other investors, the Company 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 Company has the practical ability to direct the relevant activities of these companies unilaterally and hence the Company 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
- Calculating provisions

3 Cash and bank

	December 31, 2017	December 31, 2016
Cash and cash equivalents	124,941	39,294
Total cash and cash equivalents:	124,941	39,294

4 Accounts receivables

	December 31, 2017	December 31, 2016
Trade receivables	2,863,315	1,654,828
<i>Allowance for doubtful debts</i>	(3,384)	(9,698)
Total:	2,859,931	1,645,130

The carrying value of trade receivables is fair value. Balance of trade debtors is HUF 2,860 million, which is HUF 1,215 million (73,8%) higher than at the end of 2016.

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

	December 31, 2017	December 31, 2016
Balance at the beginning of the year	9,698	7,268
Impairment losses recognised on receivables	2,240	5,058
Impairment losses decrease	(8,554)	(2,628)
Balance at the end of the year	3,384	9,698

5 Inventories

	December 31, 2017	December 31, 2016
Raw materials	1,794,822	1,208,112
Work in progress	33,698	29,138
Finished goods	588,360	609,120
Goods	523,263	432,991
<i>Cumulated loss in value for inventories</i>	(294,990)	(261,019)
Total:	2,645,153	2,018,342

The total amount of inventories is HUF 2,645 million, which increased by HUF 627 million (31%) compared to 31 December 2016. The amount of raw materials and consumables increased by HUF 587 million (49%) compared to the prior period, caused by the higher raw material needs of security and card products.

6 Other current assets and prepayments

	December 31, 2017	December 31, 2016
Prepayments	140,424	106,451
<i>Of which: rental fee of software's</i>	48,945	31,189
<i>Of which: real estate rental</i>	24,447	-
<i>Of which: prepaid interest</i>	17,411	27,561
Advances paid	197,951	7,700
<i>Of which: advances paid for PP&E</i>	186,926	7,591
<i>Of which: other advances paid</i>	11,025	109
Employee loans	30,750	32,635
Other receivables	23,848	92,897
Loan to a subsidiary	500,000	89,551
Total other current assets and prepayments:	892,973	329,234

	December 31, 2017	December 31, 2016
VAT receivable	-	1,236
Corporate income tax receivable	11,520	69,411
Other taxes receivable	14,300	-
Total current tax receivables	25,820	70,647

Year-end balance of current tax receivables is HUF 45 million lower than in previous period which caused by the HUF 57 million decrease of VAT receivables.

The significant increase in the amount of prepayments is caused by software, property and plant rental fee. Interest in employees loans are the same for each employee, Hungarian prime rate + 5%.

Loans given to a subsidiary

	December 31, 2017	December 31, 2016
Gyomai Kner Nyomda Zrt.	350,000	-
ANY Ingatlanhasznosító Zrt.	140,000	80,000
Techno Progress Kft.	10,000	-
Direct Services	-	9,551
Given loan total	500,000	89 551

The short term loans given to subsidiaries have market interest rate, based on 1 month BUBOR.

7 Property, Plant and Equipment

	Land and buildings	Machinery and equipment	Property rights	Vehicles and other equipments	Capital projects	Total
Cost:						
January 1, 2016	443,607	7,249,954	1,318,161	1,556,147	279,679	10,847,548
Capitalization	122,926	1,252,454	-	236,410	-1,611,790	-
Additions	-	-	49,205	-	1,367,321	1,416,526
Disposals	-	44,123	39,267	8,052	-	91,442
December 31, 2016	566,533	8,458,285	1,328,099	1,784,505	35,210	12,172,632
January 1, 2017	566,533	8,458,285	1,328,099	1,784,505	35,210	12,172,632
Capitalization	74,548	435,953	31,237	229,086	-764,073	6,751
Additions	-	2,581	71,079	-	962,024	1,035,684
Disposals	-	210,874	-	56,372	209,299	476,545
December 31, 2017	641,081	8,685,945	1,430,415	1,957,219	23,862	12,738,522
Accumulated depreciation:						
January 1, 2016	139,420	5,827,979	1,039,677	1,260,739	-	8,267,815
Additions	29,746	373,716	163,150	105,533	17,314	689,459
Disposals	-	11,628	39,267	8,012	-	58,907
December 31, 2016	169,166	6,190,067	1,163,560	1,358,260	17,314	8,898,367
January 1, 2017	169,166	6,190,067	1,163,560	1,358,260	17,314	8,898,367
Charge for year	37,369	445,352	97,077	126,595	-	706,393
Additions	-	-	-	-	-	-
Disposals	-	181,050	-	56,371	-	237,421
December 31, 2017	206,535	6,454,369	1,260,637	1,428,484	17,314	9,367,339
Net book value:						
January 1, 2016	304,187	1,421,975	278,484	295,408	279,679	2,579,733
December 31, 2016	397,367	2,268,218	164,539	426,245	17,896	3,274,265
December 31, 2017	434,546	2,231,576	169,778	528,735	6,548	3,371,183

Fair value of the PP&E exceeds book value, therefore no impairment loss was calculated. Mainly production machineries and equipments are on the line Additions.

8 Investments

Investments

	December 1, 2016	Increase	Decrease	December 31, 2016
Long term participations in affiliated undertakings	1,081,465	610,949	9,761	1,682,653
Other long term loan	5,906	1,000	4,317	2,589
Loss in value for long term participations in affiliated undertakings	(29,328)	0	0	(29,328)
	1,058,043	611,949	14,078	1,655,914

	December 1, 2017	Increase	Decrease	December 31, 2017
Long term participations in affiliated undertakings	1,682,653	4,000	1,114	1,685,539
Other long term loan	2,589	1,000	1,227	2,362
Loss in value for long term participations in affiliated undertakings	(29,328)	0	-	(29,328)
	1,655,914	5,000	2,341	1 658 573

Ownership interest was increased by the Company in Gyomai Kner Nyomda.

9 Intangibles

	opening	increase	decrease	closing balance
Cost				
2016	269,160	-	-	269,160
2017	269,160	-	-	269,160
Accumulated depreciation				
2016	188,726	30,368	-	219,094
2017	219,094	13,487	-	232,581
net book value				
December 31, 2016	80,434	30,368	-	50,066
December 31, 2017	50,066	13,487	-	36,579

There are capitalized research and development costs on line intangibles in value of HUF 37 million.

10 Other payables and accruals

	December 31, 2017	December 31, 2016
Accrued management bonuses	302,081	356,037
Other accruals	50,833	40,130
<i>Of which: accrued creditors</i>	<i>47,240</i>	<i>32,384</i>
Salaries and wages	178,489	139,892
Advance payments from customers	207,594	11,085
Other short term liabilities	10,418	19,706
Short term loan from subsidiaries	73,000	128,000
Other payables and accruals	822,415	694,850

	December 31, 2017	December 31, 2016
VAT	228,155	308,571
Personal income tax	47,331	57,353
Other taxes	130,999	212,990
Total current tax liabilities	406,485	578,914

Total current tax liabilities, other payables and accruals amounts to HUF 1,228 million, which decreased by HUF 45 million (3,5%) compared to December 31, 2016.

The Company has no present obligation, neither legal nor constructive, arisen as a result of a past event, hence no provision was raised.

Intercompany loans and their conditions at the balance sheet date were the following:
Specimen Zrt. – ANY Plc.: HUF 73,000,000 HUF, interest rate is based on 1 month BUBOR

11 Short term and long term loans

	December 31, 2017	December 31, 2016
Bank overdraft	2,946,317	835,529
Total short term loans and overdrafts	2,946,317	835,529
Total loans and borrowings:	2,946,317	835,529

The carrying value of loans and overdrafts is fair value. The parent company has overdraft limit (market interest rate, based on 1 month BUBOR) in value of HUF 5 billion from which the utilised amount at the end of 2017 is HUF 2,946 million

12 Share capital

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

	December 31, 2017		December 31, 2016	
	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 Shareholders' equity

	December 31, 2017	Deferred tax	own shares reclassification	Tied up reserve reclassification	Current year profit	Other	December 31, 2017
	according to IFRS						according to Hungarian law
Share capital	1,449,876	-	-	-	-	-	1,449,876
Capital reserve	250,686	-	-	-	-	-	250,686
Profit reserve	3,400,079	190,077	-	(991,909)	(1,085,073)	15,486	1,528,660
Tied-up reserve	-	-	-	991,909	-	-	991,909
Own shares	(455,048)	-	455,048	-	-	-	-
Profit after tax	-	-	-	-	1,095,525	-	1,095,525
Shareholder's equity	4,645,593	190,077	455,048	-	10,452	15,486	5,316,656

	December 31, 2016	Deferred tax	own shares reclassification	Tied up reserve reclassification	Current year profit	Other	December 31, 2017
	according to IFRS						according to Hungarian Law
Share capital	1,449,876	-	-	-	-	-	1,449,876
Capital reserve	250,686	-	-	-	-	-	250,686
Profit reserve	3,557,720	185,336	-	(905,591)	(808,204)	15,486	2,044,747
Tied-up reserve	-	-	-	905,591	-	-	905,591
Own shares	(455,048)	-	455,048	-	-	-	-
Profit after tax	-	-	-	-	812,943	-	812,943
Shareholder's equity	4,803,234	185,336	455,048	-	4,739	15,486	5,463,843

Retained earnings available for distribution are based on the unconsolidated financial statements of the Company prepared in accordance with IFRS and related Hungarian Accounting and Civil Law. The amount of the retained earnings in the Company's IFRS financial statement is HUF 3,400,079 thousands of which not distributable HUF 901,909 thousands. Retained earnings available for distribution is HUF 2,498,170 thousands.

The Company prepared its financial statements before preparing it according to IFRS based on the Hungarian Accounting Law. There is no significant difference between the financial statements prepared according to Hungarian Accounting Law and IFRS.

Profit based on Hungarian Accounting Act and IFRS

	FY 2017	FY 2016
Profit after tax according Hungarian law	1,095,525	812,943
Deferred tax expense	(13,033)	(7,510)
Other items	2,581	2,771
Comprehensive income for the year according to IFRS	1,085,073	808,204

Treasury shares

Number of treasury shares held by the Company on 31st December 2017 is 448,842 which were purchased at an average price of HUF 1,014 per share remained unchanged.

14 Net sales

Sales segments	2017	2016
Security products and solutions	6,066,647	6,416,309
Card production and personalization	7,498,392	5,762,941
Form production and personalization. data processing	1,518,868	2,218,159
Traditional printing products	62,507	92,752
Other	837,789	607,736
Total net sales	15,984,293	15,097,897

Total revenue in 2017 by countries:

Revenue by Countries	2017	2016
Domestic sales	13,658,370	14,186,613
Sales within the EU	1,929,193	722,139
Germany	999,347	38,164
Romania	244,077	206,789
Slovakia	223,637	128,491
Czech Republic	210,017	223,747
Austria	88,325	8,032
Bulgaria	84,520	102,979
Poland	42,656	2,778
United Kingdom	15,313	2,218
Italy	12,349	5,881
Finland	8,075	320
France	877	-
Netherlands	-	2,294
Slovenia	-	446
Export outside the EU	396,730	189,145
Africa	262,366	109,387
Norway	56,397	-
Sri Lanka	48,407	-
Albania	41,415	41,415
Iceland	19,657	18,481
Saint Vincent and Grenadine-island	4,759	14,104
Pakistan	2,492	-
Serbia	1,332	-
Mexico	745	745
Kazakshtan	687	-
Russia	466	2,078
Switzerland	166	2,935
Total:	15,984,293	15,097,897

15 Other expenses, net

Other incomes and expenses	2017	2016
Reversed loss in value for trade receivables	8,554	2,628
Reversed loss in value for inventories	-	56,969
Other items	29,782	30,052
Total other incomes	38,336	89,648
Loss in value for inventories	44,566	269,519
Donation given	64,749	23,506
Loss in value for trade receivables	2,240	5,057
Other items	11,674	62,294
Total other expenses	123,229	360,376
Total	(84,893)	(270,727)

16 Cost of sales, selling, general and administration costs

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

	2017 (thHUF)	2016 (thHUF)
Material type expenditures	9,943,409	9,284,838
Personal type expenditures	4,493,616	4,262,003
Depreciation and amortization	719,879	702,213
Changes in inventory and own performance	(87,272)	(230,592)
Total cost and expenditures	15,069,632	14,018,462
Cost of sales	11,184,287	9,904,106
Selling general and administration	3,885,345	4,114,356
Total direct and indirect cost of sales	15,069,632	14,018,462

The average number of employees of the Group during the year was 523 (2016: 516).

17 Dividend income

The approved dividends received from subsidiaries are the following:

	2017	2016
Zipper Services Srl	288,166	94,373
Gyomai Kner Nyomda Zrt.	176,674	170,951
Direkt Services Ood	46,290	31,070
Slovak Direct Sro	21,570	-
Total dividend income	532,700	296,394

18 Taxation

	December 31, 2017	December 31, 2016
Current year corporate income tax	43,941	45,881
Current year local business tax	161,696	166,546
Current year tax expense	205,637	212,427
Deferred tax (income) / expense	13,033	7,510
Total tax expense	218,670	219,937

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 Company 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 the assets. 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. The Company derecognised deferred tax asset in 2017 based on differences of bad debt receivables.

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.

	December 31, 2017	December 31, 2016
Opening deferred tax liability	192,342	185,120
Deferred tax liability due to development reserve	9,963	3,851
Deferred tax on accounting and tax depreciation difference of assets not connected to development reserve	2,503	3,371
Closing deferred tax liability	204,808	192,342
	December 31, 2017	December 31, 2016
Opening deferred tax assets	2,264	2,552
Deferred tax asset on write-off for bad debts	(566)	144
Deferred tax asset on deferred yearly losses	-	(431)
Closing deferred tax assets	1,698	2,265

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

	December 31, 2017	December 31, 2016
Profit before tax	1,139,466	858,824
Tax at statutory rate of 9%(*)	102 552	77 294
Other permanent differences	-58 611	-31 413
<i>from which: Dividend</i>	-47 943	-26 675
<i>Other</i>	-10 668	- 4 738
Current year corporate tax	43 941	45 881
Deferred tax expense	13 033	7 510
Total tax expense	56 944	53 391

(*) In this calculation 9% tax rate valid in 2017 has been applied.

19 Contingent liabilities

The Company has arranged bank guarantees. The guarantees largely relate to commitments under Government and corporate tenders. Guarantees are provided up to a maximum limit of HUF 1,190 million. The Company uses HUF 561 million from its guarantee limit which is connected to tenders.

Real estates of ANY Ingatlanhasznosító Kft. secured by mortgage in favour of Unicredit Bank Zrt. in the value of EUR 6,5 million, relating to this loan ANY Biztonsági Nyomda Nyrt. provided a guarantee to the Unicredit Bank Zrt. Furthermore ANY Biztonsági Nyomda Nyrt. provided a guarantee to the Unicredit Bank Zrt. in the value of EUR 2,5 million in connection with the credit line agreement for the treasury transaction of ANY Ingatlanhasznosító Kft.

The Company reclassified HUF 500 million to the restricted reserves to finance future capital expenditures, which has 500,3 million 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.

20 Short term and long term part of lease liabilities

Short term and long term financial lease principal liabilities belong to the company lease contracts for machineries, of which short term part is HUF 318,610 thousands and long term part is HUF 370,062 thousands, due in the next years.

Financial lease liabilities (in HUF thousands)	31 December, 2017	31 December, 2016
Short term part (within 1 year)	318,610	249,969
Long term part (within 1-5 years)	370,062	501,045
Total	688,672	751,014

The book value of the leased assets is fair value. The estimated present value of the minimum lease payments equals to the book value of the lease liabilities. Fixed assets are the cover in Company's leasing transactions.

Operative leases

The Company leases its real estates from ANY Ingatlanhasznosító Kft as a subsidiary and some assets from the Gyomai Kner Nyomda Zrt as a subsidiary based on long-term operative lease contracts. Operative lease expenses were amounted to HUF 350,853 thousands in 2017.

Related to these operative lease contracts the following future lease payments are expected:

Operative leasing (thHUF)	Within 1 year	Within 1-5 year	Over 5 years
Real estate lease	263,060	1,396,355	598,422
Vehicle lease	42,814	14,271	-
Lease of production equipment	50,137	250,687	100,275
Total	356,011	1,661,313	698,697

21 Related party transactions

Related party transactions	FY 2017 in HUF thousands	FY 2016 in HUF thousands
Total receivables and accrued assets at the end of the year	656,739	115,974
Total liabilities and accrued liabilities at the end of the year	142,668	156,125
Total revenue for the period	271,555	322,197
Total expenditures for the period	561,428	436,689

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Through related party transactions mainly ANY Security Printing Company PLC (the Company) sells finished goods to the other members of the Group, who resell them to third party companies. ANY Security Printing Company PLC also purchases finished goods from its subsidiaries and rents assets. Related party transactions also consist of short term intercompany loans. The Company purchased management services from EG Capital in value of HUF 120 million in 2017.

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

HUF 9,912 thousands remuneration was paid to the Supervisory Board, while HUF 6,120 thousands to the Board of Directors in 2017.

The following table presents the beginning and the end of the assignment of the members of the Board of Directors and Supervisory Board and the number of shares hold in ANY Security Printing Company PLC is also presented as at 31 December 2017.

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	-
Number of shares hold, TOTAL:					4,081,200

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. Istvánné 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

23 Risk management

Foreign currency risk

Among foreign currency transactions of the Company 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. Due to the balance of foreign currency receivables and liabilities the foreign currency risk of the Company is moderate.

ANY Company	Currency	December 31, 2017	December 31, 2016
Foreign currency receivables	EUR	4,008,819	702,689
	USD	-	4,315
	GBP	-	43
Total (in HUF thousands)		1,243,295	217,714
Foreign currency cash	EUR	336,482	62,726
	USD	8,167	4,579
	GBP	1,588	828
Total (in HUF thousands)		107,025	21,079
Foreign currency liabilities	EUR	1,312,052	1,042,136
	CHF	17,500	7,126
	BGN	18,689	-
	RON	33,543	501
Total (in HUF thousands)		428,121	325,128
Impact of a possible 1% foreign exchange rate decrease in each foreign currency (in HUF thousands)		December 31, 2017	December 31, 2016
Impact on foreign currency assets		13,503	2,388
Impact on foreign currency liabilities		(4,281)	(3,251)
Total impact of possible foreign exchange rate change		9,222	863

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

The fair values of financial instruments equals to their carrying values. The Group holds no financial assets held to maturity or available for sale.

Receivables and liabilities of the Company denominated in foreign currency were revalued based on foreign currency rates of MNB (Hungarian National Bank) as at 31 December 2017.

Interest rate risk

Due to the moderate level of debts in the Company potential interest rate changes would not influence significantly the amount of interests to be paid by the Company. Based on the balance of Credits of the Company, a potential interest rate increase of 100 basis points relevant to our credits would increase our interest expenses by approximately HUF 29,463 thousands in the year 2017. (This was HUF 8,355 thousands in the year 2016.)

Liquidity risk

The Company 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 Company, 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 Company FY 2017	In 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total:
Trade payables	1,426,712	475,907	(57)	-	-	1,902,562
Lease liabilities	26,843	54,020	237,746	370,062	-	688,671
Credits	0	-	2,946,317	-	-	2,946,317
Other liabilities and accruals (without taxes)	822,415	-	-	-	-	822,415
Current tax liabilities	406,485	-	-	-	-	406,485
Total	2,682,455	529,927	3184,006	370,062	-	6,766,450

ANY Company FY 2016	In 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total:
Trade payables	1,220,461	787	8,026	-	-	1,229,274
Lease liabilities	20,502	41,284	188,181	501,047	-	751,014
Credits	-	-	835,529	-	-	835 529
Other liabilities and accruals (without taxes)	684,185	-	10,665	-	-	694,850
Current tax liabilities	578,914	-	-	-	-	578,914
Total	2,504,062	42,071	1,042,401	501,047	-	4,089,581

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting financial loss to the Company. The Company 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.

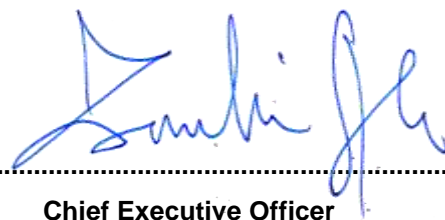
The financial discipline of the debtors of the Company is really good, which is also represented by the low portion of cumulated provision on trade receivables compared to the gross amount of trade receivables: 0.1%. (This was 0.6% in 2016.) The more than 90 days overdue receivables out of total aged receivables of the Company is less than 1%.

24 Significant events after the reporting period

The Consolidated Financial Statements were accepted by the Board of Directors of ANY Nyrt. on 5th March, 2018.

The Board of Directors proposes HUF 79 dividend per share to the shareholders on the annual general meeting to be held in April 2018.

Budapest, 5th March 2018



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Chief Executive Officer

ANY Security Printing Company PLC

Business report

for the year ended December 31, 2017

General information on the Company

Company name:	ANY Security Printing Company Limited by Shares
Abbreviate company name:	ANY Plc.
Tax registration number:	10793509-2-44
Seat:	1102 Budapest, Halom u. 5.
Premises of the Company:	1106 Budapest, Fátyolka utca 1-5. 3060 Pásztó, Fő utca 141.

Analysis of the FY 2016 achievement of the Company

Net sales revenue of ANY Security Printing Company Plc amounted to HUF 15,894 million in 2017, of which export sales totalled HUF 2,326 million. Operating income came to HUF 1,178 million, a increase of HUF 253 million (21.5%) compared to the previous year. Income before tax was HUF 1,142 million while EBITDA amounted to HUF 1,898 million. Net income after financial operations, extraordinary profit and taxation was HUF 1,085 million.

Analysis of profit and loss statement

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

Table 1: Net sales by categories

Sales categories	FY 2016 in HUF millions	FY 2017 in HUF millions	Change in HUF millions	Change %
Security products and solutions	6,416	6,067	(349)	(5.44)%
Card production and personalization	5,763	7,498	1,735	30.11%
Form production and personalization, data processing	2,218	1,519	(699)	(31.51)%
Traditional printing products	93	62	(31)	(33.33)%
Other	608	838	230	37.83%
Total net sales	15,098	15,984	886	5.87%

Security Printing Company Plc. had net sales of HUF 15,984 million in 2017, increase of 5.87% (HUF 886 million) compared to prior year figure.

Sales of security products and solutions income is HUF 6,067 million in 2017 which means a year-on-year decrease HUF 349 million (5.4%).

The Company's revenues from card production and personalization totalled HUF 7,498 million in 2017, a HUF 1,735 million (30.1%) increase compared to the previous year. The growth of the segment was caused mainly by the higher volume of card document production and personalisation.

The Company's revenues from form production, personalization and data processing came to HUF 1,519 million in 2017, a HUF 699 million (32.0%) increase compared to 2016.

Sales of traditional printing products amounted to HUF 62 million in 2017, which lower with HUF 31 million (33.3%) compared the previous year.

Other sales totalled HUF 838 million in 2017, which increased by HUF 230 million (37.8%) year-on-year.

Operating income came to HUF 1,178 million, higher with HUF 253 million (21.5%) compared to the previous year.

Gross profit totalled HUF 4,800 million, which means a 30.0% gross margin. General (SG&A) expenses amounted to HUF 3,885 million in 2017, which equals 24.3% of net sales.

Material type expenditures increased by 7.1% (HUF 658 million) in 2017.

Personnel expenses totalled HUF 4,494 million, which means a 5.4% increase compared to the base period, due to the personal expenses related to the higher net sales.

Headcount of full time employees in ANY Security Printing Company Plc. was 523 people at the end of 2017, while it amounted to 516 persons at the end of 2016., which means a 7 person (1.4%) increase compared to the previous year.

EBITDA amounted to HUF 1,898 million due to increase of profit financial transactions and income from operations, which means an increase of HUF 271 million (16.7%) compared to 2016. According to EBITDA margin amounts to 11.9%.

In 2017 dividends received from subsidiaries decrease by HUF 237 million.

Corporate tax came to HUF 44 million in 2017, which HUF 2 million lower than last year.

Profit after tax was HUF 1,085 million, which means an increase of HUF 277 million (34.3%) compared to 2016.

Balance sheet analysis

The Company had total assets of HUF 11,617 million at the end of 2017, which means a increase of 27.9% (HUF 2,532 million) compared to a year ago. This changes due to accounts receivables and inventories.

Non-current assets totalled HUF 5,068 million at the end of 2017, which is higher than the prior year figure by HUF 68 million (1.7%).

Current assets amounted to 6,549 million at the end of December 2017, an increase of HUF 2,446 million (59.6%) compared to the corresponding period of last year.

Shareholder's equity was HUF 4,646 million, increased HUF 158 million

The company has HUF 575 million long term liabilities.

Short term liabilities amounted to HUF 6,397 million which shows as increase of HUF 2,808 million mainly due to Company has been called down HUF 2,100 million credit loan and trade accounts payables increase HUF 618 million.

Strategic plans of the Company

The Company offers complex solutions of document security products, plastic cards, and high-volume printing and personalisation of administration forms. The Company is the largest document security producer and personalizer of Hungary, but it also produces Mastercard and VISA bankcards for domestic and foreign banks as well. Apart from the Hungarian parent company, the joint ventures in Romania and Bulgaria also print personalized business forms, invoices, statements for banks, insurance companies and public utilities.

The strategic goal of the Company is to offer products and solutions through its document security and mobile technology developments like electronic security documents or payment solutions in line with the international standards that can help the organic growth of the ANY Group in the future.

The Company's employment policy

Security Printing Company Plc. places high priority on keeping labour law, labour safety, employment, tax and social insurance regulations connected to working. The Company considers the employees' continuous training and education as of strategic importance in order to ensure the renewal of professional knowledge within the Company and the adaptability of employees. Security Printing Company Plc. gives wide scale of social benefits to its employees, helping to create the balance

between private life and the workplace. The principles of benefits and wages are set out in the Collective Agreement. Besides keeping the regulations, the Company is trying to create a workplace with proper working relations, taking the family obligations into consideration which increases the Company's profitability on the long term as well.

Risk management

Foreign currency risk

Among foreign currency transactions of the ANY Security Printing Company Plc 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, therefore the foreign currency risk of the Company is not significant.

Interest rate risk

Due to the debts in the ANY Security Printing Company Plc, potential interest rate changes would not influence significantly the amount of interests to be paid by the Company. The Company had HUF 2,946 million credit loan at the end of 2017.

Liquidity risk

Liquidity risk of the Company, due to the high balance of net working capital, is also low.

Credit risk

The financial discipline of the debtors of the ANY Security Printing Company Plc 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.

Supplementary information to the Business report of Security Printing Company Plc.

Off balance sheet date events

There were no significant event after year end date.

Environment protection

The company has ISO 14000:2005 Environmental Control System certificate audited by Det-Norske Veritas. The expiry date of the certification is January 10, 2019. The environmental certificate covers the following fields: printed products, security products, documents, development, production and personalization of plastic cards and bankcards. Research and development and production of security materials. Electronic reprocessing and delivering of printed forms. Chip embedding and encoding at smart cards. Research and development of traditional/general and mobile information technology solutions, operation and support of connected services. Electronic archiving of data, data processing, database management, setting up archives, storing of documents for fee.

Dangerous waste is continuously eliminated after leaving the company sites. In 2017, 23,096 kg dangerous waste was transported and eliminated. Our Company has being awarded Green Printing House Award for six consecutive years this year.

Research and development

The company has two significant R&D areas:

1, R&D projects included in the activity of the Document Security Laboratory. The nanotechnology project has a key importance in this area. Using nanotechnology in security inks may contribute to drawing back forgeries and the fight against black economy.

2, The development of products has a significant role related to new tenders.

The direct cost of basic research, applied research and experimental development incurred in the current year is HUF 54 million.

Treasury shares in the year 2016:

Table 2: Repurchased treasury shares

Description	Number of shares	Nominal value (HUF thousands)	Purchase value (HUF thousands)
Opening balance January 1, 2017	448,842	43,987	455,048
Closing balance December 31, 2017	448,842	43,987	455,048

ANY Security Printing Company Plc. discloses its treasury shares at market value based on the stock exchange rate on the date of preparing the balance sheet and in result of this full amount of write-off was reversed in 2016.

The Company's share capital amounted to HUF 1,449,876 thousands on 31 December 2017 which consisted of 14,794,650 pieces of registered, dematerialized ordinary shares Series 'A' with a nominal value of HUF 98 each.

Non-financial reporting

Integrated management policy

The long-term strategic objective of ANY Security Printing Company, one of the leading security printing companies of the Central and Eastern European region, is to provide special, high value added, original products for its business partners by applying modern information technology. Another strategic objective of the Company is to provide complete business solutions and innovative services on the market of security and traditional printing products. In order to achieve its strategic objectives, the Company operates its business processes safely, on a low risk level, in accordance with the relevant legal requirements and regulations. In order to achieve its objectives, ANY Security Printing Company has introduced an integrated management system in line with the ISO 9001, ISO 14001, ISO 27001, ISO 14298 standards, the NATOAQAP 2110 and MasterCard CQM normative requirements and the payment card production requirements of MasterCard and Visa payment systems (PCI CP). By operating and continuously developing the integrated management system, the Company ensures – the production and performance of products and services that fulfil the requirements and needs of the customers in every respect, – the improvement of business partner satisfaction and trust through quality, planning and implementation of technological processes and quality control, by applying the best technological solutions available, – product and production safety and high quality of the related physical and information security environment, – maintenance and development of an environmentally responsible operation, manifested in measures such as prevention of pollution, mitigation of environmental impacts, reasonable resource management, separate collection of waste, reduction and management of hazardous waste, – sub-suppliers and business

partners supporting performance that meet the quality, security and environmental requirements of both the Company and its customers, – reliable, suitably qualified professionals with constantly expanding knowledge, – balanced relationship and continuous dialogue with customers, authorities, the general public, partners and internal employees

Code of Ethics of ANY Security Printing Company

Code of Ethics of ANY Security Printing Company contains the ideas of the Company about the behaviour and processes in connection with corporate and business ethics, market competition and social environment. By publishing the Code of Ethics the Company wanted to provide an opportunity to both employees and to present and future shareholders to be familiar with the basis of the ANY Security Printing Company's corporate culture.

Employment management, social issues

It is one of the strategic goals of the Company to adjust the corporate structure to the changing financial issues and to the growing market challenges. Human resources have key role in effective operation of the Company. It applies the highest level of prudence when looking for a new employee, while keeping the employees and ensuring their professional development are with high priority. Our inner policies ensure that the Company can operate with respect to the human rights.

Based on the report on corporate governance the corporate management practice as follow at ANY Security Printing Company Plc.

Description of governing bodies of the Company

Operation of the Board of Directors

The Company is managed by the Board of Directors consisting of 6 members. Members are elected by the General Meeting of Shareholders (GM) for a maximum 5 year term. Following the expiration of their mandate members can be re-elected.

Members of the Board of Directors on 31 December 2017 (names of independent members are underlined and printed in italics):

Name		Mandate
<u>Dr. Ákos Erdős</u>	chairman	31 May 2019
Gábor Zsámboki	vice-chairman	31 May 2019
<u>Tamás Erdős</u>	member	31 May 2019
<u>Erwin Fidelis Reisch</u>	member	31 May 2019

<u>György Gyergyák</u>	member	31 May 2019
<u>Péter Kadocsa</u>	member	31 May 2019

The Board of Directors elects its chairman from among its members with a simple majority of votes. Those members who are not employees of the Company decide as a board over the assignment of the Chief Executive Officer. The President of the Board of Directors exercises the employer's rights over the Chief Executive Officer.

The Board of Directors establishes its own Rules of Procedure in which it gives orders on the scope of competence and tasks among themselves.

A meeting of the Board of Directors may be convened by the chairman or a member of the Board of Directors indicating the reason and purpose of the meeting. Minutes are kept of the meetings.

Tasks and competence of the Board of Directors

- (a) Any of issues concerning the management and business operations of the Company, which do not fall within the General Meeting's exclusive competence on the basis of the Statutes or provisions of the Civil Code. The Board of Directors is responsible for any of its decisions taken in the frame of the activities of the Company or in the frame of delegated competence and is entitled to place into its competence, decisions on issues, which do not fall within the scope of the exclusive competence of the General Meeting.
- (b) The Board of Directors shall present the report of the Company prepared in accordance with the Accounting Act and the proposal on the appropriation of after-tax profits and the report on corporate governance.
- (c) The Board of Directors shall prepare a report on the management, the financial situation and the business policy of the Company and submit same to the annual ordinary General Meeting at least once every year, and to the Supervisory Board at least once every three months.
- (d) The members of the Board of Directors shall treat business secrets concerning the Company's issues as confidential. Upon the request of the shareholders, the Board of Directors shall provide information on the affairs of the Company, and allow an inspection of its books and documents provided that business interest and business secret of the Company will not be infringed. In the event that the Board of Directors does not comply with such request, upon the request of the shareholder concerned, the Court of Registration will oblige the Company to provide information or to allow inspection.
- (e) The Board of Directors shall ensure that the books of the company, including accounting books and Register of Shareholders, are kept according to the applicable regulations.
- (f) The Board of Directors shall report to the Court of Registration in accordance with the laws and the Statutes and shall take measures on the necessary publications.
- (g) The Board of Directors shall convene the ordinary and the extraordinary General Meeting except the cases set out in the Civil Code.

- (h) The Board of Directors shall prepare and approve the proposals concerning issues in the competence of the General Meeting and present same to the General Meeting.
- (i) The Board of Directors shall decide with respect to the annual and mid-term business plan of the Company, the implementation of which belongs to the scope of competence of the operative management of the Company.
- (j) The Board of Directors shall determine the competence of the General Manager responsible for the operative management. The employer's rights over the General Manager shall be exercised by the members of the Board of Directors who are not employed by the Company acting as a body, they shall decide on the appointment, dismissal and remuneration of the General Manager, whilst the Chairman of the Board of Directors shall exercise the employer's rights himself/herself, in case of his/her incapacity, his/her deputy or a person appointed by the Board of Directors shall exercise such rights.
- (k) The Board of Directors may confer the right to sign on behalf of the Company to the employees of the Company.
- (l) The Board of Directors shall approve the Company's Organizational and Operational Regulations.
- (m) The Board of Directors shall issue and divide consolidated shares.
- (n) On the basis of the General Meeting's authorization, the Board of Directors shall provide for the purchase of treasury shares and shall decide on the sale of treasury shares owned by the Company.
- (o) With the approval of the Supervisory Board granted in advance, the Board of Directors shall approve the interim balance sheet concerning the acquisition of treasury shares, payment of interim dividends and the increase of the share capital by its assets exceeding the share capital.
- (p) The Board of Directors shall increase the share capital according to the Section 17.8 of the Statutes.
- (q) The Board of Directors shall decide on the payment of interim dividends with the approval of the Supervisory Board granted in advance.
- (r) The Board of Directors may set up committees, the members of which may be solely the members of the Board of Directors, and the Board of Directors can transfer a part of its competence to such committees, and the Board of Directors shall be also entitled to set up committees consisting of both the members of the Board of Directors and persons who are not members of the Board of Directors and provide such committees the appropriate authorization.
- (s) The Board of Directors may undertake financial obligations in the scope of ordinary business operations, the individual value of which exceeds 20% of the share capital (e.g.: guarantee, etc.).
- (t) The Board of Directors may undertake any transaction, financial obligation which are neither included in the annual business plan approved by the Board of Directors nor in the ordinary

business operations, value of which exceeds 20% of the share capital of the Company; with respect to the threshold, the amount shall be calculated with the aggregated value of transactions concluded in one year (purchase, rental, leasing, sale, investment, sale of investment of assets, providing services which are outside of ordinary business operations, crediting, taking loans, etc.).

- (u) Concluding transactions between the Company and:
 - (i) one of its shareholders holding at least ten per cent. of the voting rights or his/her close relative; or
 - (ii) a person in which a shareholder holding at least ten per cent. of the voting rights or his/her close relative – directly or indirectly or based on an agreement – holds more than fifty per cent. of the voting rights or he/she is entitled to elect or withdraw the majority of its executive officers or its members of the Supervisory Board;
 - (iii) a person which holds more than fifty per cent. of the voting rights – directly or indirectly or based on an agreement – in the shareholder holding at least ten per cent. of the voting rights of the Company or which is entitled to elect or withdraw the majority of the executive officers or members of the Supervisory Board of shareholder holding at least ten per cent. of the voting rights of the Company;
 - (iv) a person in which the person set forth in point (iii) – directly or indirectly or based on an agreement – holds more than fifty per cent. of the voting rights or the majority of whose executive officers or members of the Supervisory Board may be elected or withdrawn by the person set forth in point (iii);

with the exception of transactions of ordinary value within the activities of the Company. The Board of Directors shall prepare a comprehensive annual report on transactions concluded with the persons mentioned above which also includes the transactions of ordinary value falling within the activities of the Company and it shall submit same to the Supervisory Board.

- (v) The members of the Board of Directors attend the General Meeting of the Company with a right of consultation and to make proposals. The Chairman of the Board of Directors or the appointed member thereof must attend the General Meeting and the meetings of the Supervisory Board to which he/she receives an invitation.

The chairman of the Board of Directors convenes and conducts the meetings, appoints the keeper of the minutes from the meeting of the Board of Directors, orders voting and announces its results.

The Board of Directors passes its resolutions with a simple majority of votes. Under extraordinary circumstances, when it is impossible to call for a meeting of the Board of Directors, the chairman of the Board of Directors shall order a written voting. The Rules of Procedure of the Board of Directors contains the applying rules and regulations.

The Board of Directors held 4 meetings in 2016 with 5 persons present as an average.

Division of responsibility and duties between the Board of Directors and the Chief Executive Officer / Management

The operating activities of the Company are directed by the Chief Executive Officer. The Chief Executive Officer is personally liable for performing his/her duties within the framework defined by law, the Statutes, and in accordance with the decisions of the Board of Directors and the General Meeting. The Chief Executive Officer may delegate his authority to the Company's managers and employees in accordance with the Rules of Organization and Operation within the limits of the Company's internal regulations by means of defining job descriptions and with general or limited authorizations, but limitations on his scope of authority as a member of the Board of Directors shall have no effect with respect to third parties.

The Chief Executive Officer is entitled to make decisions in all affairs not falling within the scope of authority of the General Meeting or the Board of Directors. The Chief Executive Officer concludes a labour contract with the Company, signed by the chairman of the Board of Directors.

The Chief Executive Officer exercises employer's rights with respect to employees of the Company.

In order to carry out the business of the Company, the Chief Executive Officer concludes contracts and represents the firm before third parties, authorities and courts.

Competence and tasks of the Chief Executive Officer

- (a) The Chief Executive Officer shall decide with respect to all issues which do not fall within the exclusive competence of the General Meeting, the Board of Directors or the Chairman of the Board of Directors.
- (b) The Board of Directors may transfer any of its competence regarding the daily management to the Chief Executive Officer under the provisions and conditions established by it and the Board of Directors may withdraw or change the totality or a certain part of such competences from time to time, however, such transfer does not affect the liability of the Board of Directors.
- (c) The Chief Executive Officer shall conclude agreements for the purpose of performing the Company's tasks and represent the Company towards third parties, before courts and other authorities.
- (d) The Chief Executive Officer shall prepare the agenda of the General Meeting and the Board of Directors and he/she shall submit proposals concerning decisions.
- (e) The Chief Executive Officer shall execute passed resolutions and decisions, and he/she shall manage the performance of tasks within the scope of activities of the Company.
- (f) The Chief Executive Officer shall exercise employer's rights over other employees of the Company. The Chief Executive Officer can delegate the exercise of employer's rights over employees in accordance with the Organizational and Operational Regulations of the Company.

(g) The Chief Executive Officer can transfer his/her competence to the executives and employees within the framework of the internal administration of the Company in accordance with the Organizational and Operational Regulations based on a general or an ad-hoc decision, by describing the respective scope of activities, however, the limitation of the competence attached to his/her membership of the Board of Directors shall be null and void against third parties.

The Board of Directors may delegate a portion of its authority, with restrictions and conditions determined at its discretion, to the Chief Executive Officer, and it may withdraw or change all or any portion of such authority from time to time, but such delegation shall not affect the liability of the Board of Directors.

Members of the management on 31 December 2017:

Gábor Zsámboki chief executive officer

László Balla deputy chief executive officer

Ferenc Berkesi chief security officer

Gábor Péter chief IT officer

Lajos Székelyhidi chief research and development officer

Zoltán Tóth chief technical and production officer

Evaluation and remuneration of the management

The Board of Directors is making a continuous assessment of the management's activity, and makes an additional extensive performance evaluation once a year. The remuneration of managers (Chief Executive Officer) has an established system at the Company. On top of the base salary, managers are entitled to receive bonus if the development of the Company meets the long term targets and targets of the relevant business year. The bonus is linked to the fulfilment of planned sales revenues and planned earnings per share (EPS) and to the fulfilment of most important specific tasks set in advance for the business year.

The Board of Directors is entitled to work out the detailed guidelines of the Management Share Option Programme according to the decision of the 2009 Annual General Meeting. The members of the management are entitled to the acquisition of the Company's shares in a preferential way within the framework of this Programme.

The Supervisory Board

The Supervisory Board consists of six members who are elected by the General Meeting for a maximum five-year term. One third of the members of the Supervisory Board is designated by the Factory Council, following a statement of opinion of the trade unions operating at the Company. The

General Meeting is obliged to elect these employee members for the period unless statutory grounds for disqualification exist in respect of the nominees.

The members of the Supervisory Board elect the chairman by a simple majority of votes at their first meeting. The Chairman convenes and conducts the meetings of the Supervisory Board, appoints the person keeping the minutes, orders the voting and announces its results.

The meeting of the Supervisory Board may be convened by any member indicating the reason and purpose thereof if his/her request for convening the meeting has not been fulfilled by the chairman within 8 days.

Tasks and competence of the Supervisory Board

- (a) The Supervisory Board may request information from the executive officers or employees in executive positions of the Company and may inspect the books and documents of the Company.
- (b) The Supervisory Board shall inspect all important business reports appearing in the agenda of the General Meeting and all other submissions concerning the issues falling within the exclusive competence of the General Meeting.
- (c) The General Meeting may pass resolutions on the report prepared in accordance with Accounting Act and on the appropriation of after-tax profits and on the report on corporate governance only after having the written report of the Supervisory Board.
- (d) Members of the Supervisory Board shall treat business secrets concerning the Company's issues as confidential.
- (e) Members of the Supervisory Board shall take part at the General Meeting of the Company with a right of consultation.
- (f) If the Supervisory Board finds the activities of the management in violation of the laws, the Statutes or the resolutions of the General Meeting, or otherwise infringes the interests of the Company or its shareholders, the Supervisory Board shall convene an extraordinary General Meeting and shall make a proposal regarding its agenda.
- (g) The Supervisory Board must previously provide its consent to the interim balance sheet to be approved by the Board of Directors, concerning the acquisition of treasury shares, payment of interim dividends, increase of its share capital by its assets exceeding the share capital.

The Supervisory Board defines its Rules of Procedure and submits them to the General Meeting for approval. Minutes are kept of the meetings of the Supervisory Board.

Members of the SB on 31 December 2017 (names of independent members are underlined and printed in italics):

Dr. Tamás Sárközy chairman

Dr. Istvánné Gömöri vice-chairman

Ferenc Berkesi

Dr. Erzsébet Novotny

Dr. Imre Repa

Dr. János Stumpf

The Supervisory Board convened 4 times in 2017 and with an attendance of 5 members as an average.

The Audit Committee

The Audit Committee consists of three members elected by the General Meeting from the independent members of the Supervisory Board.

Tasks and competence of the Audit Committee

- a) approval of the report prepared pursuant to the Accounting Act
- b) proposal on the person and remuneration of the auditor
- c) preparation of the contract with the auditor, signing of the contract on behalf of the Company which is authorized by the Statutes
- d) monitoring of enforcement of professional requirements and conflict-of-interest regulations towards the auditor, cooperation with the auditor, and – if necessary – proposal to the Board of Directors or the Supervisory Board on certain provisions
- e) evaluation of the operation of the financial reporting system and proposal on certain provisions, and
- f) assistance of the tasks of the Board of Directors and the Supervisory Board in controlling the financial reporting system properly.

Members of the Audit Committee on 31 December 2017:

Dr. Istvánné Gömöri chairwoman

Dr. Tamás Sárközy

Dr. Imre Repa

The Audit Committee convened 4 times in 2017 and full attendance was recorded at any meeting.

The Company has no Nomination Committee and no Remuneration Committee, these functions are carried out by the independent members of the Board of Directors without formal setup as a committee.

The Auditor

The Auditor of the Company is elected following the recommendation of the Audit Committee for a maximum five-year period from among those internationally recognized auditing companies that have an office in Hungary.

Tasks and competence of the auditor

The Company shall have the auditor examine the authenticity and legal compliance of the report prepared in accordance with the Accounting Act. Without a statement of opinion by the auditor, the General Meeting may not decide on the report prepared in accordance with the Accounting Act.

- (b) The auditor shall examine all substantial business reports proposed to the General Meeting from the aspect of whether such reports contain true data and comply with all legal regulations.
- (c) The auditor may inspect the books of the Company, may request information from the members of the Board of Directors and the Supervisory Board and the employees of the Company and may examine the bank account, the petty cash, the stocks of securities and goods and the agreements of the Company.
- (d) The auditor shall treat all business secrets related to the operation of the Company as confidential.
- (e) The auditor shall participate at the General Meeting but his/her absence does not prevent the holding of the meeting.
- (f) If it is required, the auditor may be invited to attend the meeting of the Board of Directors with a right of consultation, or the auditor himself may initiate his/her attendance at the meetings. In this latter case, the request of the auditor may be refused only in exceptionally justified cases.
- (g) The auditor may attend the meeting of the Supervisory Board with a right of consultation, Upon the invitation of the Supervisory Board, the auditor is required to attend the meeting of the Supervisory Board. The Supervisory Board shall put on the agenda the issues proposed for consideration by the auditor.
- (h) If the auditor ascertains or otherwise learns that a considerable decrease in assets of the Company is probable, or perceives any other issue which entails the liability of the members of the Board of Directors or the Supervisory Board as set forth in the Civil Code, he/she shall request that the General Meeting be convened. If the General Meeting is not convened, or if it fails to render the resolutions required by laws, the auditor shall inform the Court of Registration exercising legal supervision.

The Auditor of the Company has not carried out any activities which are not related to auditing.

Disclosure policy of the Company

The Company's disclosures are managed in compliance with the rules of the Budapest Stock Exchange. In quarterly reports, annual reports the Company publishes results, and in form of extraordinary reports makes all information public that are occurring in the operations with direct or indirect relevance to the share price or information that is necessary to the most important investment decisions of market participants. The Company participates regularly in the forums of investor

coverage by way of road-shows, conferences. In addition, it keeps contact with investors continuously and is available for investors in answering their questions.

The Company's guidelines regarding insider trading

ANY Security Printing Company Plc has created a regulation compulsory for all of its subsidiaries and joint ventures to execute the Capital Market Act so that the prohibition of insider trading is effective. The regulation states that it is prohibited to make trades for securities and stock exchange products concerned by the insider information using insider information, or to give a commission for such trade and to pass on the insider information to another person with the goal of trading. Based on the law's use of terms and phrases, the Company's regulation defines the scope of insider information and insider persons. The members of the Board of Directors, the Supervisory Board of ANY Security Printing Company Plc, its senior officers, and its employees involved in balance sheet preparation are not allowed to buy or sell shares issued by the Company in the periods defined by law, that is the period between the balance sheet date and the release date of the an annual report (in the fifteen days preceding the release date of the interim report). The insider person must publish the transaction and announce it to the Hungarian National Bank in 2 days after the transaction. In case of the Board of Directors, the Supervisory Board and senior officers, ANY Security Printing Company Plc meets these requirements based on the statement of those obliged for the announcement.

Exercising shareholder rights and presentation of rules on the conducting of the general meeting

The share capital of the Company consists of 14,794,650 pieces of dematerialised ordinary shares with a par value of HUF 98 each.

Each shareholder who owns Series 'A' shares has one voting right per share at the General Meeting.

The Board of Directors of the Company or its proxy assigned according to the rules of the law on capital market keeps a share ledger containing at least the following information:

- shareholder's, nominee's name (company);
- shareholder's, nominee's address (headquarters);
- number of shares, interim shares of shareholder (shareholder's stake) as per type and series of shares.

The Register of Shareholders is accessible to anyone for inspection. Change in ownership is settled by the securities account keeper who simultaneously notifies the Board of Directors, or an entrusted organisation to register the shareholder in the Register of Shareholders, unless otherwise provided by the shareholder. A shareholder whose name does not appear in the Register of Shareholders may not exercise shareholder's rights.

The supreme organ of the Company is the General Meeting consisting of all the shareholders. Invitations to the General Meeting are publicly announced in the same manner as required for announcements of the Company 30 days prior to the planned General Meeting by the Board of Directors. Separate notification of the General Meeting is sent to the members of the Board of Directors and the Supervisory Board, as well as to the auditor of the Company.

All invitations to, and announcements of, the General Meeting should indicate the name and headquarters of the Company, the venue and date of the General Meeting, its agenda, the conditions of exercising voting rights, the venue and the date of the reconvened meeting if the General Meeting fails to achieve a quorum.

The General Meeting has a quorum if more than half of the shareholders entitled to vote are either present in person or represented by proxy. Authorization for such representation is included in a notarial document or a private document of full force which is presented not later than at the beginning of the General Meeting to the person keeping the minutes at the place and date indicated in the invitation to the General Meeting. Authorization for representation is valid for one General Meeting, including the General Meeting reconvened due to failure to achieve a quorum.

In case the General Meeting fails to achieve a quorum, the General Meeting has to be reconvened. Such a reconvened General Meeting has a quorum with respect to the issues included in the agenda of the original General Meeting irrespective of the number of shareholders present. At least 10 days may pass between the dates of the original and reconvened General Meeting.

Shareholders may exercise their shareholders rights personally or through representatives.

a, In case of personal attendance, shareholders must prove their identity with an ID card while their ownership is certified by their certificates of ownership of the shares. The shareholder registered in the register of shareholders who does not bring a certificate of ownership of the shares, may participate at the General Meeting but cannot exercise his/her voting right and cannot make proposals.

b, In case of a mandate, authorizations shall be submitted to the Company in the form of a notarial document or private document representing conclusive evidence. The authorisation shall be given to the representative of the Board of Directors before the General Meeting. As for certificate of ownership, Section a, is governing.

c, The securities account manager included in the Register of Shareholders as a shareholder delegate shall act as specified in the Capital Market Act in the representation of the shareholder.

Shareholders may exercise their shareholders rights if the shareholder or the representative is registered in the Register of Shareholders before the date of the General Meeting. The securities account managers shall provide for the registration of the shareholder in the Register of Shareholders

based on the assignment of the shareholder. Securities account managers shall give information to the shareholders on the deadline of executing the assignments of registry in the Register of Shareholders. The Company does not accept responsibility for execution of assignments given to securities account managers and for the consequences of their failures.

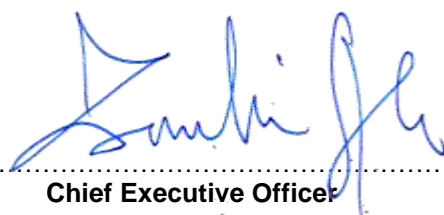
The Chairman of the Board of Directors, or if he/she is unable to be present, the vice-Chairman of the Board of Directors, or if he/she is also unable to be present, the person appointed by the Board of Directors prior to the General Meeting shall chair the General Meeting. The appointment of the Chairman of the General Meeting shall be effectuated prior to the discussion on the agenda issues, and as long as same does not take place, the General Meeting cannot render resolutions on the merits of the agenda issues.

The chairman of the General Meeting appoints the person keeping the minutes, conducts the meeting on the basis of the agenda, orders voting and announces results of voting and the resolutions of the General Meeting.

In accordance with the provisions of the Company Act, minutes are kept of the General Meeting.

In the above description ANY Security Printing Company Plc is providing comprehensive overview of corporate processes and practices. Detailed rules to any function summarized in this report can be found in the Statutes, freely available on the company website (www.any.hu).

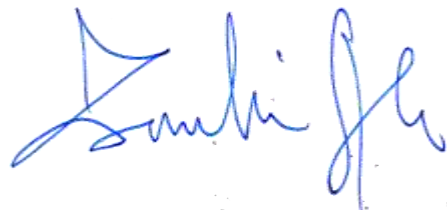
Budapest, 05 March, 2018



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Chief Executive Officer

Statement of responsibility

Gábor Zsámboki, as the CEO of ANY Security Printing Company Plc., I hereby declare that the annual report based on the applicable accounting rules and on our best knowledge gives a true and fair view about the assets, liabilities, financial position, profit and loss of the issuer, furthermore the management report gives a true and fair view about the position, development, and achievement of the issuer while reviewing the main risks and uncertainty factors.



Budapest, 27 April, 2018

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Chief Executive Officer