

**ANY Security Printing Company Public Limited Company by Shares**

**Consolidated business report  
for the year ended 31 December, 2017**

## Analysis of the Group's performance in FY 2017

Net sales of ANY Group for 2017 amounted to HUF 26.2 billion which is higher by HUF 1.3 billion (5%) than in the previous year. Changes in case of strategic product segments were as follows: sales of security products, solutions amounted to HUF 6.5 billion, which is lower by HUF 0.2 billion (3%) compared to the basis year; sales of card production, personalisation amounted to HUF 7.6 billion, which shows an increase by HUF 1.7 billion (29%) compared to last year, whilst sales of segment of form production, personalisation, data processing were HUF 10.3 billion, which shows a decrease of HUF 0.5 billion (4%) compared to year 2016. Ratio of strategic products segments in total net sales was 93% in 2017.

Export sales of the Group reached HUF 11.1 billion in 2017, which shows a HUF 1.9 billion (21%) increase compared to the previous year representing a 43% export sales ratio.

Consolidated EBITDA is HUF 2,885 million, a decrease of HUF 93 million (3%) compared to 2016 base period.

Consolidated operating income is HUF 1,815 million, which is HUF 154 million (8%) lower than the profit for the base period. Consolidated net income after interest income, taxation and non-controlling interest is HUF 1,134 million, which shows a decrease of HUF 68 million (3%) compared to 2016.

Earnings per share are HUF 79 in 2017.

## Income statement analysis

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

1. Table: Net sales by segments

Sales segments	2016 HUF millions	2017 HUF millions	Change (B-A)	Change % (B/A-1)
Security products and solutions	6,680	6,500	(180)	(2,69%)
Card production and personalization	5,937	7,652	1,715	28,89%
Form production and personalization, data processing	10,715	10,253	(462)	(4,31%)
Traditional printing products	1,143	1,288	145	12,69%
Other	436	488	52	11,93%
<b>Total net sales</b>	<b>24,911</b>	<b>26,181</b>	<b>1,270</b>	<b>5,10%</b>

ANY Group had consolidated net sales of HUF 26,181 million in 2017, which is HUF 1,270 million (5%) lower than the sales for the base period.

Sales of **security products and solutions** came to HUF 6,500 million in 2016 which means a decrease of HUF 180 million (3%) compared to the base period.

The Group's revenues from **card production and personalisation** totalled HUF 7,652 million in the period of reference, a HUF 1,715 million (29%) increase compared to year 2016. The growth of the segment was caused mainly by the higher sale of card document.

The Group's revenues from **form production, personalisation and data processing** came to HUF 10,253 million in 2017, a HUF 462 million lower than the sales for the base period. Missing sales revenue from last year's referendum causes the decrease, which could be partly compensated by export sales increase.

Sales of **traditional printing products** amounted to HUF 1,288 million in the period of reference, which means a HUF 145 million (13%) increase compared to the previous year's similar period.

**Other sales** totalled HUF 482 million in 2017, which is an increase of HUF 52 million (12%). This segment mainly comprises revenues from the sale of commercial materials and goods.

Operating income came to HUF 1,995 million, a increase of HUF 25 million compared to the previous year.

Gross profit totalled HUF 7,993 million, which means a 31% gross margin. General (SG&A) expenses amounted to HUF 6,006 million in 2017, which equals 23% of net sales. Material expenses increased by HUF 1,125 million (7%) in the reference period, due to the higher net sales.

The capitalized value of own performance line shows the capitalized value of assets produced and the change in inventories manufactured. These figures were driven mainly by the change in inventories in both periods presented; the most significant of them is the value of unfinished production connected with security and card products.

Personnel expenses totalled HUF 5,914 million, which is 6% higher than in the base period.

EBITDA amounted to HUF 2,851 million due to the change in operating income and depreciation, which is a decrease of HUF 92 million (3%). EBITDA margin amounts to 11%.

Net interest income amounted to -93 million HUF in 2017. Net income – after financial operations, taxation and minority interest – came to HUF 1,134 million in 2017.

Earnings per share are HUF 79.

### Balance sheet analysis

The Group had total assets of HUF 17,673 million on 31 December, 2017, which increased significantly by HUF 2,299 million compared to the previous year-end.

Receivables amounted to HUF 4,659 million which represents a HUF 1213 million (35%) increase compared to the 2016 year-end figure due to sales increased.

Cash and bank totalled HUF 867 million which represents a HUF 1 million increase compared to the 2016 year-end figure.

Inventories totalled HUF 2,804 million, which is a HUF 660 million (31%) increase compared to the 31 December 2016 figure.

Other current assets and prepayments amounted to HUF 1,395 million, which is a HUF 96 million increase, compared to the prior year-end figure.

The balance of property, plant and equipment at the end of December 2017 was HUF 7,571 million, an increase of 5% compared to the end of 2016.

Goodwill amounted to HUF 336 million, which is a HUF 1 million increase as at the end of previous year.

Accounts payable totalled HUF 2,659 million, HUF 191 million (8%) higher compared to the end of December 2016. The reasons of the change were the decreasing supplier balance and creditor invoices arriving after the balance sheet preparation date which were posted as other liabilities.

Other payables and accruals amounted to HUF 2,085 million, which is an increase by HUF 426 million, due to mainly late creditor invoices mentioned previously.

Lease liability relating to the purchase of fixed assets HUF 700 million, from which HUF 376 million long-term part, HUF 324 million short-term liability. Due to the technological improvements lease liability increased by HUF 78 million.

Long-term loan amount HUF 1,630 million, from which HUF 1,432 million long-term part, HUF 198 million short-term liability.

The Group's operation was financed by short term loans which reached HUF 3,160 million on 31 December, 2017.

## Risk management

### Foreign currency risk

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

### Interest rate risk

Due to the moderate level of debts in the Group, potential interest rate changes would not influence significantly the amount of interests to be paid by the Group. Based on the balance of Credits of the Group, a potential interest rate increase of 100 basis points relevant to our credits would increase our interest expenses by approximately HUF 46,092 thousands in the year 2017. (This was HUF 26,688 thousands in the year 2016.)

### Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash-flows and by matching the maturity profiles of financial assets and liabilities.

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

### Credit risk

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

The financial discipline of the debtors of the Group is really good, which is also represented by the low portion of cumulated provision on trade receivables compared to the gross amount of trade receivables: 1.21%. (This was 1.36% in 2016.) The more than 90 days overdue receivables out of total aged receivables of the Group is 2%.

## Supplementary information for the business report of ANY Group

### The Company's employment policy

ANY Group places high priority on keeping labour law, labour safety, employment, tax and social insurance regulations connected to working. The Group considers the employees' continuous training and education as of strategic importance in order to ensure the renewal of professional knowledge within the Group and the adaptability of employees. ANY Group 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 Group is trying to create a workplace with proper working relations, taking the family obligations into consideration which increases the Group's profitability on the long term as well.

### Environment protection

The parent 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. The parent company has being awarded Green Printing House Award for six consecutive years this year.

### Research and development

The parent 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.

## Significant events after the reporting period

The Consolidated Financial Statements were accepted by the Board of Directors of ANY Group on 5<sup>th</sup> March, 2018.

## Treasury shares in FY2017

2. Table: Treasury shares

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

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

The Group's total share equity was HUF 1,449,876 thousands on 31 December 2017 which consists of 14,794,650 pieces of series 'A' registered, dematerialized ordinary shares with a nominal value of HUF 98 each.

## Competence, election and removal of corporate officers

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

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

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

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

[http://www.any.hu/wp-content/files\\_mf/1399629924ANY\\_Statutes\\_31.03.2014.pdf](http://www.any.hu/wp-content/files_mf/1399629924ANY_Statutes_31.03.2014.pdf)

## Modification of the Statutes

Statutes effective from 31<sup>st</sup> March 2014 of ANY Security Printing Company PLC point 10.10 prescribes the competence of the General Meeting, of which point 'a' regulates the modification of the Statutes, which is connected to three-quarters of the votes of the shareholders present.

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

([http://www.any.hu/wp-content/files\\_mf/1399629924ANY\\_Statutes\\_31.03.2014.pdf](http://www.any.hu/wp-content/files_mf/1399629924ANY_Statutes_31.03.2014.pdf))

## Structure of shareholders over 5% share

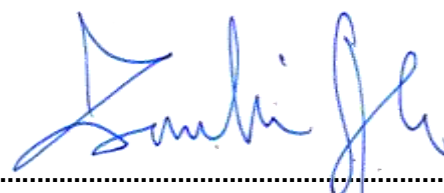
3. Table: Structure of shareholders

Investor	Voting right (%)	Ownership (%)
<b>Owners above 5% share</b>		
EG CAPITAL LLC(*)	11.98%	11.62%
DIGITAL FOREST LLC(**)	6.97%	6.76%
AEGON ALFA SZÁRMAZTATOTT ALAP	7.43%	7.20%
<b>Owners below 5% share</b>		
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 (3.22%).

(\*\*) Indirect ownership of Tamás Erdős, member of the Board of Directors of ANY Security Printing Company PLC based on the AGM held on 31<sup>st</sup> March, 2014.

Budapest, 5<sup>th</sup> March 2018



Chief Executive Officer