

Annual Report

2018





Dear Shareholders,

Country-City. This game, in one form or another, is known and popular in many countries around the world and it is successfully used in education, too in a lot of places. I believe that many employees of ANY PLC would be successful in this game.

The following list includes, in alphabetical order of the countries concerned, the names of non-Hungarian cities that our colleagues officially visited in 2018: Tirana, Luanda, Vienna, Manama, Sophia, Montreal, Zagreb, Lanskrone, Prague, Tallinn, Brest, Paris, Fürth, Munich, Sulzbach, Hannover, Düsseldorf, Langenhagen, Dieburg, Passau, Berlin, Roding, Stuttgart, Riederich, Pliezhausen, Accra, Dublin, Verona, Milan, Abidjan, Nairobi, Victoria, Riga, Abuja, Warsaw, Bucharest, Cluj-Napoca, Beograd, Bratislava, Rimavská Sobota, Kosice, Zilina, Nitra, Kampala, London, New Milton, Baltimore, Boston, New York, Washington.

This Country-City 'board game' began many years ago and the result is convincingly reflected in the figures featured in the Annual Report. Over one third of ANY's sales revenue is generated in foreign markets. The neighbouring countries play a key role, but Africa is also an important factor in the growth. Angola, Ivory Coast, Ghana, Kenya, Uganda represent familiar terrain to our colleagues, and we, in ANY's plants, welcome those arriving from afar as acquaintances or friends. The rapid progress of the second largest continent in terms of size and population requires the development of security forms and documents, in which ANY has achieved an increasingly important position, benefitting from the support of the Ministry of Foreign Affairs and Trade within the framework of the Key Exporter Partnership Program.

220 out of the 933 employees of ANY Group work abroad. Our specialists travelled by air over half a million kilometres last year to present our products to customers and to participate in exhibitions and conferences. In the company's long-term strategy, we view export as the most important growth factor. The R&D activity of the Document Laboratory is an indispensable element of success in foreign markets. Interest in the special inks, fibres and instruments produced by the printing company can be measured in millions of dollars in the export revenues.

There is another exciting data not shown in the figures of the Annual Report, in the Balance Sheet. The vehicles of ANY PLC and its domestic subsidiaries covered over 2 million (!) kilometres on the Hungarian roads.

There is a long way behind us and now let us no longer think about the kilometres travelled. The growth in sales revenue, the technical developments and the patents related to ANY's name are all tributes to the professional expertise and efforts of our colleagues. We are hopeful that there will be no stopping in 2019 either, and growth will continue on both domestic and foreign markets.

Dr Ákos Erdős
Chairman of the Board

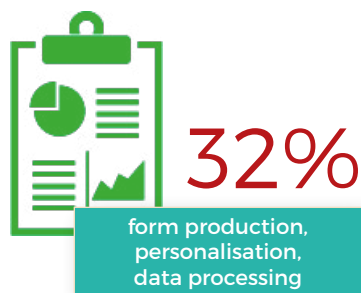
Future's Printing Company

**Besides a new R&D centre we ensure
enough space for at least 10 years
for growing capacities**



Visualisation: ÉSK Innovációs Kft.

Record sales



ANY PLC reached record high sales in 2018. Net sales of ANY PLC for 2018 amounted to HUF 30.5 billion which is by 17% higher than in the previous year, of which export amounted to HUF 11.1 billion. EBITDA is HUF 3 billion, net profit is HUF 1.14 billion, therefore EPS is HUF 79.

Sales of security products and solutions came to HUF 9,475 million in 2018 which means an increase of HUF 2,975 million (46%) compared to previous year. The increase is due to the election ballots printed with security elements and to the higher volume of meal vouchers, other security documents and security document products. The Company's revenues from card production and personalisation totalled HUF 9,250 million, a HUF 1,598 million increase compared to previous year. Higher volume of domestic and international document card sales is behind the change. The Company's revenues from form production, personalisation and data processing came to HUF 9,663 million in 2018, a HUF 590 million lower than in 2017. The change derives from lower volume of printed domestic tax forms and from lower export sales. Sales of traditional printing products amounted to HUF 1,496, which means a HUF 208 million increase compared to the previous year. Other sales totalled HUF 643 million, which is an increase of HUF 155 million. This segment mainly comprises revenues from the sale of commercial materials and goods.

Sales categories	FY 2017 HUF millions	FY 2018 HUF millions	Change HUF millions	Change %
Security products and solutions	6,500	9,475	2,975	45.77
Card production and personalisation	7,652	9,250	1,598	20.88
Form production and personalization, data processing	10,253	9,663	(590)	-5.75
Traditional printing products	1,288	1,496	208	16.15
Other	488	643	155	31.76
Total net sales	26,181	30,527	4,346	16.60

International presence

The middle-term aim of the Printing Company is to even more strengthen its position on the international markets in the field of security forms and document cards



Nova Totius
FERRARUM
ORBIS
TABULA
ex officina F. de Wil.
Amstelredam.

Dynamic export activity

Export sales includes the export activities of ANY Security Printing Company and its joint ventures and subsidiaries. Export sales amounted to HUF 11,071 million in 2018, representing 36% export sales ratio.

Sales revenue of security products and solutions were HUF 872 million, which is HUF 84 million higher, than in 2017. Increasing turnover of meal vouchers was the reason for that.

Export sales revenue of card production and personalisation was HUF 1,316 million in 2018, which was HUF 114 million higher compared to last year. Higher volume of document card sales was the reason for the change.

In the field of form production, personalisation and related logistics services export sales revenue was HUF 8,306 million, decreased by HUF 473 million compared to 2017.

**Sales, export sales
2005-2018**



Sales categories

	FY 2017 HUF millions	FY 2018 HUF millions	Change HUF millions	Change %
Security products and solutions	788	872	84	10.66%
Card production and personalization	1,202	1,316	114	9.48%
Form production and personalization, data processing	8,779	8,306	(473)	-5.39%
Traditional printing products	23	46	23	100.00%
Other	328	531	203	61.89%
Total export sales	11,120	11,071	(49)	-0.44%
Export %	42.47%	36.27%		

Research&Development

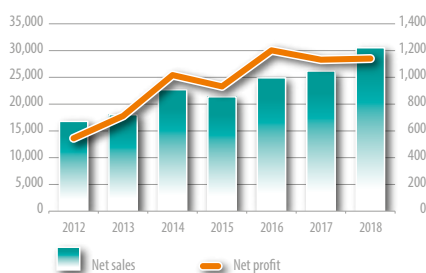
Integrated document security researches built on each other
even more strengthen the Company's competitive advantage



HUF 79 Earning per Share

Operating income came to HUF 1,853 million, a decrease of HUF 145 million compared to the previous year. Gross profit totalled HUF 8,039 million, which means a 26% gross margin. General (SG&A) expenses amounted to HUF 6,125 million in 2018, which equals 20% of net sales. Material expenses increased by HUF 21,590 (25%) in the current period due to the higher turnover. 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 these is the value of unfinished production connected with security and card products. Personnel expenses totalled HUF 6,505 million, which is 9% higher than in the base period due to the overtime costs connected to higher turnover, increase in wages and salaries and to the performance based costs. Other expenses increased because of provision which were settled at year end. EBITDA amounted to HUF 2,986 million due to the change in operating income and depreciation, which represents a decrease of HUF 82 million compared to previous period's EBITDA. Therefore EBITDA margin is 10%. Net interest income amounted to –101 million HUF in 2018. Net income – after financial operations, taxation and minority interest – came to HUF 1,140 million in 2018, an increase of 1% compared to 2017. Earning per share is HUF 79.

**Sales, profit
2012-2018**



Description	2017 Q1-Q4 HUF millions	2018 Q1-Q4 HUF millions	Change HUF millions	Change %
Net sales	26,181	30,527	4,346	16.60%
Capitalized value of assets produced	104	615	511	491.35%
Material expenses	17,270	21,590	4,320	25.01%
Personnel expenses	5,957	6,505	548	9.20%
Depreciation	1,070	1,133	63	5.89%
Other expenses/(revenues)	-10	61	71	-710.00%
Operating income	1,998	1,853	(145)	-7.26%
Net profit	1,132	1,140	8	0.71%
EBITDA	3,068	2,986	(82)	-2.67%
EBITDA margin (%)	11.72%	9.78%		

IT innovation

International spread of electronic person and product identification solutions are made more secure and efficient by our professionals' IT innovations



Board of Directors

Dr. Ákos Erdős Chairman
Gábor Zsámboki Vice-Chairman
Tamás Erdős
György Gyergyák
Dr. Gábor Kepecs
Erwin Fidelis Reisch

Supervisory Board

Dr. Tamás Sárközy Chairman
Dr. Istvánné Gömöri Vice-Chairman
Ferenc Berkesi
Dr. Imre Repa
Dr. János Stumpf
Dr. Erzsébet Novotny

Management

Gábor Zsámboki Chief Executive Officer
László Balla General Deputy Chief Executive Officer
Ferenc Berkesi Chief Security Officer till 31st December 2018
Dr. István Ignác Chief Security Officer from 1st January 2019
Tamás Karakó Chief Financial Officer
Gábor Péter Chief Information Officer
Dr. Lajos Székelyhídi Chief Research and Development Officer
Zoltán Tóth Chief Technical and Production Officer

Main financial data and indicators (IFRS consolidated)

Name	FY 2017 HUF millions	FY 2018 HUF millions
Financial situation		
Non-current assets	7,949	9,016
Total assets	17,673	19,304
Shareholder's equity	7,215	7,142
Main categories of results		
Net sales	26,181	30,527
EBITDA	3,068	2,986
Profit after tax	1,132	1,140
Main indicators		
Return on sales (ROS) %	4.3%	3.7%
Return on equity (ROE) %	15.7%	16.0%
Earning per share (EPS) HUF	79	79

Sales of product groups

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

Sales categories	FY 2017 HUF millions (A)	FY 2018 HUF millions (B)	Change HUF millions (B-A)	Change % (B/A-1)
Security products and solutions	6,500	9,475	2,975	45.77%
Card production and personalization	7,652	9,250	1,598	20.88%
Form production and personalization, data processing	10,253	9,663	(590)	-5.75%
Traditional printing products	1,288	1,496	208	16.15%
Other	488	643	155	31.76%
Total net sales	26,181	30,527	4,346	16.60%

ANY PLC had consolidated net sales of HUF 30,527 million in Q4 2018, which is HUF 4,346 million (17%) higher than the sales for the base period.

Sales of **security products and solutions** came to HUF 9,475 million in Q4 2018 which means an increase of HUF 2,975 million (46%) compared to the base period. The increase is due to the election ballots printed with security elements and to the higher volume of meal vouchers, other security documents and security document products.

The Company's revenues from **card production and personalisation** totalled HUF 9,250 million in the period of reference, a HUF 1,598 million increase compared to similar period of year 2017. Higher volume of domestic and international document card sales is behind the change.

The Company's revenues from **form production, personalisation and data processing** came to HUF 9,663 million in 2018, a HUF 590 million lower than the sales for the base period. The change derives from lower volume of printed domestic tax forms and from lower export sales.

Sales of **traditional printing products** amounted to HUF 1,496 million in the period of reference, which means a HUF 208 million increase compared to the previous year's similar period.

Other sales totalled HUF 643 million in 2018, which is an increase of HUF 155 million. This segment mainly comprises revenues from the sale of commercial materials and goods.

EXPORT SALES BY CATEGORIES

Sales categories	FY 2017 HUF millions (A)	FY 2018 HUF millions (B)	Change HUF millions (B-A)	Change % (B/A-1)
Security products and solutions	788	872	84	10.66%
Card production and personalization	1,202	1,316	114	9.48%
Form production and personalization, data processing	8,779	8,306	(473)	-5.39%
Traditional printing products	23	46	23	100.00%
Other	328	531	203	61.89%
Total export sales	11,120	11,071	(49)	-0.44%
Export %	42.47%	36.27%		

Export sales amounted to HUF 11,071 million as at December 31, 2018, which is same compared to a year earlier, representing a 6% decrease in the 36% export sales ratio.

Sales revenue of security products and solutions were HUF 872 million, which is HUF 84 million higher, than the same period of the last year. Increasing turnover of meal vouchers was the reason for that.

Export sales revenue of card production and personalization was HUF 1,316 million in 2018, which was HUF 114 million higher compared to base period. Higher volume of document card sales was the reason for the change.

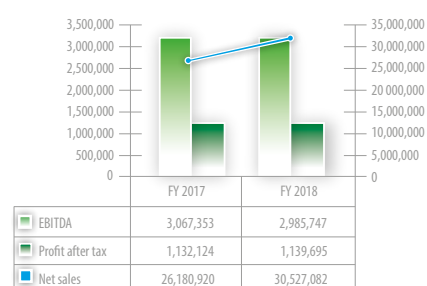
In the field of form production, personalisation and related logistics services export sales revenue was HUF 8,306 million at the end of the period, decreased by HUF 473 million compared to the base period.

Financial analysis

The table below presents the calculation of operating income according to the so-called "total cost accounting" method.

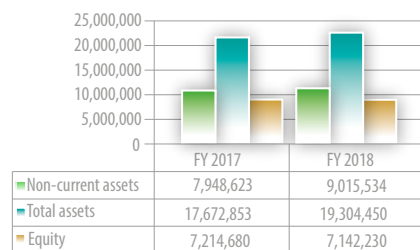
Description	2017 Q1–Q4 HUF millions (A)	2018 Q1–Q4 HUF millions (B)	Change HUF millions (B–A)	Change % (B/A–1)
Net sales	26,181	30,527	4,346	16.60%
Capitalized value of assets produced	104	615	511	491.35%
Material expenses	17,270	21,590	4,320	25.01%
Personnel expenses	5,957	6,505	548	9.20%
Depreciation	1,070	1,133	63	5.89%
Other expenses	–10	61	71	–710.00%
Operating income	1,998	1,853	(145)	–7.26%
Net profit	1,132	1,140	8	0.71%
EBITDA	3,068	2,986	(82)	–2.67%
EBITDA margin (%)	11.72%	9.78%		

Profitability of ANY Group in the years 2017 and 2018



Net sales totalled HUF 30,527 million in Q1–Q4 2018, which is HUF 4,346 (17%) million increase compared to the figure for the same period of last year.

Financial situation of ANY Group in the years 2017 and 2018



EBITDA amounted to HUF 2,986 million due to the change in operating income and depreciation, which represents a decrease of HUF 81 million compared to previous period's adjusted EBITDA. Therefore EBITDA margin is 10%. Net income came to HUF 1,140 million in 2018, an increase of 1% compared to the adjusted profit of the previous year's similar period.

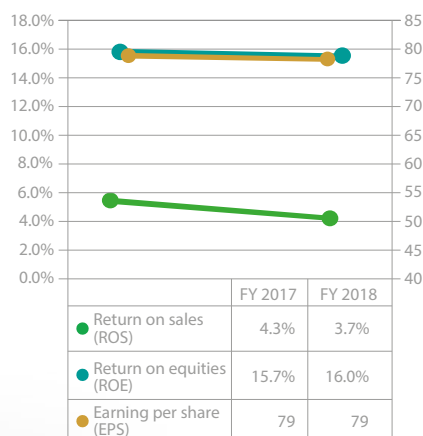
The Company had total assets of HUF 19,304 million on 31 December 2018, which increased by HUF 1,631 million compared to the previous year-end.

The Company had non-current assets of HUF 9,016 million on 31 December 2018, which increased by HUF 1,067 million compared to the previous year-end.

CHANGES IN EQUITY ITEMS (IN HUF MILLIONS)

HUF millions	Share capital	Capital reserve	Retained earnings	Treasury shares	Total
January 1, 2017	1,450	251	5,004	(455)	6,250
Dividend	0	0	(1,243)	0	(1,243)
Profit for the year			1,132		1,132
Other comprehensive income	0	0	(92)	0	(92)
December 31, 2017	1,450	251	4,802	(455)	6,047
January 1, 2018	1,450	251	4,802	(455)	6,047
Dividend	0	0	(1,169)	0	(1,169)
Profit for the year	0	0	1,140	0	1,140
Other comprehensive income	0	0	71	0	71
December 31, 2018	1,450	251	4,844	(455)	6,091

Main indicators of ANY Group in the years 2017 and 2018



Independent Auditors' Report and Consolidated Financial Statements

31st december 2017

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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 consolidated financial statements

Opinion

We have audited the accompanying 2018 consolidated financial statements of ANY Biztonsági Nyomda Nyilvánosan Működő Részvénytársaság ("the Company") and its subsidiaries (altogether "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018 - showing a balance sheet total of HUF 19,304,450 thousand and a total comprehensive income for the year of HUF 1,486,044 thousand -, the related consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash-flow for the year then ended and supplementary notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and have been prepared, in all materials respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for consolidated annual 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 consolidated financial statements" section of our report.

We are independent of the Group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 consolidated 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 consolidated 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 consolidated financial statements.

Valuation of Goodwill

The Group’s goodwill represents HUF 335,857 million, which is approximately 2 % of total assets. Valuation of goodwill is a significant judgmental area. Management annually assesses if goodwill is impaired in accordance with EU IFRSs. This is a key audit matter as significant judgement is involved to determine if the goodwill is impaired.

Our audit procedures included, among others, evaluating assumptions and methodologies used by the Group to assess whether goodwill is impaired. We assessed the accuracy of key inputs used in the model, such as management’s primary cash-flow assumptions, the applied discount- and growth rates. 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 Group’s disclosures about goodwill in accordance with EU IFRSs including information how the impairment is evaluated by the Group.

The Group's accounting policy and disclosures about its goodwill and related impairment are included Notes 2 Significant accounting policies - Goodwill and 8 Goodwill to the consolidated financial statements.

Other information

Other information consists of the 2018 consolidated business report of the Group, which we obtained prior to the date of this auditor's report and the Annual Report of the Group, which is expected to be made available to us after that date. Management is responsible for the other information, including preparation of the consolidated business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the consolidated financial statements does not cover the other information.

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

Our opinion on the consolidated business report 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 and whether the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

In our opinion, the consolidated business report of the Group, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2018 is consistent, in all material respects, with the 2018 consolidated financial statements of the Group and the relevant requirements of the Hungarian Accounting Law.

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

We also confirm that the Group 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 consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in 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 consolidated 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 statutory auditor 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 2 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the consolidated 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 Group in conducting the audit.

In addition to statutory audit services and services disclosed in the consolidated business report and in the consolidated 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, 6 March 2019

(The original Hungarian version has been signed.)

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

Zsuzsanna Bartha
Registered auditor
Chamber membership No.: 005268

Consolidated Statement of Financial Position

as at December 31, 2018 and
December 31, 2017

All amounts in HUF thousands unless otherwise indicated	Notes	December 31, 2018	December 31, 2017
Current assets			
Cash and bank	3	1,020,318	866,748
Accounts receivables	4	4,736,873	4,658,577
Inventories	5	3,518,687	2,803,643
Other current assets and prepayments (without current tax receivable)	6	937,349	1,225,614
Current tax receivables	6	75,689	169,648
Total current assets		10,288,916	9,724,230
Non-current assets			
Property, plant and equipment	7	8,549,889	7,571,426
Goodwill	8	335,857	335,857
Intangibles	9	125,260	36,578
Other assets		4,528	4,762
Total non-current assets		9,015,534	7,948,623
Total assets		19,304,450	17,672,853
Current liabilities			
Trade accounts payables		3,371,756	2,658,748
Short term part of lease liabilities	23	385,607	323,518
Provision	11	78,300	0
Other payables and accruals (without current tax liabilities)	10	729,517	1,565,412
Current tax liabilities	10	607,291	519,814
Short term loans	12	4,887,493	3,159,950
Total current liabilities		10,059,964	8,227,442
Long term liabilities			
Deferred tax liability	19	327,824	314,531
Long term part of lease liabilities	23	481,700	376,385
Long term loans	12	1,253,267	1,445,016
Derivative financial liabilities	24	38,133	87,214
Other long term liabilities		1,332	7,585
Total long term liabilities		2,102,256	2,230,731
Shareholders' equity			
Share capital	13	1,449,876	1,449,876
Capital reserve	14	250,686	250,686
Retained earnings	15	4,875,431	4,904,329
Treasury shares	14	(455,048)	(455,048)
Other comprehensive income	20	(30,631)	(102,123)
Total owners' equity		6,090,314	6,047,721
Non controlling interest	15	1,051,916	1,166,959
Total shareholders' equity		7,142,230	7,214,680
Total liabilities and shareholders' equity		19,304,450	17,672,853

Consolidated Statement of Comprehensive Income

as at December 31, 2018 and
December 31, 2017

All amounts in HUF thousands unless otherwise indicated	Notes	FY 2018	FY 2017
Net sales	16	30,527,082	26,180,920
Cost of sales	18	(22,488,366)	(18,187,629)
Gross profit		8,038,716	7,993,291
Selling general and administration	18	(6,125,007)	(6,005,532)
Gain on sale of fixed assets		5,092	7,286
Foreign currency (loss) / gain		59,714	(8,850)
Other expense, net	17	(125,798)	11,415
Operating income		1,852,717	1,997,610
Interest income		2,466	8,811
Interest expense		(103,018)	(102,296)
Profit before tax and non-controlling interest		1,752,165	1,904,125
Deferred tax income / (expense)	19	(9,319)	(7,912)
Income tax expense	19	(352,246)	(352,179)
Profit after tax		1,390,600	1,544,034
Other comprehensive income for the year	20	95,444	(97,700)
out of which: fair value effect of derivative financial liability		50,337	(5,988)
out of which: effect of revaluation based on IAS 21		49,081	(87,214)
out of which: deferred tax recognized in other comprehensive income		(3,974)	(4,498)
Total comprehensive income for the year		1,486,044	1,446,334
Profit after tax attributable to			
Shareholders of the Company		1,139,695	1,132,123
Non controlling interests		250,905	411,911
Other comprehensive income attributable to			
Shareholders of the Company		71,492	(91,740)
Non controlling interests		23,952	(5,960)
Earnings per share (EPS)			
Basic (HUF per share)	21	79	79
Fully diluted (HUF per share)	21	79	79
Dividend per share paid (DPS)		81	86

Consolidated Statement of Changes in Share- holders' Equity

as at December 31, 2018 and
December 31, 2017

All amounts in HUF thousands unless otherwise indicated	Issued Capital	Capital Reserve	Retained Earnings	Treasury Shares	Other com- prehensive income	Non controlling Interest	Total
January 1, 2017	1,449,876	250,686	5,014,957	(455,048)	(10,383)	1,124,357	7,374,445
Dividend paid (after FY 2016)	–	–	(1,242,751)	–	–	–	(1,242,751)
Dividend paid to minority shareholders (after FY 2016 income)	–	–	–	–	–	(336,755)	(336,755)
Effect of revaluation based on IAS 21	–	–	–	–	–	(23,441)	(23,441)
Profit after tax attributable to non-controlling interests	–	–	–	–	–	411,911	411,911
Other comprehensive income attributable to non-controlling interests	–	–	–	–	–	(5,960)*	(5,960)
Profit after tax attributable to owners of the Company	–	–	1,132,123	–	–	–	1,132,123
Other comprehensive income attributable to owners of the Company	–	–	–	–	(91,740)*	–	(91,740)
December 31, 2017	1,449,876	250,686	4,904,329	(455,048)	(102,123)	1,166,959	7,214,680
Dividend paid (after FY 2017)	–	–	(1,168,593)	–	–	–	(1,168,593)
Dividend paid to minority shareholders (after FY 2017 income)	–	–	–	–	–	(389,900)	(389,900)
Effect of revaluation based on IAS 21	–	–	–	–	26,385	23,952	50,337
Profit after tax attributable to non-controlling interests	–	–	–	–	–	250,905	250,905
Deffered tax effect on capital instruments	–	–	–	–	(3,974)	–	(3,974)
Profit after tax attributable to owners of the Company	–	–	1,139,695	–	–	–	1,139,695
Reserves of CF hedge transaction	–	–	–	–	49,081	–	49,081
December 31, 2018	1,449,876	250,686	4,875,431	(455,048)	(30,631)	1,051,916	7,142,230

* Items of the profit and loss statement line 'other comprehensive income.'

Consolidated Statement of Cash-flow

as at December 31, 2018 and
December 31, 2017

All amounts in HUF thousands unless otherwise indicated	Notes	FY 2018	FY 2017
Cash flows from operating activities			
Profit before tax and non-controlling interest		1,752,165	1,904,125
of which foreign currency (loss) / gain		(59,714)	(2,133)
Depreciation cost of fixed assets	7	1,121,166	1,056,255
Amortization cost of intangibles	9	11,864	13,488
Foreign exchange differences on the line of the other comprehensive income		99,417	(5,988)
Changes in provisions		(180,342)	33,152
Gain on sale of property, plant and equipment		(5,092)	(7,286)
Interest expense		103,018	102,296
Interest income		(2,466)	(8,811)
Operating cash-flow before working capital changes		2,899,730	3,087,231
Changes in accounts receivable and other current assets	4,6	291,101	(1,360,119)
Changes in inventories	5	(537,202)	(700,758)
Changes in accounts payables, provision and accruals	10	42,312	619,653
Cash provided by operations		2,695,941	1,646,007
Interest income		(102,438)	(104,261)
Interest expense		6,005	18,651
Taxes paid, net	19	(340,456)	(303,483)
Net cash provided by operating activities		2,259,052	1,256,914
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,200,179)	(1,425,518)
Proceeds on sale of property, plant and equipment		5,092	34,829
Development costs	9	–	(4,000)
Changes in loans to employees		234	252
Net cash flow used in investing activities		(2,194,853)	(1,394,437)
Cash flows from financing activities			
Non controlling interest changes		(389,900)	(360,196)
Changes in short term loans	12	1,727,543	2,124,003
Increase in long term debt	12	–	–
Repayment of long term debts	12	(247,083)	(302,686)
Increase in capital lease liabilities	23	167,404	135,268
Repayment of lease liabilities	23	–	(214,863)
Dividend paid		(1,168,593)	(1,242,751)
Net cash flow used in financing activities		89,371	138,775
Changes in cash and cash equivalents		153,570	1,252
Cash and cash equivalents at beginning of period		866,748	865,496
Cash and cash equivalents at end of the period	3	1,020,318	866,748

Supplementary Notes to the Consolidated Financial Statements Dec. 31, 2018

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 2018 is HUF 17,4 million.

As of December 31, 2018 and 2017 – based on the Company’s share book – the following owners have more than 5% voting right or the following groups of investors own the Company:

Investor	December 31, 2017		December 31, 2018	
	Voting right (%)	Ownership (%)	Voting right (%)	Ownership (%)
Owners above 5% share				
EG CAPITAL LLC (*)	11.98%	11.62%	11.98%	11.62%
DIGITAL FOREST LLC (**)	6.97%	6.76%	6.97%	6.76%
AEGON ALFA SZÁRMAZTATOTT ALAP	7.43%	7.20%	7.43%	7.20%
Owners below 5% share				
Domestic Institutional Investors	26.24%	25.45%	27.93%	27.10%
Foreign Institutional Investors	20.96%	20.32%	14.77%	14.31%
Foreign Individual Investors	0.35%	0.34%	0.40%	0.39%
Domestic Individual Investors	22.67%	21.98%	26.14%	25.34%
Management, employees	3.03%	2.93%	3.00%	2.91%
Treasury shares	0.00%	3.03%	0.00%	3.03%
Other	0.37%	0.37%	1.38%	1.34%

(*) 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, 2018 and at December 31, 2017 are as follows:

Name of the Company	December 31, 2017			December 31, 2018		Classification ²
	Equity	Share of ownership	Voting right ¹	Share of ownership	Voting right ¹	
Gyomai Kner Nyomda Zrt.	HUF 200,000	99.48%	99.48%	99.48%	99.48%	L
Specimen Zrt.	HUF 100,000	100.00%	100.00%	100.00%	100.00%	L
ANYpay Fizetési Megoldások Zrt.	HUF 50,000	100.00%	100.00%	100.00%	100.00%	L
Techno-Progress Kft.	HUF 5,000	100.00%	100.00%	100.00%	100.00%	L
ANY Ingatlanhasznosító Kft.	HUF 3,000	100.00%	100.00%	100.00%	100.00%	L
Zipper Services SRL	RON 2,060,310	50.00%	50.00%	50.00%	50.00%	L*
Tipo Direct Serv SRL	MDL 30,308	50.00%	50.00%	50.00%	50.00%	L
Direct Services OOD	BGN 570,000	50.00%	50.00%	50.00%	50.00%	L*
Slovak Direct SRO	SKK 1,927,000	100.00%	100.00%	100.00%	100.00%	L

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

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

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

2 Significant accounting policies

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "EU"). The Parent Company, ANY Security Printing company Plc. prepares its separate financial statements in accordance with International Financial Reporting Standards from January 1, 2017. Its domestic subsidiaries prepare their financial statements in accordance with Hungarian Accounting Law, while foreign subsidiaries prepare their financial statements according to accounting principles generally accepted in their own countries, that are adjusted in accordance with IFRS from the consolidation package through the consolidation process.

The consolidated financial statements are mainly prepared due to the regulations related to listed companies based on the accounting act, so it contains reclassifications and adjustments through which it complies with IFRS.

IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB), except for portfolio hedge accounting under IAS 39 which has not been approved by the EU. The Company does not have any transactions which would qualify as a portfolio hedge.

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

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

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

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of ANY PLC and its subsidiaries after elimination of all intercompany transactions and balances, including unrealized intercompany profits. Subsidiaries are those companies in which one company of the Group has control over the subsidiary, so the company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to effect those returns through its power over the subsidiary.

On acquisition, the assets and liabilities of a subsidiary are measured in the consolidated statements at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net assets of a subsidiary at the date of acquisition. Goodwill is included as intangible in the balance sheet, to which impairment loss is calculated, if necessary. For the purpose of impairment test, the value of goodwill is allocated to those Cash Generating Units (hereinafter: CGU) of the Group that probably will have positive effects from the synergies. Those CGU-s, to which goodwill is allocated are subject to goodwill impairment test annually or more often if circumstances indicate any loss in the value of the Unit. If the book value of the goodwill is higher than the fair value of the CGU, impairment loss is accounted on the goodwill. The impairment loss decreases mainly the value of the goodwill allocated on the CGU, then the remaining amount decreases the net book value of the CGU's other assets, in proportion of the book value of the assets. The goodwill impairment loss once accounted cannot be reversed in the future. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal. The goodwill impairment calculation is based upon companies' budgets containing more financial years. Present value of net sales and earnings before interest, tax and depreciation are calculated to the date of year end, using the companies' expected net sales and earnings before interest, tax and depreciation ratio as a discount factor. Thus enterprise values are calculated by using the enterprise value based on the market share price effective on the date of preparing the financial statements and net sales ratio and by using the enterprise value based on the market share price effective on the date of preparing the financial statements and earnings before interest, tax and depreciation ratio of ANY Security Printing Company Plc as a listed company operating in the same sector, which are assessed by the Group in proportion of the ownership regarding the proportional equity and accounted goodwill of the given subsidiary.

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

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

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at bank in hand, balances of bank accounts and short-term deposits with an original maturity of three months or less and the risk of their impairment is not significant.

CONSOLIDATED 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 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. The rates used are as follows:

Buildings	2% to 5%
Machinery and equipment	14.5% to 33%

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

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

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

INTANGIBLE ASSETS

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

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

GOODWILL

On acquisition, the assets and liabilities of a subsidiary are measured in the consolidated statements at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net assets of a subsidiary at the date of acquisition. Goodwill is included as intangible in the balance sheet, to which impairment loss is calculated, if necessary.

For the purpose of impairment test, the value of goodwill is allocated to those Cash Generating Units (hereinafter: CGU) of the Group that probably will have positive effects from the synergies. Those CGU-s, to which goodwill is allocated are subject to goodwill impairment test annually or more often if circumstances indicate any loss in the value of the Unit. If the book value of the goodwill is higher than the fair value of the CGU, impairment loss is accounted on the goodwill. The impairment loss decreases mainly the value of the goodwill allocated on the CGU, then the remaining amount decreases the net book value of the CGU's other assets, in proportion of the book value of the assets. The goodwill impairment loss once accounted cannot be reversed in the future. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal. The goodwill impairment calculation is based upon companies' budgets containing more financial years. Present value of net sales and earnings before interest, tax and depreciation are calculated to the date of year end, using the companies' expected net sales and earnings before interest, tax and depreciation ratio as a discount factor. Thus enterprise values are calculated by using the enterprise value based on the market share price effective on the date of preparing the financial statements and net sales ratio and by using the enterprise value based on the market share price effective on the date of preparing the financial statements and earnings before interest, tax and depreciation ratio of ANY Security Printing Company Plc as a listed company operating in the same sector, which are assessed by the Group in proportion of the ownership regarding the proportional equity and accounted goodwill of the given subsidiary.

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

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

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

DERECOGNITION OF FINANCIAL ASSETS

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gain or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash-flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

TAXATION

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

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

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

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

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

DIVIDEND AND INTEREST REVENUE

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

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

LEASING

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

THE GROUP AS LESSEE

Assets held under finance leases are initially recognised as assets of the Group (with similar rights and liabilities as the assets owned by the Group) at 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 Group's leasing transactions.

PROVISIONS

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

The Group recognises provision in case when:

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

CONTINGENT LIABILITIES ACQUIRED IN A BUSINESS COMBINATION

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

GOVERNMENT GRANTS

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.

EARNINGS PER SHARE

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

FOREIGN CURRENCIES

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Currency Units using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period.

From the foreign subsidiaries of the Group Zipper Services S.R.L. prepares (and Zipper Data SRL prepared until 2016) their financial statements in Romanian Lei, Tipo Direct SERV S.R.L. in Moldavian Lei, Direct Services O.O.D. in Bulgarian Leva, while Slovak Direct S.R.O. prepares its financial statement in EURO (presentational currency). The balances of foreign currency assets and liabilities of the foreign subsidiaries of the Group are retranslated at the relevant MNB (National Bank of Hungary) foreign exchange rate in the consolidated financial statements in the parent company's presentational currency (HUF), which is the functional currency of the Group at the same time. The details of the conversion have been presented in table 27 Risk Management.

THE EFFECT OF ADOPTING NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS EFFECTIVE FROM 1 JANUARY 2018

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:

IFRS 9 “Financial Instruments” – adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),

IFRS 15 “Revenue from Contracts with Customers” and amendments to IFRS 15 “Effective date of IFRS 15” – adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),

Amendments to IFRS 2 “Share-based Payment” – Classification and Measurement of Share-based Payment Transactions – adopted by the EU on 26 February 2018 (effective for annual periods beginning on or after 1 January 2018),

Amendments to IFRS 4 “Insurance Contracts” – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time),

Amendments to IFRS 15 “Revenue from Contracts with Customers” – Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).

Amendments to IAS 40 “Investment Property” – Transfers of Investment Property – adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018),

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),

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

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

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 16 “Leases” – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),

Amendments to IFRS 9 “Financial Instruments” – Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),

IFRIC 23 “Uncertainty over Income Tax Treatments” – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The Company has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. The Company anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Group in the period of initial application.

STANDARDS AND INTERPRETATIONS ISSUED BY IASB BUT NOT YET ADOPTED BY THE EU

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

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 3 “Business Combinations” – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).

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 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Material (effective for annual periods beginning on or after 1 January 2020),

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 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),

Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

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

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

According to the Group’s estimates, the application of hedge accounting to a 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.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES BY APPLYING THE ACCOUNTING POLICY

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

CRITICAL ASSUMPTIONS BY APPLYING THE ACCOUNTING POLICY

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

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

UNCERTAINTIES IN THE ESTIMATES

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

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

3 Cash and bank

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
Cash and cash equivalents	1,020,318	866,748
Total cash and cash equivalents	1,020,318	866,748

4 Accounts receivables

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
Trade receivables	4,740,025	4,664,229
Allowance for doubtful debts	(3,152)	(5,652)
Total	4,736,873	4,658,577

The carrying value of trade receivables is fair value. Balance of trade debtors is HUF 4,737 million, which is HUF 78 million (2%) higher than at the end of 2017.

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

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
Balance at the beginning of the year	5,652	13,329
Impairment losses recognised on receivables	663	4,473
Impairment losses reversed	(3,163)	(12,150)
Derecognition of receivables as uncollectable debt	-	-
Balance at the end of the year	3,152	5,652

5 Inventories

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
Raw materials	2,071,227	1,947,564
Work in progress	873,262	594,174
Finished goods	669,153	528,086
Goods	36,320	42,936
Cumulated loss in value for inventories	(131,275)	(309,117)
Total	3,518,687	2,803,643

The total amount of inventories is HUF 3,519 million, which increased by HUF 715 million (26%) compared to 31 December 2017. The amount of raw materials and consumables increased by HUF 124 million (6%) compared to the prior period, caused by the higher raw material needs of security products. The amount of work in progress increased by HUF 279 million (47%) compared to the prior period.

6 Other current assets and prepayments

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
Prepayments	457,423	529,199
Of which: revenue recognized but not invoiced	325,795	340,610
Of which: prepaid interest	23,089	17,411
Of which: rental fee of softwares	77,285	48,945
Guarantee receivables	336,639	395,846
Advances paid	82,394	210,821
Of which: advances paid for PP&E	78,062	190,013
Of which: other advances paid	4,332	20,808
Employee loans	3,282	32,445
Other receivables	57,611	57,303
Total other current assets and prepayments	937,349	1,225,614

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
VAT receivable	49,958	123,328
Corporate income tax receivable	15,972	20,715
Other taxes receivable	9,759	25,605
Total current tax receivables	75,689	169,648

Year-end balance of current tax receivables is HUF 94 million lower than in previous period which caused by the HUF 73 million decrease of VAT receivables, HUF 5 million decrease of corporate income tax receivables and the HUF 16 million decrease of other tax receivables.

The significant increase in the amount of prepayments is caused by not invoiced items until preparation of balance sheet at the Romanian subsidiaries. Interest in employees loans are the same for each employee, Hungarian prime rate + 5%.

7 Property, Plant and Equipment

All amounts in HUF thousands unless otherwise indicated	Land and buildings	Machinery and equipment	Property rights	Vehicles and other equipments	Capital projects	Total
Cost						
January 1, 2017	4,583,101	12,587,258	10,767	1,918,167	45,056	19,144,349
Capitalization	61,470	976,824	–	260,572	1,351,029	2,649,895
Additions	–	–	–	–	(1,298,866)	(1,298,866)
Disposals	–	(325,429)	–	(3,444)	–	(328,873)
December 31, 2017	4,644,571	13,238,653	10,767	2,175,295	97,219	20,166,505
January 1, 2018	4,644,571	13,238,653	10,767	2,175,295	97,219	20,166,505
Capitalization	23,807	1,054,290	20,166	485,022	2,180,653	3,763,938
Additions	(2,255)	(496,602)	–	(75,791)	(1,563,119)	(2,137,767)
Disposals	–	–	–	–	(22,301)	(22,301)
December 31, 2018	4,666,123	13,796,341	30,933	2,584,526	692,453	21,770,376
Accumulated depreciation						
January 1, 2017	1,335,289	9,146,809	10,767	1,421,778	–	11,914,643
Charge for year	108,428	791,431	–	156,396	–	1,056,255
Impact of IAS 36 revaluation	(53,096)	–	–	–	–	(53,096)
Disposals	–	(313,006)	–	(9,717)	–	(322,723)
December 31, 2017	1,390,621	9,625,234	10,767	1,568,457	–	12,595,079
January 1, 2018	1,390,621	9,625,234	10,767	1,568,457	–	12,595,079
Charge for year	130,474	801,461	–	189,231	–	1,121,166
Impact of IAS 36 revaluation	–	–	–	–	–	–
Disposals	–	(423,896)	–	(71,862)	–	(495,758)
December 31, 2018	1,521,095	10,002,799	10,767	1,685,826	–	13,220,487
Net book value						
January 1, 2017	3,247,812	3,440,449	–	496,389	45,056	7,229,706
December 31, 2017	3,253,950	3,613,419	–	606,838	97,219	7,571,426
December 31, 2018	3,145,028	3,793,542	20,166	898,700	692,453	8,549,889

Fair value of the PP&E exceeds book value, therefore no impairment loss was calculated. Real estates owned by ANY Ingatlanhasznosító Kft. are on the line Additions in 2016. UniCredit Bank Zrt. has HUF 1.550 million mortgage right on the real estates, covering the risk of the loan of ANY Ingatlanhasznosító Kft. Asset increase was mainly due to machinery and equipment purchases in 2018.

8 Goodwill

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
Cost	335,857	335,857
Goodwill	335,857	335,857

COST

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
Balance at beginning of year	335,857	335,009
Balance at end of year	335,857	335,857

ACCUMULATED IMPAIRMENT LOSSES

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

9 Intangibles

All amounts in HUF thousands unless otherwise indicated	Research and development costs	Softwares	Total intangibles
Historical cost			
January 1, 2017	269,161	–	269,161
December 31, 2017	269,161	–	269,161
January 1, 2018	269,161	–	269,161
Additions	–	100,544	100,544
December 31, 2018	269,161	100,544	369,705
Accumulated amortisation			
January 1, 2017	219,095	–	219,095
Amortisation	13,488	–	13,488
December 31, 2017	232,583	–	232,583
January 1, 2018	232,583	–	232,583
Amortisation	11,864	–	11,864
December 31, 2018	244,445	–	244,445
Net book value			
January 1, 2017	50,066	–	50,066
December 31, 2017	36,578	–	36,578
December 31, 2018	24,716	100,544	125,260

In 2018 softwares increased by 100,544 due to the purchase of licences.

10 Other payables and accruals

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
Accrued management bonuses	47,950	269,930
Other accruals	162,446	653,007
Of which: accrued creditors	47,242	448,488
Social security	35,568	29,388
Salaries and wages	265,699	238,326
Advance payments from customers	47,861	219,300
Other short term liabilities	169,993	155,561
Other payables and accruals	729,517	1,565,412

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
VAT	403,107	301,839
Personal income tax	65,680	59,109
Other taxes	138,504	158,866
Total current tax liabilities	607,291	519,814

Total current tax liabilities, other payables and accruals amounts to HUF 1,337 million, which decreased by HUF 748 million (36%) compared to December 31, 2017.

11 Provision

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
Estimated contribution and tax liability	78,300	0
Total provision	78,300	0

Provisions were raised due to estimated contribution and tax liabilities.

12 Short term and long term loans

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
Bank overdraft of the Parent Company	4,550,948	2,946,317
Total overdrafts	4,550,948	2,946,317
Short term part of long term loan of subsidiaries	197,563	197,563
Other short term loans of subsidiaries	138,982	16,070
Total short term loans and overdrafts	4,887,493	3,159,950
Long term loan of subsidiary	1,253,267	1,445,016
Total investment loans and borrowings	1,253,267	1,445,016
Total loans and borrowings	6,140,760	4,604,966

The carrying value of loans and overdrafts is fair value. The Group has overdraft limit (market interest rate, based on 1 month BUBOR) in value of HUF 6.2 billion from which the utilised amount at the end of 2018 is HUF 4,551 million. Amount of the long term loan taken during the purchase of ANY Ingatlanhasznosító Kft., that owns the real-estates was HUF 2,025 million, while HUF 1,432 million was the year-end balance, of which HUF 1,235 million was long term part and HUF 198 million was short term part. For further details about the loan please see Note 22 contingent liabilities.

13 Share capital

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

All amounts in HUF thousands unless otherwise indicated	December 31, 2018		December 31, 2017	
	Issued	Treasury	Issued	Treasury
Registered shares	1,449,876	43,986	1,449,876	43,986
Total	1,449,876	43,986	1,449,876	43,986

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

14 Treasury shares

Number of treasury shares held by the Company on 31st December 2018 is 448,842 which were purchased at an average price of HUF 1,014 per share.

15 Retained earnings, non-controlling interest

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 3,268,926 thousands of which not distributable HUF 1,031,403 thousands. Retained earnings available for distribution is HUF 2,237,523 thousands.

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

16 Net sales

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).

Sales (all amounts in HUF thousands unless otherwise indicated)	2018	2017
Sales revenue from customer contracts	30,527,082	26,180,920
Revenue from other sources	0	0
Total sales	30,527,082	26,180,920

Impairment of receivables (all amounts in HUF thousands unless otherwise indicated)	2018	2017
Impairment recognized on trade receivables, contractual assets	0	0
Impairment from other contracts	0	0
Total impairment	0	0

Sales segments (all amounts in HUF thousands unless otherwise indicated)

	2018	2017
Security products and solutions	9 474 626	6 499 438
Card production and personalization	9,249,982	7,652,416
Form production and personalization, data processing	9,662,959	10,252,528
Traditional printing products	1,496,010	1,288,203
Other	643,505	488,335
Total net sales	30,527,082	26,180,920

Total revenue in 2018 by countries:

Revenue by Countries (all amounts in HUF thousands unless otherwise indicated)

	2018	2017
Hungary	19,456,851	15,061,543
Romania	7,023,781	7,667,372
Bulgaria	1,534,682	1,289,291
Germany	749,701	999,347
Africa	496,444	262,366
Slovakia	329,526	268,032
Austria	231,885	88,325
Czech Republic	161,595	210,017
Moldova	107,337	109,693
Sri Lanka	98,927	48,407
Poland	95,557	42,656
Norway	57,154	56,397
Albania	54,051	–
Kazakhstan	29,992	687
Iceland	21,083	19,657
United Kingdom	18,246	15,313
Italy	15,436	12,349
Finland	15,374	8,075
Cyprus	10,918	8,589
Netherlands	9,743	2,711
Other	3,912	5,168
Switzerland	2,450	166
Saint Vincent and the Grenadines	2,437	4,759
Total	30,527,082	26,180,920

17 Other expenses, net

Other incomes and expenses (all amounts in HUF thousands unless otherwise indicated)

	2018	2017
Derecognition of provision	19,762	69,211
Reversed impairment accounted earlier to P&L based on IAS 36	–	53,095
Reversed loss in value for trade receivables	967	16,654
Reversed loss in value for inventories	3,709	111
Received subsidy	16,158	–
Received discount	11,874	–
Other items	49,572	39,944
Total other incomes	102,042	179,015
Provision raised	78,300	–
Loss in value for inventories	47,317	57,966
Building tax, land tax	30,351	36,035
Permanent cash contribution	10,393	35,840
Fines, penalties	28,341	4,842
Loss in value for trade receivables	663	4,472
Other items	32,475	28,445
Total other expenses	227,840	167,600
Total	(125,798)	11,415

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

In line with IAS 12 Company reclassifies local income tax and innovation contribution to corporate tax P&L line from.

18 Cost of sales and selling general and administration costs

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

All amounts in HUF thousands unless otherwise indicated	2018	2017
Material type expenditures	21,590,217	17,270,028
Personal type expenditures	6,505,247	5,957,398
Depreciation and amortization	1,133,030	1,069,743
Changes in inventory and own performance	(615,121)	(104,008)
Total cost and expenditures	28,613,373	24,193,161
Cost of sales	22,488,366	18,187,629
Selling general and administration	6,125,007	6,005,532
Total direct and indirect cost of sales	28,613,373	24,193,161

The average number of employees of the Group during the year was 933 (2017: 888).

19 Taxation

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
Current year local business tax	204,160	179,905
Current year corporate income tax	144,870	169,402
Innovation contribution	3,216	2,872
Current year tax expense	352,246	352,179
Deferred tax (income) / expense	9,319	7,912
Total tax expense	361,565	360,091

Based on the decision of the Hungarian Parliament, 9% corporate tax rate has to be applied for the Hungarian companies from the calendar year of 2017. In case of the domestic subsidiaries we applied the new 9% corporate tax rate when calculating deferred tax. The tax liability of the foreign companies of the Group is taken into consideration with the effective tax legislation of their country of incorporation.

Under the tax legislation the Company is allowed to establish a tax-deductible development reserve. Assets acquired using this reserve then do not qualify for tax depreciation up to the value of the reserve. Therefore this is effectively a form of accelerated depreciation. Development reserves have been established based on the Company's current year and previous years pre-tax profit and a deferred tax liability has been recognized on the deferred tax effect of the accounting and tax depreciation difference of 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.

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.

In line with IAS 12 Company reclassifies local income tax and innovation contribution to corporate tax P&L line.

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
Opening deferred tax liability	343,458	335,944
Deferred tax liability due to development reserve	8,472	4,498
Deferred tax on accounting and tax depreciation difference of assets not connected to development reserve	(20)	3,016
Closing deferred tax liability	351,910	343,458
Opening deferred tax assets	28,927	33,823
Deferred tax asset on write-off for bad debts	(27)	(846)
Deferred tax asset on deferred yearly losses	(4,814)	(4,050)
Closing deferred tax assets	24,086	28,927
Opening deferred tax liability net	314,531	302,121
Closing deferred tax liability net	327,824	314,531

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

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
Profit before tax and non-controlling interest	1,752,165	1,904,125
Tax at statutory rate of 9% (*)	157,695	171,371
Other permanent differences	(12,825)	(1,969)
Corporate income tax expense	144,870	169,402

(*) The foreign tax rules were not considered in this calculation. The differences from that method can be find in row of Other permanent differences (net). In this calculation 9% tax rate valid in 2018 has been applied.

20 Other comprehensive income for the year

Other comprehensive income for the year (all amounts in HUF thousands unless otherwise indicated)	December 31, 2018	December 31, 2017
Fair value effect of derivative financial liability	49,081	(87,214)
Revaluation effect of non-monetary SOFP items in other currency than UF based on IAS 21	50,337	(5,988)
Deferred tax recognized in other comprehensive income	(3,974)	(4,498)
Total other comprehensive income for the year	95,444	(97,700)

21 Earnings per share

Weighted average shares outstanding, net income used in the calculation of earnings per share and calculated earning per share details are set out below (number of weighted average shares and net income is the same both at 'Basic' and 'Fully diluted' EPS calculation):

All amounts in HUF thousands unless otherwise indicated	December 31, 2018	December 31, 2017
Weighted average shares outstanding for	14,345,808	14,345,808
Net income used in the calculation	1,139,695	1,132,123
Basic and diluted earnings per share		
Basic (HUF per share)	79	79
Fully diluted (HUF per share)	79	79

22 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 2,120 million. The Company uses HUF 659 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 HUF 1,550 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 3,0 million in connection with the credit line agreement for the treasury transaction of ANY Ingatlanhasznosító Kft.

The Company reclassified HUF 522 million to the restricted reserves in 2013, in 2014, in 2015, in 2016 and in 2017 to finance future capital expenditures, which has not been utilised yet. Corporate tax base was decreased by this amount in line with the relevant Hungarian regulations under the condition, that this amount will be spent for capital expenditures in the following six years, otherwise the deducted corporate tax has to be repaid to the Hungarian Tax Authority grossed up with its fines and interests.

23 Short term and long term part of lease liabilities

Short term and long term financial lease principal liabilities belong to parent company and foreign subsidiary lease contracts for machineries, of which short term part is HUF 385,607 thousands and long term part is HUF 481,700 thousands, due in the next years.

Financial lease liabilities (all amounts in HUF thousands unless otherwise indicated)

	December 31, 2018	December 31, 2017
Short term part (within 1 year)	385,607	323,518
Long term part (within 1–5 years)	481,700	376,385
Total	867,307	699,903

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 Group's leasing transactions.

OPERATIVE LEASE

The Company leases some vehicles from third party company. Operative lease expenses were amounted to HUF 86,570 thousands in 2018. Related to these operative lease contracts the following future lease payments are expected:

Operative lease (all amounts in HUF thousands unless otherwise indicated)	In 1 year	1-5 years	Over 5 years
Vehicle lease	70,073	16,497	-
Total	70,073	16,497	-

24 Derivative financial liabilities

The Group hedged its variable interest long-term loan with an interest rate swap transaction that matures at the same time with the loan. The fair value of the interest rate swap was recognised as a derivative financial liability in value of HUF 38,133 thousands in 2018.

The fair value of the derivative financial liability was measured based on market prices without deducting transaction costs effective as at the date of the Statement of Financial Position. Based on IFRS 13 Fair value standard it is a Level 1 measurement.

The derivative financial liability derives from a cash-flow hedge related to the long term loan. The cash-flow hedge transaction contains an interest rate swap which covers the risk of variable HUF interest loan. The cash-flow of the variable interest loan equals to the cash-flow of the interest rate swap in each quarter until the maturity (until 2026), that means a 100% effective hedge accounting.

25 Related party transactions

Related party transactions (all amounts in HUF thousands unless otherwise indicated)	FY 2018	FY 2017
Balance of intercompany receivables and accrued assets eliminated	1,613,410	803,983
Balance of intercompany liabilities and accrued liabilities eliminated	1,614,059	801,946
Balance of intercompany revenues eliminated	1,243,302	841,920
Balance of intercompany expenditures eliminated	1,247,153	841,979

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. Related party transactions also consist of short term intercompany loans and rental fee for machineries. The Company purchased management services from EG Capital in value of HUF 136 million in 2018.

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

HUF 9,912 thousands remuneration was paid to the Supervisory Board, while HUF 5,950 thousands to the Board of Directors in 2018.

The following table presents the beginning and the end of the assignment of the members of the Board of Directors, the members of the Supervisory Board and the senior officers. The number of shares hold in ANY Security Printing Company PLC is also presented as at 31 December 2018.

Type ¹	Name	Position	Assignment started	Assignment ends	ANY shares owned (no.)
BD	Dr. Ákos Erdős ²	Chairman of Board of Directors	1993*	April 30, 2023	2,195,253
BD	Gábor Zsámboki	Deputy chairman of Board of Directors**	August 11, 2005*	April 30, 2023	143,923
BD	György Gyergyák	Member of Board of Directors	1994*	April 30, 2023	200,000
BD	Péter Kadocsa	Member of Board of Directors	April 30, 2010*	April 5, 2019	–
BD	Dr. Gábor Kepecs	Member of Board of Directors	May 31, 2018	April 30, 2023	–
BD	Tamás Erdős ³	Member of Board of Directors	May 31, 2014	April 30, 2023	1,000,001
BD	Erwin Fidelis Reisch	Member of Board of Directors	May 31, 2014	April 30, 2023	–
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 ANY 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.

27 EU subsidies

The Group has EU subsidy for purchasing special printing systems and developing workflow management and on-line sales portal as at 31 December 2018. The EU subsidy won in amount of HUF 90,318 thousands from which still accrued HUF 26,911 thousands. The initial cost of capital projects were HUF 136,321 thousands, that have a carrying amount of HUF 52,076 thousands as at 31 December 2018.

28 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. Due to the balance of foreign currency receivables and liabilities the foreign currency risk of the Group is moderate.

ANY Group	Currency	December 31, 2018	December 31, 2017
Foreign currency receivables	EUR	2,700,402	4,150,242
	BGN	1,269,673	945,609
	RON	26,312,885	33,691,963
	MDL	971,824	961,461
	DKK	26,753	44,839
	SEK	19,555	–
	USD	53	–
Total (in HUF thousands)		2,910,556	3,696,457
Foreign currency cash	EUR	328,428	458,589
	USD	140,155	8,167
	GBP	1,889	–
	BGN	1,145,509	1,588
	RON	7,441,286	1,723,050
	MDL	3,056,254	4,244,910
	DKK	–	–
	SEK	–	–
Total (in HUF thousands)		897,779	735,575
Foreign currency liabilities	EUR	1,144,288	1,819,189
	USD	8,465	18,689
	CHF	44,208	17,500
	BGN	657,977	707,557
	RON	21,633,280	19,432,962
	MDL	351,582	503,979
Total (in HUF thousands)		1,991,829	1,999,849
Impact of a possible 1% foreign exchange rate decrease in each foreign currency (in HUF thousands)			
Impact on foreign currency assets		38,083	44,320
Impact on foreign currency liabilities		(19,918)	(19,999)
Total impact of possible foreign exchange rate change		18,165	24,321

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

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 45,509 thousands in the year 2018. (This was HUF 29,463 thousands in the year 2017.)

LIQUIDITY RISK

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

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

ANY Group, FY 2017 (all amounts in HUF thousands unless otherwise indicated)

	In 1 month	1-3 months	3 months – 1 year	1-5 years	Over 5 years	Total
Trade payables	2,127,096	523,454	8,075	123	–	2,658,748
Lease liabilities	27,265	54,865	241,388	376,385	–	699,903
Credits	144,674	21,698	2,993,578	12,684	1,432,332	4,604,966
Other liabilities and accruals (without taxes)	1,089,982	154,447	320,898	85	–	1,565,412
Current tax liabilities	511,704	8,110	–	–	–	519,814
Total	3,900,721	762,574	3,563,939	389,277	1,432,332	10,048,843

ANY Group, FY 2018 (all amounts in HUF thousands unless otherwise indicated)

	In 1 month	1-3 months	3 months – 1 year	1-5 years	Over 5 years	Total
Trade payables	3,358,023	10,964	2,718	51	–	3,371,756
Lease liabilities	28,083	66,551	289,573	483,100	–	867,307
Credits	348	1,577,364	4,554,073	8,975	–	6,140,760
Other liabilities and accruals (without taxes)	523,408	52,231	232,080	98	–	807,817
Current tax liabilities	595,521	11,770	–	–	–	607,291
Total	4,505,383	1,718,880	5,078,444	492,224	–	11,794,931

CREDIT RISK

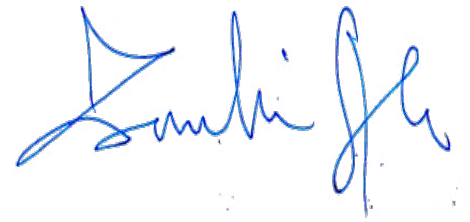
Credit risk refers to the risk that counterparty will default on its contractual obligations resulting financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk 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: 0.07%. (This was 0.12% in 2017.) The more than 90 days overdue receivables out of total aged receivables of the Group is 1%.

29 Significant events after the reporting period

The Consolidated Financial Statements were accepted by the Board of Directors of ANY Nyrt. on 6th March, 2019. The Board of Directors proposes HUF 79 dividend per share to the shareholders on the annual general meeting to be held in April 2019.

Budapest, 6th March 2019

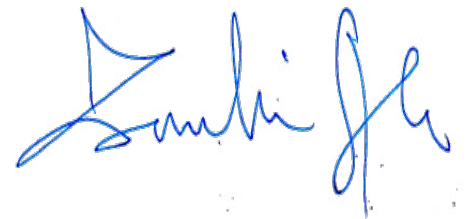


Gábor Zsámboki
Chief Executive Officer

Statement of Responsibility

Gábor Zsámboki, as the CEO of ANY Security Printing Company Plc., I hereby declare that the consolidated 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 and the legal entities involved into the consolidation, furthermore the consolidated management report gives a true and fair view about the position, development, and achievement of the issuer and the legal entities involved into the consolidation while reviewing the main risks and uncertainty factors.

Budapest, 30th April, 2019



Gábor Zsámboki
Chief Executive Officer

ANY Security Printing Company Group

HUNGARY

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