ANNUAL REPORT

2019

ANY BIZTONSÁGI NYOMDA
SECURITY PRINTING COMPANY
FORMER STATE PRINTING COMPANY

Dear Shareholders,

The business year was successfully concluded. The sales revenue of the Printing Company exceeded the psychological limit of EUR 100 million. The results are impressive, all employees of the Company performed excellently and the management's dedication, expertise and creativity deserve all the recognition.

Outstanding results characterized 2019 and an extraordinary decision to put the dividend in reserve was taken on April 27th, 2020. ANY's shares were first listed on the Hungarian stock exchange in December 2005 and since then the profit has always been distributed among the shareholders. Today we hope that the current decision means a delay only and the time will come when this reserve will no longer be needed. In the present uncertain situation, this decision best serves the safety of all of us.

Today, in April 2020, the year 2019 already seems very far away. A new era started a few weeks ago. A world war, in which we are all on the same side, as Bill Gates, the philanthropist defined the situation.

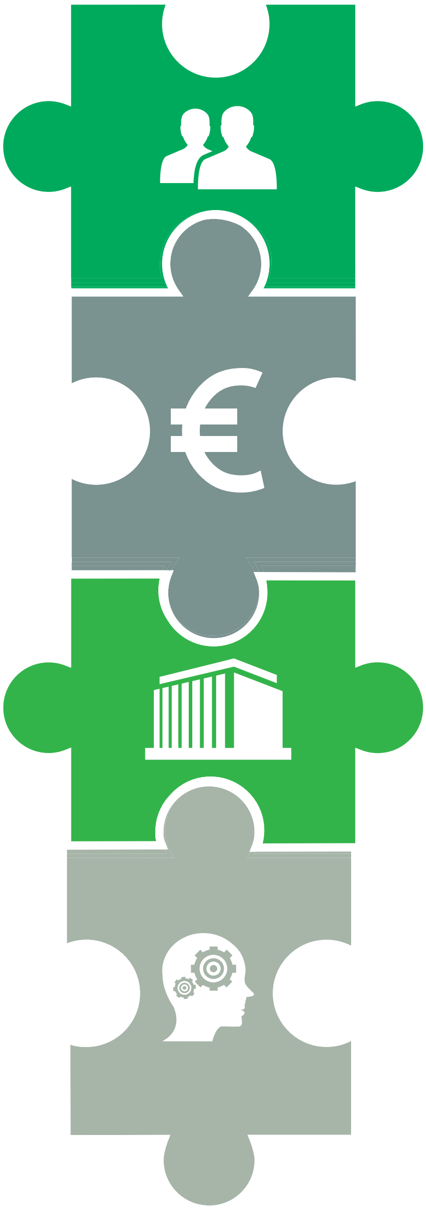
Our corporation is successful in this war. We are able to protect our employees' health and workplace, as well as the shareholders' interests at the same time. The most important measures were taken already when the majority of the world had yet to face the challenge. A symbolic, albeit typical small gesture was, when in the second week of March, our Document Development Laboratory started to produce our own hand sanitizer fluid for our employees.

Not only are we going to survive this emergency, but we will also emerge stronger from the global crisis. This resolve and attitude characterize the work carried out in Budapest, Bucharest, Gyomaendrőd and Sofia, everywhere, where employees of the ANY group persevere.

Dr. Erdős Ákos,
Chairman of the Board

Record profit again in 2019

The consolidated net sales of ANY PLC in 2019 amounted to HUF 34.1 billion, which is HUF 3.6 billion (12%) higher than in the same period of the previous year. Consolidated net income after interest, taxation and, non-controlling interests is HUF 1,273 million, which shows an increase of HUF 133 million (12%) compared to the previous year. In addition to the forms produced for the European Parliament and municipal elections, the increase was due to the steadily growing exports and the rising domestic demand for documents over the years.



Employees

With more than 1000 employees in 5 countries at 9 premises, our goal is to make people's everyday lives more secure and more comfortable. All of our colleagues are outstanding specialists in their fields and they make every effort to supply our customers with products of the highest quality in a timely manner.

Sales revenues

Reaching a historic record, in 2019 we were able to register net sales of over EUR 100 million, the equivalent of HUF 34.1 billion, which is 12% higher than in the previous year. We do not only produce documents, we also provide secure personal identification, innovative product identification and data logistics in large volumes.

Capital expenditure

In the first quarter of 2020, "The printing house of the future", on 3000 square metres, complete" – with a new R&D centre, production hall and additional storage capacities – was handed over. The property development allows suitable space for the automated, high-speed machinery and the continuously expanding R&D activities needed for our growth, for at least 10 years.

R&D

Our R&D products and services developed to meet, international and domestic needs, can be easily and reliably integrated into existing documents on the one hand and, they contribute to increased document security, allowing expert-level verification with simple tools that can be used in the field, on the other hand.

Strengthening position in the market of document cards and security products

Sales categories	FY 2018 in HUF millions	FY 2019 in HUF millions	Change in HUF millions	Change %
Security products and solutions	9,475	10,504	1,029	10.86%
Card production and personalization	9,250	11,002	1,752	18.94%
Form production and personalization, data processing	9,663	10,255	592	6.13%
Traditional printing products	1,496	1,609	113	7.55%
Other	643	761	118	18.35%
Total net sales	**30,527**	**34,131**	**3,604**	**11.81%**

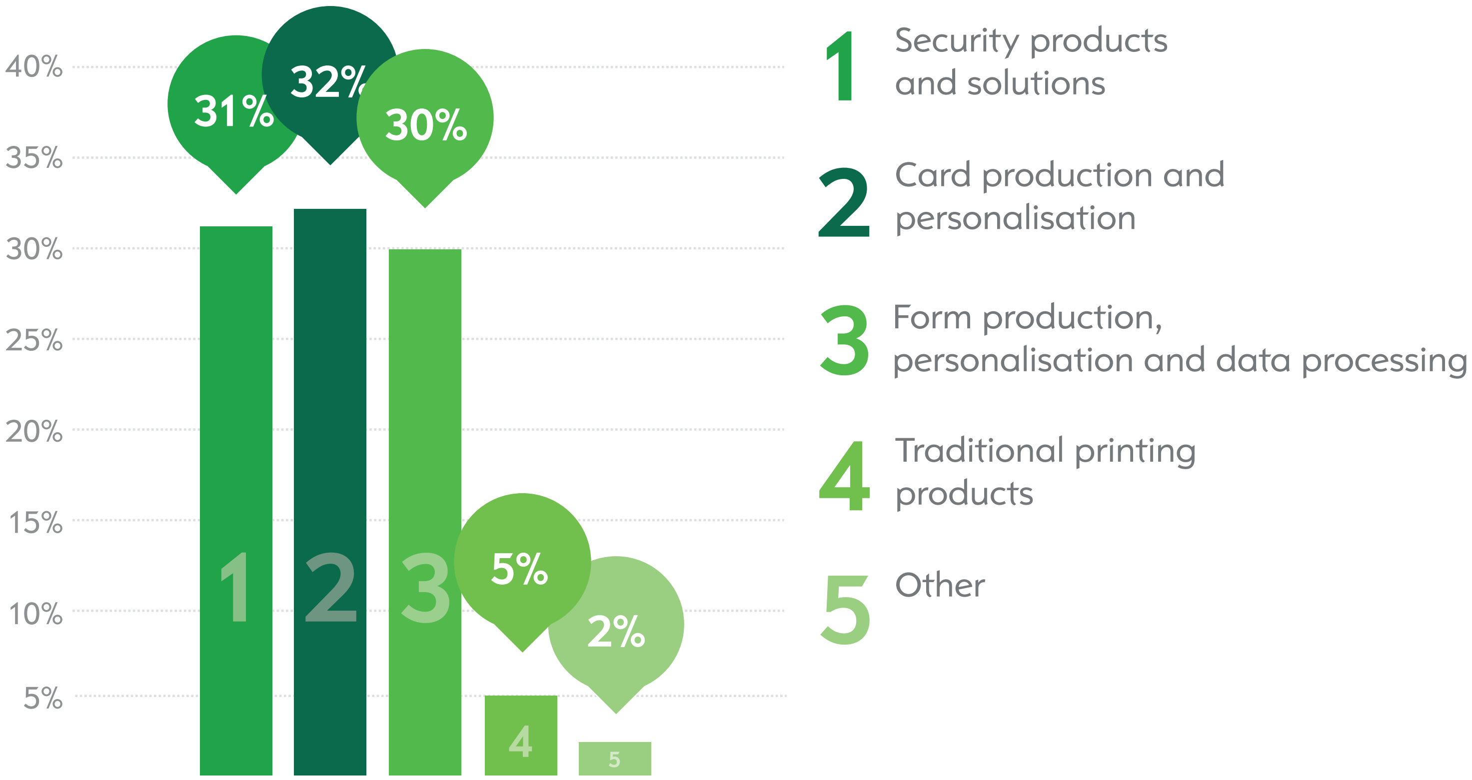
Sales of **security products and solutions** came to HUF 10,504 million in Q4 2019 which means an increase of HUF 1,029 million (11%) compared to the base period. The increase is due to the election ballots printed with security elements and other security documents and security document products.

The Company's revenues from **card production and personalisation** totalled HUF 11,002 million in the period of reference, a HUF 1,752 million increase compared to similar period of year 2018. Higher volume of domestic and international document card sales is behind the change.

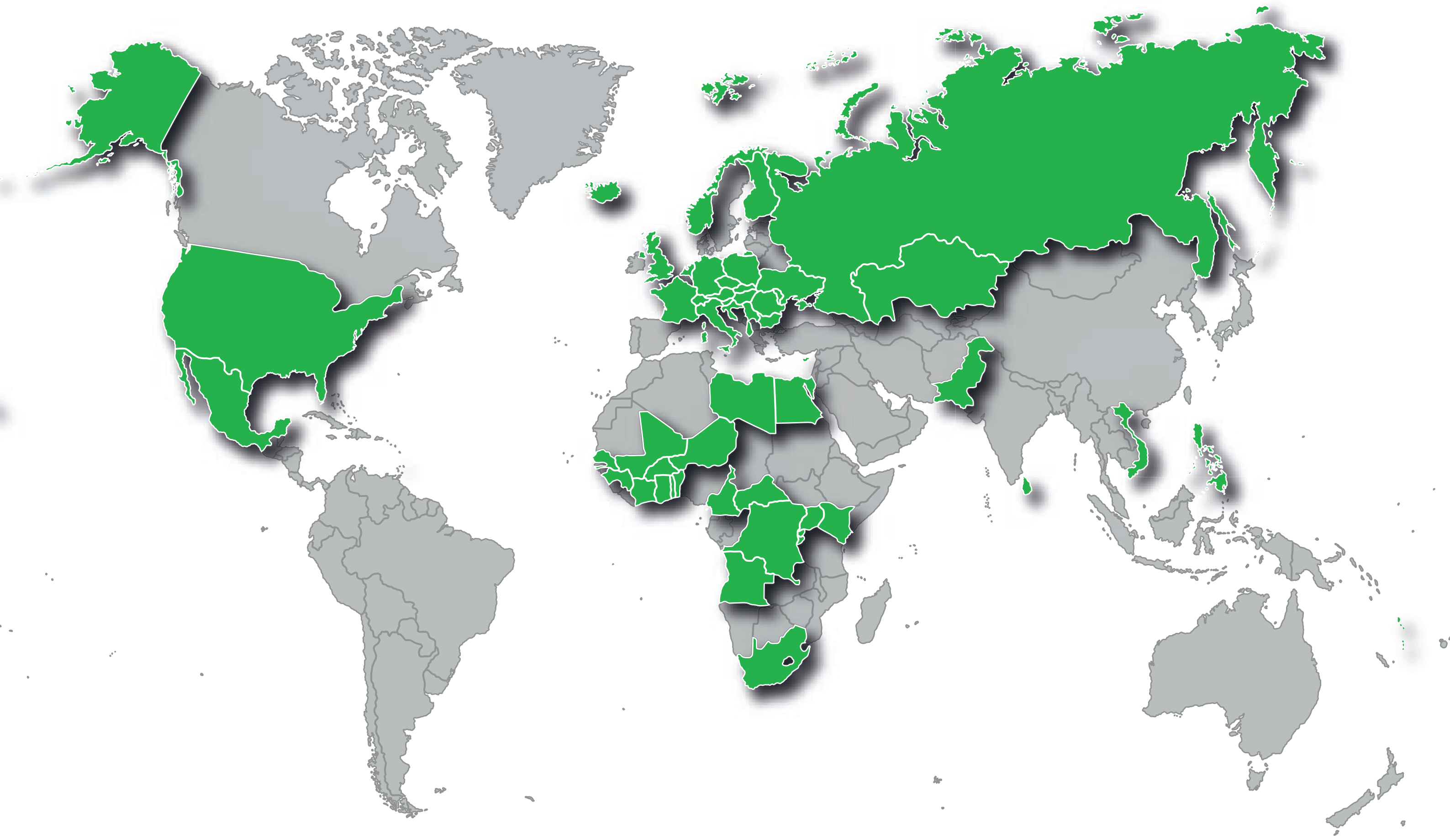
The Company's revenues from **form production, personalisation and data processing** came to HUF 10,255 million in 2019, a HUF 592 million higher than the sales for the base period. The change derives from higher export sales.

Sales of **traditional printing products** amounted to HUF 1,609 million in the period of reference, which means a HUF 113 million increase compared to the previous year's similar period. The change is due to higher book sales.

Other sales totalled HUF 761 million in 2019, which is an increase of HUF 118 million. This segment mainly comprises revenues from the sale of commercial materials and goods.



Increasing export



Export sales includes the export activities of ANY Security Printing Company and its joint ventures and subsidiaries. Export sales amounted to HUF 12.6 billion as at December 31, 2019, which is higher by HUF 1.6 billion than in the previous year, representing 37% export sales ratio.

Sales revenue of security products and solutions were HUF 1,751 million, which is HUF 879 million higher, than the same period of the last year. Increasing turnover of security products was the reason for that.

Export sales revenue of card production and personalisation was HUF 1,457 million in 2019, which was HUF 141 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 8,887 million at the end of the period, decreased by HUF 581 million compared to the base period.

Sales categories	FY 2018 in HUF millions	FY 2019 in HUF millions	Change in HUF millions	Change %
Security products and solutions	872	1,751	879	100.80%
Card production and personalization	1,316	1,457	141	10.71%
Form production and personalization,data processing	8,306	8,887	581	6.99%
Traditional printing products	46	23	(23)	(50.00)%
Other	531	520	(11)	(2.07)%
Total export sales	11,071	12,638	1,567	14.15%
Export %	36.27%	37.01%		

Huf 89 earning per share

Operating income came to HUF 2,083 million, an increase of HUF 230 million compared to the previous period. Gross profit totalled HUF 8,718 million, which means a 26% gross margin. General (SG&A) expenses amounted to HUF 6,453 million in Q4 2019, which equals to 19% of net sales. Material expenses amounted to HUF 22,848 million, higher by HUF 1,258 million in the current period due to the higher turnover.

Personnel expenses totalled HUF 7,716 million, which is 19% higher than in the base period due to the increase in headcount, to the increase in wages and salaries, to overtime and to the increase in performance based wages connected to higher turnover. EBITDA amounted to HUF 3,372 million due to the change in operating income and depreciation, which represents an increase of HUF 386 million compared to previous period's EBITDA. Therefore EBITDA margin is 10%.

Description	2018 Q1–Q4 in HUF millions (A)	2019 Q1–Q4 in HUF millions (C)	Change (C–A)	Change % (C/A–1)
Net sales	30,527	34,131	3,604	11.81%
Capitalized value of assets produced	615	9	(606)	(98.54)%
Material expenses	21,590	22,848	1,258	5.83%
Personnel expenses	6,505	7,716	1,211	18.62%
Depreciation	1,133	1,289	156	13.77%
Other expenses	61	204	143	234.43%
Operating income	1,853	2,083	230	12.41%
Net profit	1,140	1,273	133	11.67%
EBITDA	2,986	3,372	386	12.93%
EBITDA MARGIN (%)	9.78%	9.88%		

Bodies and Management

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[1]
Dr. Istvánné Gömöri Vice-Chairman
Ferenc Berkesi
Dr. Imre Repa
Dr. János Stumpf
Dr. Erzsébet Novotny till 31st May 2019
László Hanzsek from 31st May 2019
Katalin Hegedűs from 31st May 2019
Gábor Kun from 31st May 2019

Management

Gábor Zsámboki Chief Executive Officer
László Balla General Deputy Chief Executive Officer
Dr. István Ignácz Chief Security Officer
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

[1]Dr. Tamás Sárközy passed away on 4th February, 2020.

Main financial data and indicators
(IFRS consolidated)

Name	FY 2018 in HUF millions	FY 2019 in HUF millions
Financial situation		
Non-current assets	9,016	10,553
Total assets	19,304	20,473
Shareholder's equity	7,142	7,299
Main categories of results		
Net sales	30,527	34,131
EBITDA	2,986	3,372
Profit after tax	1,140	1,273
Main indicators		
Return on sales (ROS) %	3.7%	3.7%
Return on equity (ROE) %	16.0%	17.4%
Earning per share (EPS) HUF	79	89

Sales of product groups

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

Sales categories	FY 2018 in HUF millions	FY 2019 in HUF millions	Change in HUF millions	Change %
Security products and solutions	9,475	10,504	1,029	10.86%
Card production and personalization	9,250	11,002	1,752	18.94%
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The Company's revenues from **card production and personalisation** totalled HUF 11,002 million in the period of reference, a HUF 1,752 million increase compared to similar period of year 2018. 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 10,255 million in 2019, a HUF 592 million higher than the sales for the base period. The change derives from higher export sales.

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Other sales totalled HUF 761 million in 2019, which is an increase of HUF 118 million. This segment mainly comprises revenues from the sale of commercial materials and goods.

Export sales by categories

Sales categories	2018. Q1-Q4 in HUF millions (A)	2019. Q1-Q4 in HUF millions (B)	Change (B–A)	Change % (B/A–1)
Security products and solutions	872	1,751	879	100.80%
Card production and personalization	1,316	1,457	141	10.71%
Form production and personalization, data processing	8,306	8,887	581	6.99%
Traditional printing products	46	23	(23)	(50.00%)
Other	531	520	(11)	(2.07%)
Total export sales	11,071	12,638	1,567	14.15%
Export %	36.27%	37.01%		

Export sales amounted to HUF 12,638 million as at December 31, 2019, which is same compared to a year earlier, representing a 1% decrease in the 37% export sales ratio.

Sales revenue of security products and solutions were HUF 1,751 million, which is HUF 879 million higher, than the same period of the last year. Increasing turnover of security products was the reason for that. Export sales revenue of card production and personalization was HUF 1,457 million in 2019, which was HUF 141 million higher compared to base period.

Higher volume of document card sales was the reason for the change.

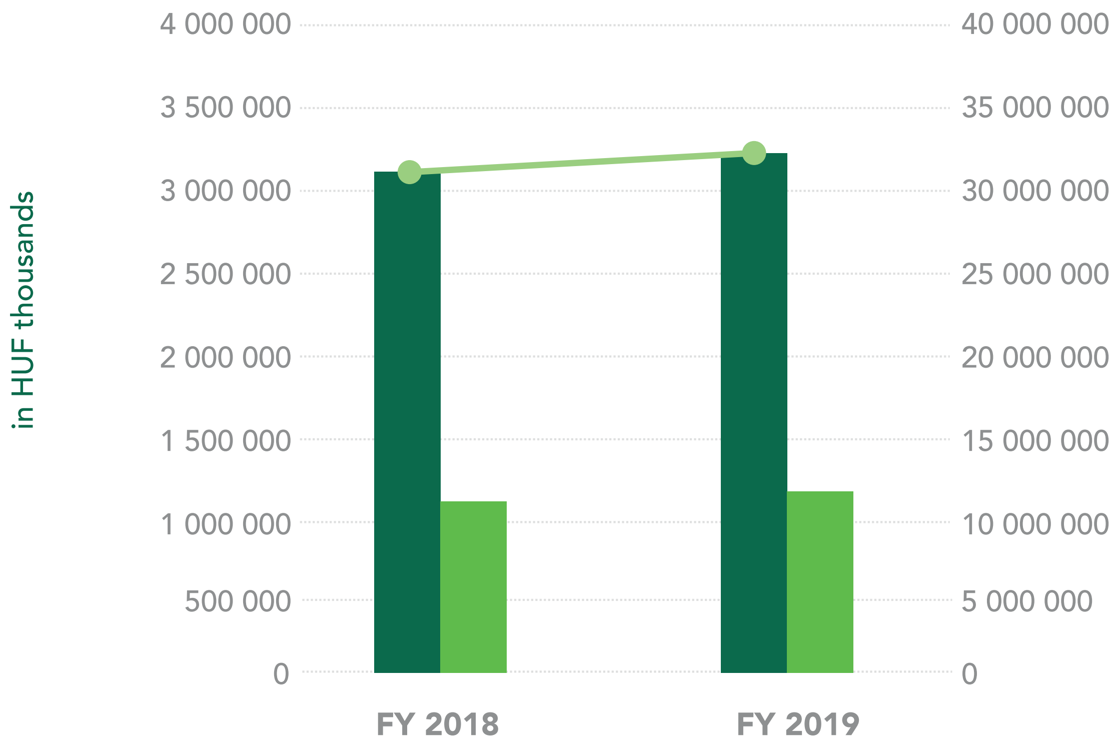
In the field of form production, personalisation and related logistics services export sales revenue was HUF 8,887 million at the end of the period, decreased by HUF 581 million compared to the base period.

Financial analysis

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

Description	2018 Q1–Q4 in HUF millions (A)	2019 Q1–Q4 in HUF millions (C)	Change (C–A)	Change % (C/A–1)
Net sales	30,527	34,131	3,604	11.81%
Capitalized value of assets produced	615	9	(606)	(98,54)%
Material expenses	21,590	22,848	1,258	5.83%
Personnel expenses	6,505	7,716	1,211	18.62%
Depreciation	1,133	1,289	156	13.77%
Other expenses	61	204	143	234.43%
Operating income	1,853	2,083	230	12.41%
Net profit	1,140	1,273	133	11.67%
EBITDA	2,986	3,372	386	12.93%
EBITDA margin (%)	9.78%	9.88%		

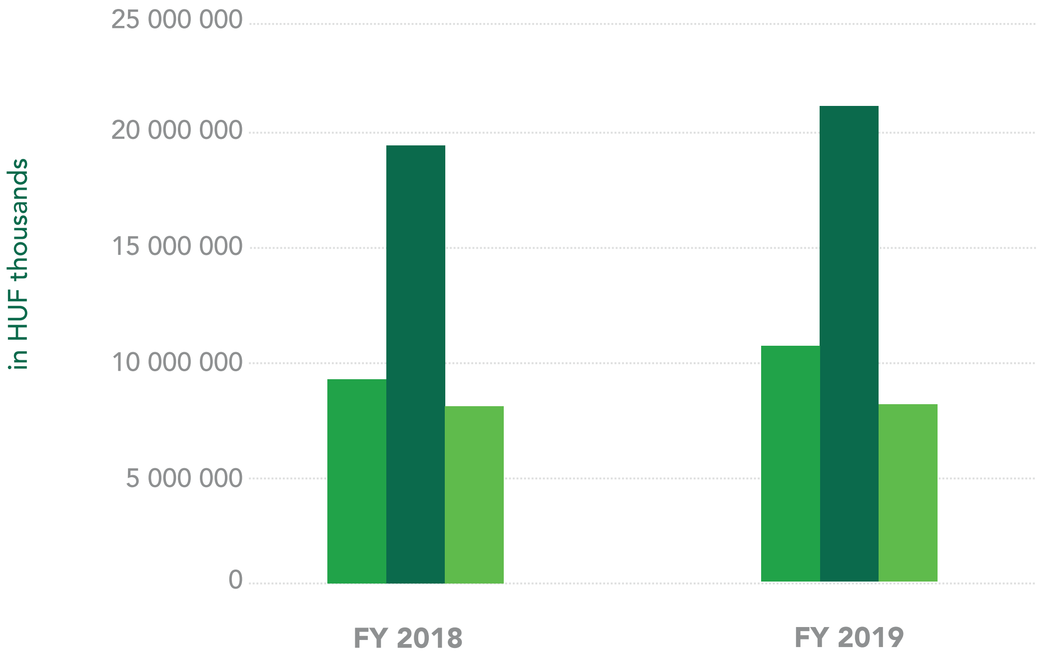
Profitability of ANY Group in the years 2018 and 2019



	FY 2018	FY 2019
EBITDA	2 985 747	3 372 207
Profit after tax	1 139 695	1 273 287
Net sales	30 527 082	34 130 672

Net sales totalled HUF 34,131 million in Q1-Q4 2019, which is HUF 3,604 (12%) million increase compared to the figure for the same period of last year.
EBITDA amounted to HUF 3,372 million due to the change in operating income and depreciation, which represents a decrease of HUF 386 million compared to previous period's adjusted EBITDA. Therefore EBITDA margin is 10%.
Net income came to HUF 1,273 million in 2019, an increase of 12% compared to the adjusted profit of the previous year's similar period.

Financial situation of ANY Group in the years 2018 and 2019



	FY 2018	FY 2019
Non-current assets	9 015 534	10 553 475
Total assets	19 304 450	20 473 410
Equity	7 142 230	7 298 530

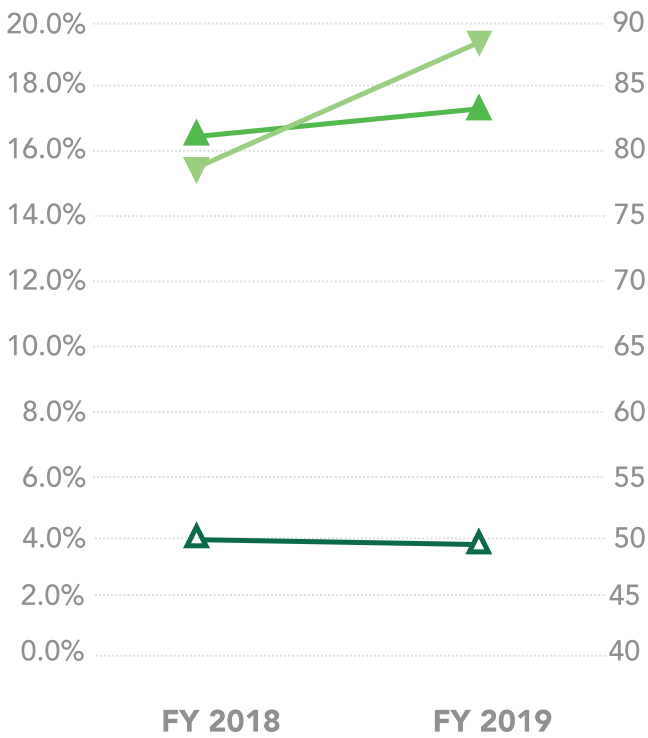
The Company had total assets of HUF 20,473 million on 31 December 2019, which increased by HUF 1,169 million compared to the previous year-end.

The Company had non-current assets of HUF 10,553 million on 31 December 2019, which increased by HUF 1,538 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, 2018	1,450	251	4,904	(455)	6.150
Dividend	–	–	(1,169)	–	(1,169)
Profit for the year	–	–	1,140	–	1,140
December 31, 2018	1,450	251	4,875	(455)	6,121
January 1, 2019.	1,450	251	4,875	(455)	6,121
Dividend	–	–	(1,161)	–	(1,161)
Profit for the year	–	–	1,273	–	1,273
December 31, 2019	1,450	251	4,987	(455)	6,233

Main indicators of ANY Group in the years 2018 and 2019



	FY 2018	FY 2019
Return on sakes (ROS)	4.0%	3.7%
Return on equities (ROE)	16.8%	17.4%
Earning per share (EPS)	79	89

Higher profitability of ANY Security Printing Company Group in 2019 is mainly the result of the strategic product segments. Return on sales was 3.7% and return on equities was 17.4%. Earnings per share are HUF 89.

The Board of Directors has examined the operation of the Company's internal controls and concluded that it was effective. It has not found any event when there was a deviation from internal controls.

Independent Auditors' Report and Consolidated Financial Statements for the year ended December 31, 2019

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Independent auditors' report

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Cg. 01-09-267553

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of ANY Security Printing Company Public Limited Company by Shares

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying 2019 consolidated financial statements of ANY Security Printing Company Public Limited Company by Shares ("the Company") and its subsidiaries (altogether "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019 - showing a balance sheet total of HUF 20,473,410 thousand and a total comprehensive income for the year of HUF 1,524,401 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 2019 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.

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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 thousand as of 31 December 2019, which is approximately 2 % of total assets. Valuation of goodwill relies on judgmental assumptions and inputs, such as the determination of discount rate or the subsidiaries' growth rate of future profits. 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, involving specialists who assisted us in evaluation of 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. With the involvement of specialists, we assessed the judgmental assumptions and inputs, such as the discount rate or the subsidiaries' growth rate of future profits. 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 in Notes 2 Significant accounting policies - Goodwill and 9 Goodwill to the consolidated financial statements.

Other information

Other information consists of the 2019 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 2019 is consistent, in all material respects, with the 2019 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.

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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.

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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 3 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 Bartha Zsuzsanna Éva.

Budapest, 9 March 2020

(The original Hungarian version has been signed.)

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

Bartha Zsuzsanna Éva
Registered auditor
Chamber membership No.: 005268

Consolidated Statement of Financial Position as at December 31, 2019 and December 31, 201

All amounts in HUF thousands unless otherwise indicated	Notes	December 31, 2019	December 31, 2018
Current assets:			
Cash and bank	3	1,286,667	1,020,318
Accounts receivables	4	5,042,113	4,736,873
Inventories	5	2,961,307	3,518,687
Other current assets and prepayments (without current tax receivable)	6	553,032	937,349
Current tax receivables	6	76,816	75,689
Total current assets		**9,919,935**	**10,288,916**
Non-current assets:			
Property, plant and equipment	7	9,162,166	8,549,889
Right of use	8	1,031,658	–
Goodwill	9	335,857	335,857
Intangibles	10	12,852	125,260
Other assets		10,942	4,528
Total non-current assets		**10,553,475**	**9,015,534**
Total assets		**20,473,410**	**19,304,450**
Current liabilities:			
Trade accounts payables		3,336,796	3,371,756
Short term part of lease liabilities	24	513,035	385,607
Provision	12	–	78,300
Other payables and accruals (without current tax liabilities)	11	1,878,179	729,517
Current tax liabilities	11	693,075	607,291
Short term loans	13	4,895,692	4,887,493
Total current liabilities		**11,316,777**	**10,059,964**
Long term liabilities:			
Deferred tax liability	20	342,223	327,824
Long term part of lease liabilities	24	375,819	481,700
Long term loans	13	1,045,670	1,253,267
Derivative financial liabilities	25	55,501	38,133
Other long term liabilities		38,890	1,332
Total long term liabilities		**1,858,103**	**2,102,256**
Shareholders' equity:			
Share capital	14	1,449,876	1,449,876
Capital reserve	15	250,686	250,686
Retained earnings	16	4,987,621	4,875,431
Treasury shares	15	(455,048)	(455,048)
Other comprehensive income	21	(40,092)	(30,631)
Total owners' equity		**6,193,043**	**6,090,314**
Non controlling interest	16	1,105,487	1,051,916
Total shareholders' equity		**7,298,530**	**7,142,230**
Total liabilities and shareholders' equity		**20,473,410**	**19,304,450**

Consolidated Statement of Comprehensive Income as at December 31, 2019 and December 31, 2018

All amounts in HUF thousands unless otherwise indicated	Notes	FY 2019	FY 2018
Net sales	17	34,130,672	30,527,082
Cost of sales	19	(25,413,041)	(22,488,366)
Gross profit		**8,717,631**	**8,038,716**
Selling general and administration	19	(6,452,635)	(6,125,007)
Gain on sale of fixed assets		15,748	5,092
Foreign currency (loss) / gain		9,924	59,714
Other expense, net	18	(207,918)	(125,798)
Operating income		**2,082,750**	**1,852,717**
Interest income		17,094	2,466
Interest expense		(118,743)	(103,018)
Profit before tax and non-controlling interest		**1,981,101**	**1,752,165**
Deferred tax income / (expense)	20	(4,410)	(9,319)
Income tax expense	20	(454,568)	(352,246)
Profit after tax		**1,522,123**	**1,390,600**
Other comprehensive income for the year	21	2,278	95,444
out of which: effect of revaluation based on IAS 21		29,635	50,337
out of which: fair value effect of derivative financial liability		(17,368)	49,081
out of which: deferred tax recognized in other comprehensive income		(9,989)	(3,974)
Total comprehensive income for the year		**1,524,401**	**1,486,044**
Profit after tax attributable to:			
Shareholders of the Company		***1,273,287***	***1,139,695***
Non controlling interests		*248,836*	*250,905*
Other comprehensive income attributable to:			
Shareholders of the Company		***(9,462)***	***71,492***
Non controlling interests		*11,740*	*23,952*
Earnings per share (EPS):			
Basic (HUF per share)	22	89	79
Fully diluted (HUF per share)	22	89	79
Dividend per share paid (DPS)		**92**	**81**

Consolidated Statement of Changes in Shareholders' Equity as at December 31, 2019 and December 31, 2018

All amounts in HUF thousands unless otherwise indicated	Issued Capital	Capital Reserve	Retained Earnings	Treasury Shares	Other comprehen-sive income	Non controlling Interest	Total
January 1, 2018	**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 share-holders (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
Other comprehensive income attributable to non-controlling interests	–	–	–	–	(3,974)	–	(3,974)
Profit after tax attributable to owners of the Company	–	–	1,139,695	–	–	–	1,139,695
Other comprehensive income attributable to owners of the Company	–	–	–	–	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**
Dividend paid (after FY 2018)	–	–	(1,161,096)	–	–	–	(1,161,096)
Dividend paid to minority share-holders (after FY 2017 income)	–	–	–	–	–	(207,004)	(207,004)
Effect of revaluation based on IAS 21	–	–	–	–	–	248,836	248,836
Profit after tax attributable to non-controlling interests	–	–	–	–	17,896	11,739	29,635
Deffered tax effect on capital instruments	–	–	–	–	(9,989)	–	(9,989)
Profit after tax attributable to owners of the Company	–	–	1,273,286	–	–	–	1,273,286
Reserves of CF hedge transac-tion	–	–	–	–	(17,368)	–	(17,368)
December 31,2018	**1,449,876**	**250,686**	**4,987,621**	**(455,048)**	**(40,092)**	**1,105,487**	**7,298,530**

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

Consolidated Statement of Cash-flow as at December 31, 2019 and December 31, 2018

All amounts in HUF thousands unless otherwise indicated	Notes	FY 2019	FY 2018
Cash flows from operating activities:			
Profit before tax and non-controlling interest		1,981,101	1,752,165
of which: foreign currency (loss) / gain		9,924	59,714
Depreciation cost of fixed assets	7	1,177,051	1,121,166
Amortization cost of intangibles	10	112,406	11,864
Foreign exchange differences on the line of the other comprehensive income		528	99,417
Changes in provisions		142,594	(180,342)
Gain on sale of property, plant and equipment		(15,748)	(5,092)
Interest expense		118,743	103,018
Interest income		(17,094)	(2,466)
Operating cash-flow before working capital changes		**3,499,581**	**2,899,730**
Changes in accounts receivable and other current assets	4, 6	77,537	291,101
Changes in inventories	5	416,037	(537,202)
Changes in accounts payables, provision and accruals	11	1,120,491	42,312
Cash provided by operations		**5,113,646**	**2,695,941**
Interest income		(118,047)	(102,438)
Interest expense		7,699	6,005
Taxes paid, net	20	(446,008)	(340,456)
Net cash provided by operating activities		**4,557,290**	**2,259,052**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(2,820,988)	(2,200,179)
Proceeds on sale of property, plant and equipment		15,748	5,092
Development costs		–	–
Changes in loans to employees		(6,414)	234
Net cash flow used in investing activities		**(2,811,654)**	**(2,194,853)**
Cash flows from financing activities:			
Non controlling interest changes		(195,265)	(389,900)
Changes in short term loans	13	8,199	1,727,543
Increase in long term debt	13	–	–
Repayment of long term debts	13	(152,671)	(247,083)
Increase in capital lease liabilities	24	591,441	542,086
Repayment of lease liabilities	24	(569,894)	(374,682)
Dividend paid		(1,161,096)	(1,168,593)
Net cash flow used in financing activities		**(1,479,286)**	**89,371**
Changes in cash and cash equivalents		**266,349**	**153,570**
Cash and cash equivalents at beginning of period		**1,020,318**	**866,748**
Cash and cash equivalents at end of the period	3	**1,286,667**	**1,020,318**

Supplementary Notes to the Consolidated Financial Statements Dec. 31, 2019

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: 1112 Budapest, Őrség u. 9/B). 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 2019 is HUF 18.1 million.

As of December 31, 2019 and 2018 – 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	FY 2018 Voting right [%]	FY 2018 Ownership [%]	FY 2019 Voting right [%]	FY 2019 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	27.93%	27.10%	28.26%	27.41%
Foreign Institutional Investors	14.77%	14.31%	12.92%	12.53%
Foreign Individual Investors	0.40%	0.39%	0.42%	0.40%
Domestic Individual Investors	26.14%	25.34%	27.94%	27.09%
Management, employees	3.00%	2.91%	2.81%	2.72%
Treasury shares	0.00%	3.03%	0.00%	3.03%
Other	1.38%	1.34%	1.27%	1.23%

(*) 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 cards (document cards, bank and commercial cards, personalized business and administration forms, as well as conventional printing products. The consolidated subsidiaries of the Company at December 31, 2019
and at December 31, 2018 are as follows:

Name of the Company	Equity	FY 2018 Share of ownership	FY 2018 Voting right[1]	FY 2019 Share of ownership	FY 2019 Voting right[1]	Classification[2]
Gyomai Kner Nyomda Zrt.	HUF 200,000,000	99.48%	99.48%	99.48%	99.48%	L
Specimen Zrt.	HUF 100,000,000	100.00%	100.00%	100.00%	100.00%	L
ANYpay Fizetési Megoldások Zrt.[3]	HUF 50,000,000	100.00%	100.00%			
Techno-Progress Kft.	HUF 5,000,000	100.00%	100.00%	100.00%	100.00%	L
ANY Ingatlanhasznosító Kft.	HUF 3,000,000	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)

[3] ANYpay Fizetési Megoldások Zrt. was merged into Specimen Zrt. on 31 st August 2019.

(*) 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.

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.

RIGHT OF USE ASSETS

The Group recognises its assets owned in connection with lease contracts as right of use assets from 1st January 2019 based on the regulations of IFRS 16. Based on these regulations all assets are classified as right of use assets which are owned or controlled through lease contracts or long term rental contracts. As there is no guaranteed residual value or lease payments due at the end of the contractual period, in the lease contracts of the Group, initial value of right of use assets are equal to initial value of the lease liabilities. The Group has three different classes of right of use assets. These are real estates, machineries and equipments and vehicles and other equipments.

Depreciation is calculated on right of use assets based on IAS 16 through the entire life of the lease contracts and long term rental contracts applying the following rates:

Buildings	10.0% – 46%
Machinery and equipment	14.5% – 33%
Vehicles	25.0% – 33%

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 on 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.

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

DIVIDEND AND INTEREST REVENUE

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

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

LEASES

The Group recognises its lease liabilities based on IFRS 16 instead of previous regulation of IAS 17 from 1st January 2019. In accordance with that all liabilities are recognised as lease liabilities which are connected to lease contracts or long term rental contracts. The Group measures its lease liabilities based upon the present value of contractual net cash-flows, with credit interest rate available on the market for the Group for similar periods using as a discount rate. The Group has no initial lease obligations, no dismantling or removing costs, variable lease conditions and does not receive any lease incentives. The members of the Group have no option to prolong the contracts neither in lease contracts nor in long term rental contracts, though not even the lessor has the right to change the lease conditions during the lease period.

The Group has no small value leases, has no sub-lease contracts and has no sale-and-lease-back type transactions.

Lease interest is calculated on lease liabilities with effective interest rate method, which is recognised in the comprehensive profit and loss statement on the line interest expenditures.

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 2019

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 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),
- **Amendments to IAS 19 "Employee Benefits"** – Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (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 – adopted by the EU on 8 February 2019 (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 – adopted by the EU on 14 March 2019 (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 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, there are new standards, amendments to the existing standards nor interpretations which are issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to References to the Conceptual Framework in IFRS Standards** – adopted by EU on 6 december 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Material – adopted by EU on 10 December 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures"** – Interest rate Benchmark Reform – adopted by EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020).

The Group does not adopt these new standards and amendments to existing standards before their effective date. 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.

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).

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.

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, 2019	December 31, 2018
Cash and cash equivalents	1,286,667	1,020,318
Total cash and cash equivalents	**1,286,667**	**1,020,318**

4 Accounts receivables

All amounts in HUF thousands unless otherwise indicated	December 31, 2019	December 31, 2018
Trade receivables	5,046,516	4,740,025
Allowance for doubtful debts	(4,403)	(3,152)
Total	**5,042,113**	**4,736,873**

The carrying value of trade receivables is fair value. Balance of trade debtors is HUF 5,042 million, which is HUF 306 million (6%) higher than at the end of 2018.

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

All amounts in HUF thousands unless otherwise indicated	December 31, 2019	December 31, 2018
Balance at the beginning of the year	**3,152**	**5,652**
Impairment losses recognised on receivables	1,859	663
Impairment losses reversed	(608)	(3,163)
Derecognition of receivables as uncollectable debt	–	–
Balance at the end of the year	**4,403**	**3,152**

5 Inventories

All amounts in HUF thousands unless otherwise indicated	December 31, 2019	December 31, 2018
Raw materials	1,638,996	2,071,227
Work in progress	925,275	873,262
Finished goods	631,676	669,153
Goods	37,978	36,320
Cumulated loss in value for inventories	(272,618)	(131,275)
Total	**2,961,307**	**3,518,687**

The total amount of inventories is HUF 2,961 million, which decreased by HUF 557 million (16%) compared to 31 December 2018. The amount of raw materials and consumables decreased by HUF 432 million (21%) compared to the prior period, caused by the lower raw material needs of security products. The amount of finished goods decreased by HUF 37 million (6%) compared to the prior period.

6 Other current assets and prepayments

All amounts in HUF thousands unless otherwise indicated	December 31, 2019	December 31, 2018
Prepayments	165,419	457,423
of which: revenue recognized but not invoiced	14,174	325,795
of which: prepaid interest	26,575	23,089
of which: rental fee of softwares	124,670	77,285
Guarantee receivables	237,354	336,639
Advances paid	81,261	82,394
of which: advances paid for PP&E	78,062	78,062
of which: other advances paid	4,332	4,332
Employee loans	12,802	3,282
Other receivables	56,196	57,611
Total other current assets and prepayments	**553,032**	**937,349**

All amounts in HUF thousands unless otherwise indicated	December 31, 2019	December 31, 2018
VAT receivable	68,746	49,958
Other taxes receivable	7,704	9,759
Corporate income tax receivable	366	15,972
Total current tax receivables	**76,816**	**75,689**

Year-end balance of current tax receivables is HUF 1 million higher than in previous period.

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, 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**	**692,452**	**21,770,375**
January 1, 2019	**4,666,123**	**13,796,341**	**30,933**	**2,584,526**	**692,453**	**21,770,376**
Capitalization	93,878	1,254,579	20,166	517,903	2,645,075	4,531,601
Additions	–	638,551	–	77,645	1,374,816	2,091,012
Reclassification	–	887,711	–	–	–	887,711
Disposals	–	–	–	–	–	–
December 31, 2019	**4,760,001**	**13,524,658**	**51,099**	**3,024,784**	**1,962,712**	**23,323,254**
Accumulated depreciation:						
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
Additions	–	–	–	–	–	–
Disposals	–	423,896	–	71,862	–	495,758
December 31, 2018	**1,521,095**	**10,002,799**	**10,767**	**1,685,826**	**–**	**13,220,487**
January 1, 2019	**1,521,095**	**10,002,799**	**10,767**	**1,685,826**	**–**	**13,220,487**
Charge for year	134,823	877,229	–	277,405	–	1,289,457
Impact of IAS 36 revaluation	–	–	–	–	–	–
Reclassification	–	241,339	–	–	–	241,339
Disposals	–	513,418	–	76,777	–	590,195
December 31, 2019	**1,655,918**	**10,607,949**	**10,767**	**1,886,454**	**–**	**14,161,088**
Net book value:						
January 1, 2018	**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**	**692,452**	**8,549,888**
December 31, 2019	**3,104,083**	**2,916,709**	**40,332**	**1,138,330**	**1,962,712**	**9,162,166**

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 1.400 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 2019.

8 Right of use

Rights of use movement table (all amounts in HUF thousands unless otherwise indicated)	Property rights	Machinery and equipment	Vehicles and other equipments	Total
Cost:				
January 1, 2019	**133,500**	**867,307**	**85,589**	**1,086,396**
of which: impact of IFRS 16	133,500	–	85,589	219,089
Additions	–	190,613	169,664	360,277
Disposals	–	–	–	–
December 31, 2019	**133,500**	**1,057,920**	**255,253**	**1,446,673**
Accumulated depreciation:				
January 1, 2019	**–**	**–**	**–**	**–**
Charge for year	61,615	256,646	96,754	415,015
of which: impact of IFRS 16	61,615	–	96,754	158,370
December 31, 2019	**61,615**	**256,646**	**96,754**	**415,015**
Net book value:				
January 1, 2019	**133,500**	**867,307**	**85,589**	**1,086,396**
December 31, 2019	**71,885**	**801,274**	**158,499**	**1,031,658**

9 Goodwill

All amounts in HUF thousands unless otherwise indicated	December 31, 2019	December 31, 2018
Zipper Services SRL	276,231	276,231
Gyomai Kner Nyomda Zrt.	26,994	26,994
Techno-Progress Kft.	20,509	20,509
Specimen Zrt.	12,123	12,123
Goodwill	**335,857**	**335,857**

The 5 five year term budgets used for the evaluation of the goodwill are reflecting the management's best knowledge and information about the expected conditions of the financial environment. The expected net sales revenue growth rate is between 4-6% based on the financial achievement and market conditions. Discount rate used is 8%.

COST

All amounts in HUF thousands unless otherwise indicated	December 31, 2019	December 31, 2018
Balance at the beginning of the year	**335,857**	**335,857**
Balance at the end of the 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.

10 Intangibles

All amounts in HUF thousands unless otherwise indicated	Research and development costs	Softwares	Total intangibles
Historical cost:			
January 1, 2018	**269,161**	**–**	**269,161**
December 31, 2018	**269,161**	**100,544**	**369,705**
January 1, 2019	**269,161**	**100,544**	**369,705**
Additions	–	–	–
December 31, 2019	**269,161**	**100,544**	**369,705**
Accumulated amortisation:			
January 1, 2018	**232,583**	**–**	**232,583**
Amortisation	11,864	–	11,864
December 31, 2018	**244,455**	**–**	**244,445**
January 1, 2019	**244,455**	**–**	**244,445**
Amortisation	11,864	100,544	112,408
December 31, 2019	**244,445**	**100,544**	**356,853**
Net book value			
January 1, 2018	**36,578**	**–**	**36,578**
December 31, 2018	**24,716**	**100,544**	**125,260**
December 31, 2019	**12,852**	**–**	**12,852**

11 Other payables and accruals

All amounts in HUF thousands unless otherwise indicated	December 31, 2019	December 31, 2018
Accrued management bonuses	240,662	47,950
Other accruals	252,465	162,446
of which: accrued creditors	46,775	47,242
Social security	33,575	35,568
Salaries and wages	298,283	265,699
Advance payments from customers	977,123	47,861
Other short term liabilities	76,071	169,993
Other payables and accruals	**1,878,179**	**729,517**

All amounts in HUF thousands unless otherwise indicated	December 31, 2019	December 31, 2018
VAT	365,551	403,107
Personal income tax	78,743	65,680
Social contribution	72,225	84,875
Other taxes	176,556	84,875
Total current tax liabilities	**693,075**	**607,291**

Total current tax liabilities, other payables and accruals amounts to HUF 2,571 million, which decreased by HUF 1,234 million compared to December 31, 2018.

12 Provision

All amounts in HUF thousands unless otherwise indicated	December 31, 2019	December 31, 2018
Estimated contribution and tax liability	–	78,300
Total provision	**–**	**78,300**

13 Short term and long term loans

All amounts in HUF thousands unless otherwise indicated	December 31, 2019	December 31, 2018
Bank overdraft of the Parent Company	4,614,087	4,550,948
Total overdrafts	**4,614,087**	**4,550,948**
Short term part of long term loan of subsidiaries	197,563	197,563
Other short term loans of subsidiaries	84,042	138,982
Total short term loans and overdrafts	**4,895,692**	**4,887,493**
Long term loan of subsidiary	1,045,670	1,253,267
Total investment loans and borrowings	**1,045,670**	**1,253,267**
Total loans and borrowings	**5,941,362**	**6,140,760**

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 7.3 billion from which the utilised amount at the end of 2019 is HUF 4,896 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 1,235 million was the year-end balance, of which HUF 1,037 million was long term part and HUF 198 million was short term part. For further details about the loan please see Note 23 contingent liabilities.

14 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, 2019		December 31, 2018	
	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.

15 Treasury shares

Number of treasury shares held by the Company on 31st December 2019 is 448,842 which were purchased at an average price of HUF 1,014 per share.

16 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 4,987,621 thousands of which not distributable HUF 1,221,625 thousands. Retained earnings available for distribution is HUF 3,765,996 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.

17 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)	2019	2018
Sales revenue from customer contracts	34,130,672	30,527,082
Revenue from other sources	–	–
Total sales	**34,130,672**	**30,527,082**

Impairment of receivables (all amounts in HUF thousands unless otherwise indicated)	2019	2018
Impairment recognized on trade receivables, contractual assets	–	–
Impairment from other contracts	–	–
Total impairment	**–**	**–**

Sales segments (all amounts in HUF thousands unless otherwise indicated)	2019	2018
Security products and solutions	10,503,589	9,474,626
Card production and personalization	11,002,378	9,249,982
Form production and personalization. data processing	10,255,478	9,662,959
Traditional printing products	1,608,531	1,496,010
Other	760,696	643,505
Total net sales	**34,130,672**	**30,527,082**

Total revenue in 2019 by countries:

Revenue by Countriest (all amounts in HUF thousands unless otherwise indicated)	2019	2018
Hungary	21,491,663	19,456,851
Romania	7,553,241	7,023,781
Bulgaria	1,695,480	1,534,682
Germany	1,165,690	749,701
Africa	1,099,147	496,444
Slovakia	347,589	329,526
Austria	173,499	231,885
Norway	134,163	57,154
Czech Republic	128,588	161,595
Moldova	111,309	107,337
Poland	95,795	95,557
Finland	25,666	15,374
Iceland	21,726	21,083
Hong Kong	20,310	–
Croatia	19,433	–
Netherlands	16,027	9,743
United Arab Emirates	9,868	–
United Kingdom	8,300	18,246
Italy	5,072	15,436
Other	4,665	3,912
Switzerland	3,440	2,450
Sri Lanka	–	98,927
Albania	–	54,051
Kazakhstan	–	29,992
Saint Vincent and the Grenadines	–	2,437
Cyprus	–	10,918
Total	**34,130,672**	**30,527,082**

18 Other expenses, net

Other incomes and expenses (all amounts in HUF thousands unless otherwise indicated)	2019	2018
Received discount	38,628	11,874
Received subsidy	4,379	16,158
Reversed loss in value for inventories	3,340	3,709
Reversed loss in value for trade receivables	1,053	967
Reversed impairment accounted earlier to P&L based on IAS 36	–	–
Derecognition of provision	–	19,762
Other items	50,808	49,572
Total other incomes	**98,208**	**102,042**
Loss in value for inventories	148,410	47,317
Provision raised*	63,002	78,300
Permanent cash contribution	32,207	10,393
Building tax, land tax	28,271	30,351
Fines, penalties	9,205	28,341
Loss in value for trade receivables	147	663
Other items	24,884	32,475
Total other expenses	**306,126**	**227,840**
Total	**(207,918)**	**(125,798)**

* Provision raised for innovation contribution, which was derecognised as tax decreasing item.

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.

19 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	2019	2018
Material type expenditures	22,851,212	21,590,217
Personal type expenditures	7,716,303	6,505,247
Depreciation and amortization	1,289,457	1,133,030
Changes in inventory and own performance	(8,704)	(615,121)
Total cost and expenditures	**31,865,676**	**28,613,373**
Cost of sales	25,413,041	22,488,366
Selling general and administration	6,452,635	6,125,007
Total direct and indirect cost of sales	**31,865,676**	**28,613,373**

The average number of employees of the Group during the year was 1,026 (2018: 933).

20 Taxation

All amounts in HUF thousands unless otherwise indicated	December 31, 2019	December 31, 2018
Current year local business tax	250,343	204,160
Current year corporate income tax	168,444	144,870
Innovation contribution	35,781	3,216
Current year tax expense	**454,568**	**352,246**
Deferred tax (income) / expense	4,410	9,319
Total tax expense	**458,978**	**361,565**

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.

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, 2019	December 31, 2018
Opening deferred tax liability	**351,910**	**343,458**
Deferred tax liability due to development reserve	9,989	8,472
Deferred tax on accounting and tax depreciation difference of assets not connected to development reserve	(946)	(20)
Closing deferred tax liability	**360,953**	**351,910**

All amounts in HUF thousands unless otherwise indicated	December 31, 2019	December 31, 2018
Opening deferred tax assets	**24,086**	**28,927**
Deferred tax asset on write-off for bad debts	(110)	(27)
Deferred tax asset on deferred yearly losses	(5,247)	(4,814)
Closing deferred tax assets	**18,730**	**24,086**

All amounts in HUF thousands unless otherwise indicated	December 31, 2019	December 31, 2018
Opening deferred tax liability net	**327,824**	**314,531**
Closing deferred tax liability net	**342,223**	**327,824**

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, 2019	December 31, 2018
Profit before tax and non-controlling interest	**1,981,100**	**1,752,165**
Tax at statutory rate of 9% (*)	178,299	157,695
Other permanent differences	(9,855)	(12,825)
Corporate income tax expense	**168,444**	**144,870**

(*) 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.

21 Other comprehensive income for the year

Other comprehensive income for the year (all amounts in HUF thousands unless otherwise indicated)	December 31, 2019	December 31, 2018
Revaluation effect of non-monetary SOFP items in other currency than HUF based on IAS 21	29,635	50,337
Fair value effect of derivative financial liability	(17,368)	49,081
Deferred tax recognized in other comprehensive income	(9,989)	(3,974)
Total other comprehensive income for the year	**2,278**	**95,444**

22 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, 2019	December 31, 2018
Weighted average shares outstanding for	14,345,808	14,345,808
Net income used in the calculation	1,273,286	1,139,695
Basic and diluted earnings per share:		
Basic (HUF per share)	89	79
Fully diluted (HUF per share)	89	79

23 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 504 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 1,400 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 0,7 million in connection with the credit line agreement for the treasury transaction of ANY Ingatlanhasznosító Kft.

The Company reclassified HUF 624 million to the restricted reserves in 2013, in 2014, in 2015, in 2016 and in 2018 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.

24 Short term and long term part of lease liabilities

Leasing liabilities expiry analysis (all amounts in HUF thousands unless otherwise indicated)	Leasing liabilities related to real estates	Leasing liabilities related to machinery and equipment	Leasing liabilities related to vehicles	Total
Expired leasing liabilities in 2020	57,343	390,669	65,022	513,035
Expired leasing liabilities in 2021	12,841	209,966	48,332	271,139
Expired leasing liabilities in 2022	–	48,085	44,313	92,399
Expired leasing liabilities in 2023	–	–	12,282	12,282
Total	**70,184**	**648,720**	**169,949**	**888,854**

Leasing interest analysis (all amounts in HUF thousands unless otherwise indicated)	Leasing interest relating to real estates	Leasing interest relating to machinery and equipment	Leasing interest relating to vehicles	Total
Leasing interest in 2019	2,098	8,865	4,414	15,377

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.

25 Derivative financial liabilities

The Group hedged its variable interest long-term loan with an interest rate swap transaction that matures at the same time whith the loan. The fair value of the interest rate swap was recognised as a derivative financial liability in value of HUF 55,501 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.

26 Related party transactions

Related party transactions (all amounts in HUF thousands unless otherwise indicated)	FY 2019	FY 2018
Balance of intercompany receivables and accrued assets eliminated	2,277,024	1,613,410
Balance of intercompany liabilities and accrued liabilities eliminated	2,277,023	1,614,059
Balance of intercompany revenues eliminated	1,265,846	1,243,302
Balance of intercompany expenditures eliminated	1,270,272	1,247,153

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 148 million in 2019.

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

HUF 12,706 thousands remuneration was paid to the Supervisory Board, while HUF 6,120 thousands to the Board of Directors in 2019.

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 2019.

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	Dr. Gábor Kepecs	Member of Board of Directors	May 1, 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, 2024	536,703
SB	Ferenc Berkesi	Member of Supervisory Board	August 11, 2005*	May 31, 2024	–
SB	Dr. Imre Repa	Member of Supervisory Board	March 30, 2007*	May 31, 2024	–
SB	Dr. János Stumpf	Member of Supervisory Board	April 19, 2011*	May 31, 2024	–
SB	Katalin Hegedűs	Member of Supervisory Board	May 31,2019	May 31, 2024	–
SB	László Hanzsek	Member of Supervisory Board	May 31,2019	May 31, 2024	–
SB	Gábor Kun	Member of Supervisory Board	May 31,2019	May 31, 2024	–
Number of ANY shares hold, TOTAL					**4,075,880**

[1] 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.

28 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 2019. The EU subsidy won in amount of HUF 89,387 thousands from which still accrued HUF 18,781 thousands. The initial cost of capital projects were HUF 136,321 thousands, that have a carrying amount of HUF 36,768 thousands as at 31 December 2019.

29 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, 2019	December 31, 2018
Foreign currency receivables	EUR	4,571,427	2,700,402
	BGN	1,251,799	1,269,673
	RON	26,312,885	26,312,885
	MDL	971,824	971,824
	DKK	78,827	26,753
	SEK	53,808	19,555
	USD	2,237	53
Total (in HUF thousands)		**3,562,717**	**2,910,556**
Foreign currency cash	EUR	929,910	328,428
	USD	456,375	140,155
	GBP	731	1,889
	BGN	1,140,192	1,145,509
	RON	7,441,286	7,441,286
	MDL	3,056,254	3,056,254
	DKK	–	–
	SEK	–	–
Total (in HUF thousands)		**1,201,351**	**897,779**
Foreign currency liabilities	EUR	842,088	1,144,288
	USD	39,412	8,465
	CHF	7,963	44,208
	BGN	950,855	657,977
	RON	21,633,280	21,633,280
	MDL	351,582	351,582
Total (in HUF thousands)		**1,957,562**	**1,991,829**

Impact of a possible 1% foreign exchange rate decrease in each foreign currency (in HUF thousands)	December 31, 2019	December 31, 2018
Impact on foreign currency assets	47,641	38,083
Impact on foreign currency liabilities	(19,576)	(19,918)
Total impact of possible foreign exchange rate change	**28,065**	**18,165**

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 46,140 thousands in the year 2019. (This was HUF 45,509 thousands in the year 2018.)

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 2019 (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	3,315,539	18,375	2,309	573	–	3,336,796
Lease liabilities	42,753	85,506	384,776	375,819	–	888,854
Credits	357	4,891,739	3,596	1,045,670	–	5,941,362
Other liabilities and accruals (without taxes)	1,506,182	389,903	–	743	–	1,896,828
Current tax liabilities	639,704	27,142	–	–	–	666,846
Total	**5,504,535**	**5,412,665**	**390,681**	**1,422,805**	**–**	**12,730,686**

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: 0.09%. (This was 0.07% in 2018.) The more than 90 days overdue receivables out of total aged receivables of the Group is 1%.

30 Significant events after the reporting period

The Consolidated Financial Statements were accepted by the Board of Directors of ANY Nyrt. on 9th March, 2020. The Board of Directors proposes HUF 89 dividend per share to the shareholders on the annual general meeting to be held in April 2020.

Budapest, 9th March 2020

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, 2020

Gábor Zsámboki
Chief Executive Officer

ANY Security Printing Company Group

HUNGARY

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