

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

**Consolidated business report  
for the year ended 31 December, 2019**

## Analysis of the Group's performance in FY 2019

Net sales of ANY PLC for 2019 amounted to HUF 34.1 billion which is higher by HUF 3.6 billion (12%) than in the previous year. Changes in case of strategic product segments were as follows: sales of security products, solutions were HUF 10.5 billion, which is HUF 1.0 billion higher than the figure in the basis period; sales of card production, personalisation were HUF 11.0 billion, which is HUF 1.8 higher than the figure in the basis period; whilst sales of segment of form production, personalisation, data processing were HUF 10.3 billion, which is 0.6 higher than the figure in the basis period. Ratio of strategic products segments in total net sales was 93% in 2019.

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.

Consolidated EBITDA is HUF 3,336 million, an increase of HUF 350 million compared to 2018 base period.

Consolidated operating income is HUF 2,083 million, which is HUF 230 million higher than the profit for the base period.

Consolidated net income after interest income, taxation, non-controlling interest is HUF 1,273 million, which shows an increase of HUF 133 million (12%) compared to the previous year's same period.

Earnings per share are HUF 89 in 2019.

## Income statement analysis

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

1. Table: Net sales by segments

Sales segments	2018 HUF millions	2019 HUF millions	Change (B-A)	Change % (B/A-1)
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%
<b>Total net sales</b>	<b>30,527</b>	<b>34,131</b>	<b>3,604</b>	<b>11.81%</b>

ANY PLC had consolidated net sales of HUF 34,131 million in Q4 2019, which is HUF 3,604 million (12%) higher than the sales for the base period.

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

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. Higher volume of book sales is behind the change.

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

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.

The capitalized value of own performance line shows the capitalized value of assets produced and the change in inventories manufactured. These figures were driven mainly by the change in inventories in both periods presented; the most significant of these is the value of work-in-production (WIP) connected to security and card products.

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 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 358 million compared to previous period's EBITDA. Therefore EBITDA margin is 10%.

Net interest income amounted to -102 million HUF in Q1-Q4 2019. Net income – after financial operations, taxation and minority interest – came to HUF 1,273 million in Q4 2019, an increase of 12% compared to the profit of the previous year's similar period.

Earnings per share are HUF 89.

## Balance sheet analysis

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.

Receivables amounted to HUF 5,042 million which represents a HUF 305 million decrease compared to the 2018 year-end.

Cash and bank totalled HUF 1,287 million which represents a HUF 266 million increase compared to the 2018 year-end balance.

Inventories totalled HUF 2,961 million, which is a HUF 557 million (16%) decrease compared to the 31 December 2018 figure mainly due to decrease raw materials.

Other current assets and prepayments amounted to HUF 630 million, which is decreased by HUF 383 million compared to previous year-end.

The balance of property, plant and equipment at the end of December 2019 was HUF 9,162 million, an increase of HUF 612 million compared to the end of 2018 mainly due to the investment in the new factory building.

Goodwill amounted to HUF 336 million which is the same as last year's balance.

Accounts payable totalled HUF 3,337 million, HUF 35 million (1%) lower compared to the end of December 2018.

Other payables and accruals amounted to 2,571 million, which is increased by HUF 1,156 million mainly due to the higher prepayments received from debtors and tax liabilities.

Lease liabilities relating to the purchase of fixed assets have a balance of HUF 889 million, from which HUF 376 million is long-term part, HUF 513 million is short-term liability.

Long-term loan amounts HUF 1,235 million, from which HUF 1,037 million is long-term part, HUF 198 million is short-term liability relating to the purchase of the Company's quota owning the real estates.

The Company's operation is financed by short term loans which reached HUF 4,896 million on 30 December, 2019.

## Risk management

### Foreign currency risk

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

### Interest rate risk

Due to the moderate level of debts in the Group, potential interest rate changes would not influence significantly the amount of interests to be paid by the Group. Based on the balance of Credits of the Group, a potential interest rate increase of 100 basis points relevant to our credits would increase our interest expenses by approximately HUF 48,957 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.

### 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%.

## **Supplementary information for the business report of ANY Group**

### **The Company's employment policy**

ANY Group places high priority on keeping labour law, labour safety, employment, tax and social insurance regulations connected to working. The Group considers the employees' continuous training and education as of strategic importance in order to ensure the renewal of professional knowledge within the Group and the adaptability of employees. ANY Group gives wide scale of social benefits to its employees, helping to create the balance between private life and the workplace. The principles of benefits and wages are set out in the Collective Agreement. Besides keeping the regulations, the Group is trying to create a workplace with proper working relations, taking the family obligations into consideration which increases the Group's profitability on the long term as well.

### **Environment protection**

The parent company has ISO 14000:2005 Environmental Control System certificate audited by Det-Norske Veritas. The expiry date of the certification is January 11, 2022. The environmental certificate covers the following fields: printed products, security products, documents, development, production and personalization of plastic cards and bankcards. Research and development and production of security materials. Electronic reprocessing and delivering of printed forms. Chip embedding and encoding at smart cards. Research and development of traditional/general and mobile information technology solutions, operation and support of connected services. Electronic archiving of data, data processing, database management, setting up archives, storing of documents for fee.

Dangerous waste is continuously eliminated after leaving the company sites. In 2019, 23,136 kg dangerous waste was transported and eliminated. The parent company has being awarded Green Printing House Award for seven consecutive years this year.

### **Research and development**

The parent company has two significant R&D areas:

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

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

The direct cost of basic research, applied research and experimental development incurred in the current year is HUF 68 million.

## Significant events after the reporting period

The Consolidated Financial Statements were accepted by the Board of Directors of ANY Group on 9<sup>th</sup> March, 2020.

## Treasury shares in FY2019

2. Table: Treasury shares

Description	Number of shares	Nominal value (HUF thousands)	Purchase value (HUF thousands)
Opening balance as at 1 January, 2019	448,842	43,987	455,048
Closing balance as at 31 December, 2019	448,842	43,987	455,048

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

The Group's total share equity was HUF 1,449,876 thousands on 31 December 2019 which consists of 14,794,650 pieces of series 'A' registered, dematerialized ordinary shares with a nominal value of HUF 98 each.

## Competence, election and removal of corporate officers

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

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

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

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

[https://www.any.hu/wp-content/files\\_mf/1557324630ANY\\_Statutes\\_20190408.pdf](https://www.any.hu/wp-content/files_mf/1557324630ANY_Statutes_20190408.pdf)

## Modification of the Statutes

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

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

([https://www.any.hu/wp-content/files\\_mf/1557324630ANY\\_Statutes\\_20190408.pdf](https://www.any.hu/wp-content/files_mf/1557324630ANY_Statutes_20190408.pdf))

## Structure of shareholders over 5% share

3. Table: Structure of shareholders

Investor	Voting right (%)	Ownership (%)
<b>Owners above 5% share</b>		
EG CAPITAL LLC(*)	11.98%	11.62%
DIGITAL FOREST LLC(**)	6.97%	6.76%
AEGON ALFA SZÁRMAZTATOTT ALAP	7.43%	7.20%
<b>Owners below 5% share</b>		
Domestic Institutional Investors	28.26%	27.41%
Foreign Institutional Investors	12.92%	12.53%
Foreign Individual Investors	0.42%	0.40%
Domestic Individual Investors	27.94%	27.09%
Management, employees	2.81%	2.72%
Treasury shares	0.00%	3.03%
Other	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 (3.22%).

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

Budapest, 9<sup>th</sup> March 2020

  
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Chief Executive Officer