GRAPHISOFT PARK SE

Interim Management Report – Fourth Quarter 2017

February 20, 2018

GRAPHISOFTPARK

Dear shareholders,

With the additional revenue coming in from the buildings delivered in 2017 and leased at almost 100%, in 2017 we have reached a revenue figure surpassing the previous year by 1.1 million euros while the operational expenses increased by 400 thousand euros. With this, EBITDA is 700 thousand euros higher than the previous year's base figure, it rose to 9.5 million euros. Operating profit increased to a lesser extent, by 300 thousand euros compared to the previous year due to higher depreciation figures. Financial results did not change significantly, therefore profit before taxes also rose by 300 thousand euros compared to the year before. Tax liability decreased by 300 thousand euros compared to the base period because the Company had been registered as a regulated real estate investment pre-company effective as of July 31, 2017, therefore it was subject to company income and local business tax liabilities only until that date within the current reporting period. For all the above, in 2017 we have achieved a net profit surpassing the previous year by 600 euros at 3.8 million euros.

Graphisoft Park SE was registered as a regulated real estate investment company (SZIT) effective as of January 1, 2018. In order to comply with the rules of this status, the IFRS consolidated balance sheet and statement of income will not be presented based on the historical cost of real estate less depreciation, but – unlike in our previous practice – based on the actual fair value, determined quarterly by an independent appraiser. Graphisoft Park SE's individual financial statement will still remain the basis for calculating dividend, whose figures has been largely convergent to the consolidated statement calculated with the previous method, thus it was suitable for estimating dividends. With the newly applicable SZIT rules, the consolidated statement may be greatly diverging; therefore it will not be a suitable basis for estimating dividends in the future. With regards to this, we will publish the financial statement made following the previous practice (where real estate is presented at historical cost less depreciation cost) along with the SZIT compliant consolidated statement; and where the "pro forma" report's figures will be convergent to those of Graphisoft Park SE's single report serving as the basis of calculating dividend. Our forecasts for the future will be made exclusively following the previous practice, partly for guiding the shareholders' dividend expectations (dividends will be 90% of the net profit under the rules of the SZIT status) and partly for avoiding making guesses about the future changes in real estate appraisals, which have a large impact on the results calculated under the new rules.

As it was announced on December 18, 2017, starting from 2018 Graphisoft Park Engineering & Management Kft., established for this purpose, will carry out the Company's real estate development, operations and administrative activities; therefore the real estate development related expenditures will be activated in the "pro forma" consolidated reports as well (similarly to the industry practice). This change will result in a 300 thousand euros decrease in the Company's operating expenses, which will be accounted later within depreciation costs. With this, the accordingly updated forecast for 2018 will be presented below. Further, with regards to the developments on the southern area affecting the results in 2018 only in the second half of the year, thus making 2019 the first year when the revenues from the new developments and the related depreciation costs will appear for the entire period, we will publish estimates for 2019 already in the current report (unlike in our previous or future practice), based on the lease contracts already concluded and expected to be concluded shortly.

(million euros)	2016 actual	2017 actual	*2018 forecast*	*2019 estimate*
Rental revenue	9.52	10.62	*12.3*	*13.8*
Other income (net)	0.35	0.44	*0.6*	*0.4*
Operating expense	(1.13)	(1.55)	*(1.2)*	*(1.3)*
EBITDA	8.74	9.51	*11.7*	*12.9*
Depreciation	(4.18)	(4.60)	*(6.4)*	*(7.4)*
Operating profit	4.56	4.91	*5.3*	*5.4*
Net interest expense	(0.83)	(0.90)	*(1.2)*	*(1.1)*
Profit before tax	3.73	4.01	*4.1*	*4.3*
Income tax expense	(0.56)	(0.22)	*0.0*	*0.0*
Net profit	3.17	3.79	*4.1*	*4.3*

Due partly to the new buildings delivered and leased in 2017 and to the progress of the developments on the southern area and the signed letters of intent; and partly to the tax benefits adherent to the SZIT status, the fair value of the Company's real property assets were estimated at 252 million euros in the 2017 Q3 report, significantly higher than the 189 million euros figure at the end of 2016. The continuing trend in the rise of construction costs above our expectations, however, obliges us to revalue our estimates for the cost of future developments and renovations at a higher figure, therefore in the current estimate we have lowered the fair value of the real property by 6 million euros at 246 million euros total. The higher value of loans relating to this makes the net asset value at fair value standing at 184 million euros. In the current forecast we have not modified our estimates for future rental revenues applying a conservative estimation method, which is not counting the value from the expected rise in rental revenues following the increase in construction costs.

These results prove that we are right in our pursuit of the "micro-silicon-valley" concept articulated some 20 years ago: targeting a well-defined market - Hungarian and international technology companies pursuing innovation - and focusing real estate developments to cater to their needs. The key to success in their fields is attracting talent. We are aiming to contribute to this with quality and environmentally conscious architecture, in a uniquely quiet setting on the green banks of the river Danube surrounded by the Park's state-of-the art renovated industrial monument buildings preserving the marvelous ambiance of the old Óbuda Gas Works. Our achievements prove that the leading companies in the technology field appreciate this; therefore we are continuing the development along the lines of the same concept.

Bojár Gábor	Kocsány János
Chairman of Board of Directors	Chief Executive Officer

Financial highlights

IFRS, consolidated, thousand EUR

Results:

	3 months ended		12 months ended	
	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017
A) Results from ordinary activities:				
Revenue	**2,382**	**2,869**	**9,525**	**10,624**
Operating expense	(315)	(453)	(1,131)	(1,549)
Other income (expense)	112	92	349	437
EBITDA	**2,179**	**2,508**	**8,743**	**9,512**
Depreciation and amortization	(1,041)	(1,248)	(4,183)	(4,604)
Operating profit	**1,138**	**1,260**	**4,560**	**4,908**
Net interest expense	(166)	(215)	(825)	(802)
Other financial result	(5)	(36)	(4)	(100)
Profit before tax	**967**	**1,009**	**3,731**	**4,006**
Income tax expense	(87)	(4)	(559)	(217)
Profit for the period	**880**	**1,005**	**3,172**	**3,789**
B) Other results (one-off items):				
Other income (expense)	-	-	(123)	-
Income tax benefit	-	-	12	582
Loss for the period	**-**	**-**	**(111)**	**582**
A+B) Profit for the period	**880**	**1,005**	**3,061**	**4,371**

In 2016 “Other results” contain the net result of one-off demolition costs required because of new developments (111 thousand euros loss including corporate income tax effect in the first quarter of 2016).

Effective from July 31, 2017 the Company became regulated real estate investment pre-company (see the “Other key issues” section in the management report) and as such the Company was subject to corporate income tax and local business tax only till this date. Till July 31, 2017 (till the Company became regulated real estate investment pre-company) in the Group’s consolidated accounts deferred tax assets and liabilities were accounted according to IFRS. As of January 1, 2017 the Group had on consolidated level net deferred tax position of 582 thousand euros liability.

As after receiving the regulated real estate investment pre-company status Group companies are not subject to income taxes (corporate income tax and local business tax), net deferred tax liabilities were released against current year results as of this date. This one-off profit on consolidated level does not create basis for dividend (distributable profit), as the basis for dividend payable is Graphisoft Park SE's standalone annual IFRS financial statements. Deferred taxes in comparative figures are presented under "Results from ordinary activities".

Financial Highlights are presented in "Results from ordinary activities" / "Other results" breakdown. Periodic comparative analyses in this business report are prepared using "Results from ordinary activities", which do not include the one-off items.

IFRS, consolidated, thousand EUR

Asset value:

	December 31, 2016	December 31, 2017
Investment property at book value	**69,655**	**87,417**
Investment property at estimated fair value*	**188,919**	**246,247**
Net asset value at book value	**23,529**	**26,040**
Net asset value at estimated fair value*	**143,082**	**184,343**
Number of ordinary shares outstanding (thousands)**	10,083	10,083
Net asset value at fair value per share (euro)	**14.2**	**18.3**

* Investment property fair value estimates were previously disclosed yearly in the consolidated financial statements. The last valuations for December 31, 2016 were published on March 20, 2017 within the Consolidated Financial Statements for 2016 (Note 10: Fair value of investment property). Starting from the first quarter of 2017, the Company carries out and publish the current valuation estimates for the fair value of investment property in its quarterly reports.

The significant increase compared to 2016 yearend is due to the finalization and filling up with tenants the new buildings in the 7 months of 2017; progression in the developments and concluding new contracts with tenants in the southern development area; and significant decrease in the yields in the Budapest real estate market (we calculated with yield of 6.5% instead of 6.75% in case of buildings and 7.5% instead of 7.75% in case of development areas). Our current estimate of December 31, 2017 for the fair value of investment properties is 5.6% lower than the last one published in November 2017; the decrease is mainly due to increasing prices in the real estate construction market, affecting the finalization of the development works in the Southern Development Area and also cost of the current and future refurbishment works; and also due to the increased outstanding loan amounts in connection with the development activities.

Investment property fair value estimates are disclosed in Note 8 of the attached Quarterly Report.
Net asset value at book value and net asset value at fair value (equity) are disclosed in Note 23 of the attached Quarterly Report.

** Treasury shares possessed by the Company and employee shares are excluded when net asset value at fair value per share is determined.

Management Report

In this business report, Graphisoft Park presents the progress made toward its goals in the following areas:

- Financial results of 2017,
- Utilization, occupancy,
- New development activities and future development potential,
- Financing,
- Other key issues,
- Forecast for the years 2018 and 2019.

Financial results of 2017

Changes in the results for 2017 ("Results from ordinary activities", see details in "Financial highlights" on previous pages) compared to the 2016 bases occurred by the effects of the following main factors:

- **Revenue** (2017: 10,624 thousand euros; 2016: 9,525 thousand euros) rose by 1,099 thousand euros, or 11.5% compared to the previous year due to the rental revenues derived from the new developments handed over in the first and third quarter of 2017 (SAP new wing and Startup building) (see details in the „New development activities" section).

- **Operating expense** (2017: 1,549 thousand euros; 2016: 1,131 thousand euros) grew by 418 thousand euros, or 37% compared to the previous year due to the increase in employee related and other expenses (the development programs required additional staff, and the ongoing organizational development projects required additional expenditures). Property related expense stayed at the level of last year.

- **Other income** (2017: 437 thousand euros; 2016: 349 thousand euros) net amount was 88 thousand euros, or 25% higher than the base last year.

- **Depreciation** (2017: 4,604 thousand euros; 2016: 4,183 thousand euros) increased by 421 thousand euros, or 10% compared to the previous year because depreciation amount (1) increased by 22% due to the depreciation of the new developments (SAP new wing and Startup building; see "New development activities" section for details) delivered in the first and third quarter of 2017, and (2) decreased by 12% due to depreciation ending for older assets.

- **EBITDA** (2017: 9,512 thousand euros; 2016: 8,743 thousand euros) grew by 769 thousand euros, or 9%, while **operating profit** (2017: 4,908 thousand euros; 2016: 4,560 thousand euros) rose by 348 thousand euros, or 8% compared to the previous year due to the factors mentioned above.

- **Net interest expense** (2017: 802 thousand euros; 2016: 825 thousand euros) decreased by 23 thousand euros, or 3% due to the following factors: (1) interest expense fell by 216 thousand euros as a result of lower loan interest rates and lower principal amounts of earlier loans, (2) interest on loans borrowed to finance the new developments (see details in the "Financing" section) increased interest expense by 193 thousand euros.

- **Other financial result** (2017: 100 thousand euros loss; 2016: 4 thousand euros loss) were 96 thousand euros less favorable compared to prior year, mainly due to the fact, that 83 thousand euro loss was accounted on the yearend foreign exchange revaluation on certain deposits held in forints because of the construction activities.

- **Income tax expense** (2017: 217 thousand euros; 2016: 559 thousand euros) decreased by 342 thousand euros, or 61% compared to the base period due to the fact that in the current period on July 31, 2017 the Company received regulated real estate investment pre-company status and as such the Company was subject to corporate income tax and local business tax only till this date (see the "Other key issues" section in the management report).

- **Net profit** (2017: 3,789 thousand euros; 2016: 3,172 thousand euros) grew by 617 thousand euros that is 20% in 2017 compared to 2016 because of the factors explained in the previous points.

Utilization, occupancy

Occupancy rate of Graphisoft Park's rentable office, laboratory and educational space developed as follows (at the end of the quarter):

Period:	**2016 Q1**	**2016 Q2**	**2016 Q3**	**2016 Q4**	**2017 Q1**	**2017 Q2**	**2017 Q3**	**2017 Q4**
Occupancy (%):	**100%**	**100%**	**100%**	**100%**	**100%**	**99%**	**99%**	**99%**
Area (m2):	53,000	53,000	53,000	53,000	58,500	58,500	61,000	61,000

Occupancy of Graphisoft Park's rentable office, laboratory and educational space stood at an effective 100% from the beginning of 2016. Because of the significant remodeling and refurbishment works starting from the second quarter of 2017, and the temporary unavailability of the buildings being remodeled (see details under "Other developments" below) the effectively 100% occupancy was 1% lower for the remainder of 2017.

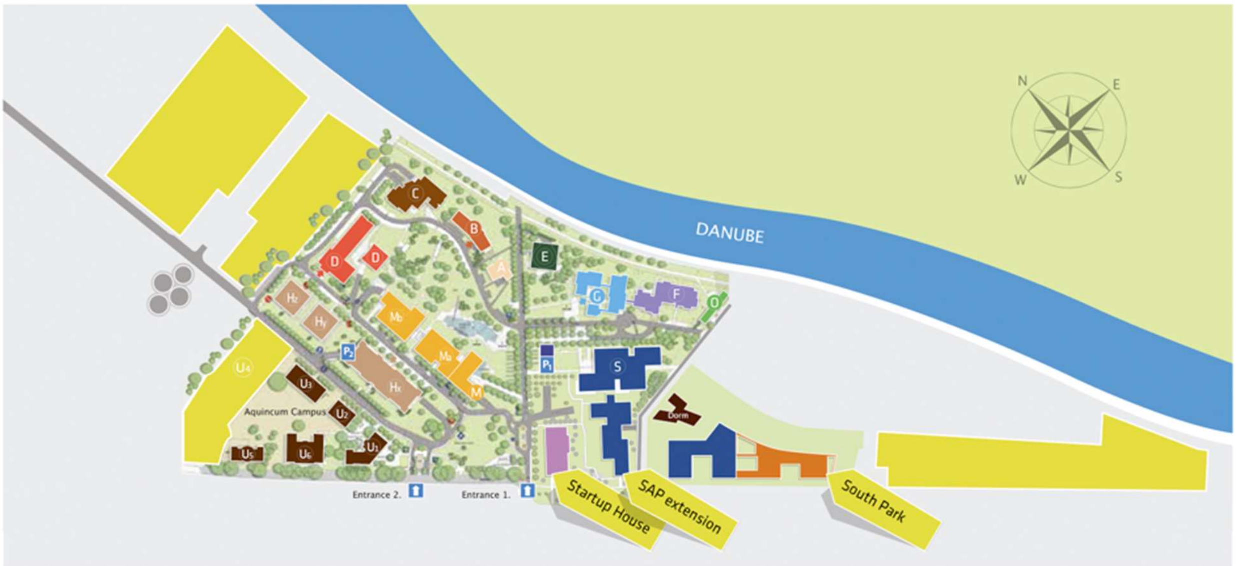
With the completion of the new SAP wing in February 2017 within the first phase of developments on the core area, rentable office, laboratory and educational space grew by 5,500 m^2 to a total of 58,500 m^2. The new wing's entire floor space was rented by SAP from March 2017. The completion of the startup building in the second phase of developments in July 2017 – of which's current occupancy rate is above 90% – increased the rentable office, laboratory and educational space by a further 2,500 m^2 to a total of 61,000 m^2. Until the completion of the developments on the southern area in 2018 (see details in the "New development activities" section below), effectively there is no rentable area available in Graphisoft Park, unless one of the current tenants decides not to extend their lease after expiration.

Graphisoft Park's tenant's make longer commitments than the national average. The Park's unique natural environment and its information technology focus (the "micro silicon-valley" concept) together provide the space in which globally acclaimed companies have settled as tenants – and expanded continuously over time – for more than 10 years now. Examples for these companies are Microsoft, SAP or Servier; and the Park's naming tenant and founder, Graphisoft SE, which now operates wholly independently. It is important to highlight that smaller tenants are staying in the Park for more than 5 years on average and keep extending their leases after expiration even with rental fees considered premium in the Budapest office market. The table below presents the average time tenants have stayed in the park (as of the preparation date of this report) broken down by the size of the area rented:

Rented area (m^2) from	to	Area distribution	Tenant number distribution	Average lease term (year)*
<	500	13%	68%	5.9
500	1000	11%	15%	7.1
1000	1500	8%	6%	15.9
1500	5000	30%	9%	7.5
5000	<	38%	3%	12.6
	Total	100%	100%	9.9

* The schedule above calculates with the starting date of current tenants' earliest lease agreements; in certain cases lease agreements concluded with the predecessor of Graphisoft Park Group.

New development activities



The total area of Graphisoft Park is nearly 18 hectares covering the office park located in the core area, the campus formed in the monument area, and development areas north and south of these as well. During the development of the Park since 1997 altogether 55,000 m^2 office, laboratory and educational space and underground parking for 1,250 cars were constructed on 11 hectares until the end of 2014. New developments started in 2016 resulted in the construction of 8,000 m^2 new office space and underground parking for 300 cars in 2017 in two phases. Construction of a new wing of 5,500 m^2 directly adjacent to SAP's main building (marked S on the map above) has been completed. In addition to this another building with 2,500 m^2 floor space optimized for the needs of smaller companies and start-ups has been completed. At the same time demolition of a few smaller office and warehouse buildings with less economical uses reduced rentable space by 2,000 m^2 in the office park, therefore the net expansion is 6,000 m^2 in 2017. With the completion of these two phases of the new developments, by August, 2017 Graphisoft Park has 61,000 m^2 office, laboratory and educational space as well as underground parking for 1,550 cars available for its tenants coupled with 4 restaurants and 6 snack and coffee shops in the Park.

Startup House (Architect: RADIUS B+S Stúdió)

These two finished development phases - having a total cost of 18 million euros – resulted in about 8,000 m^2 new office space and a three level underground parking facility for 300 vehicles, and which also includes the necessary works for public utilities and landscaping.

SAP new wing (Architect: Vikár és Lukács Építész Stúdió)

With regards to the recent expansion needs articulated by the tenants in 2016 and to the occupancy levels in the Park near their effective cap, we have started the construction of a new string of office building blocks with 12,500 m^2 floor space and of an underground parking facility for around 450 cars on the part of the southern development area that is already prepared for construction. The buildings are expected to be delivered in the middle of 2018. Blocks A and B at a total of 7,900 m^2 of the four blocks new complex will be leased by SAP.

15 million euros occurred until the end of 2017 out of the planned total cost of this development phase. Due to the current capacity shortages in the building industry and growing prices, 5-10% cost increase is expected till the finalization of the development in the southern development area.

South Park (Architect: RADIUS B+S Stúdió)

In the summary of all the above, by the completion of the new developments in 2018, Graphisoft Park will have 73,000 m^2 office, laboratory and educational space as well as underground parking for around 2,000 cars available for its tenants.

In 2017 we have started the systematic modernization and refurbishing of the buildings of the nearly 20 years old office park. The cost for this amounted to 3.2 million euros in 2017, where the major part of these costs (occurred based on individual requests) are financed by the tenants.

Future development potential

After completing the development phases outlined above, other parts of the southern development area offer room for another 18,000 m2 potential development, while the monument and northern development areas provide room for another 36,000 m2 of potential office and educational space development. In the latter area no further preparatory work or development is planned until the clean-up projects planned by the Capital City Gas Works are finished.

Capital City Gas Works, the obligor of the environmental clean-up had started the procurement process with a call for proposals on December 9, 2016, but cancelled the tender on March 1, 2017 and plans to relaunch the process with a new call according to their information. According to the written information of the Capital City Gas Works, the environmental clean-up is expected to start in 2019.

Financing

We have executed a loan agreement with Erste Bank Hungary Zrt. in December 2015 with 10 years maturity to finance the ongoing development in the core area (see “New development activities” section for details). In accordance with the loan agreement and its modification in December 2016 Erste Bank makes a 4 billion HUF (12.9 million EUR) credit facility available to Graphisoft Park within Pillar I of the second phase of the National Bank of Hungary’s Funding for Growth Scheme and another 3 million EUR credit facility within Pillar II of the third phase of the Funding for Growth Scheme. In order to hedge exchange rate risk associated with the forint-based loan, we have executed a cash flow hedge (CCIRS) agreement in June 2016 covering the entire loan amount and cash flows from the beginning of the loan repayment period until the expiration of the loan contract, by which we have converted the forint-based capital and interest payment obligations onto euro base.

We have executed a loan agreement with UniCredit Bank Hungary Zrt. in November 2016 with 10 years maturity to finance the ongoing development in the southern area (see “Development activities” section for details). In accordance with the loan agreement UniCredit Bank makes a 24 million EUR credit facility available to Graphisoft Park within Pillar II of the third phase of the National Bank of Hungary’s Funding for Growth Scheme.

With regards to the extraordinary low interest rate environment, on November 30, 2017 we concluded a new euro-based, 10 years to maturity loan facility with Erste Bank Hungary Zrt., for the refinancing of the previous loan facility before its maturity, concluded with Westdeutsche ImmobilienBank AG in 2007 with expiration in May 2019. The new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term from the second half of 2018. The new facility is worth 40 million EUR, whose bulk is to be used for the repayment of the entire debt to Westdeutsche ImmobilienBank AG, while the remaining smaller part will be used to finance the refurbishment of the older buildings of Graphisoft Park.

Other key issues

The Company’s registration as a regulated real estate investment company

The designation of the regulated real estate investment company (SZIT) as a new company form for doing business was introduced by the Act 102 of 2011. SZIT is the Hungarian equivalent of the foreign concept of the REIT (Real Estate Investment Trust), which first appeared in the United States in the sixties and spread across Europe afterwards.

The regulated real estate investment company (SZIT), as well as the regulated real estate investment pre-company (SZIE) are public companies limited by shares that fulfill the requirements of the governing law (Act 102 of 2011 on regulated real estate investment companies) and are therefore eligible for registration with the national tax authority as SZIT or SZIE and are registered as such upon request from the company, which entitles them to certain tax benefits. SZIE designation is essentially the "waiting room" of the SZIT designation, meaning a company that does not fulfill all the requirements for the SZIT designation but undertakes to fulfill them and promises to acquire SZIT designation.

The main requirements of acquiring the SZIT designation are as follow (for the complete list and details see Act 102 of 2011):

(a) the company's business activities are restricted to a number of real estate related activities (buying and selling/renting/operating of own real estate, management of real estate, facilities support activities, asset management),
(b) the company is not under voluntary or court ordered winding-up, termination or bankruptcy proceedings;
(c) pays dividend at least at the amount of 90% of its results, or if the company's liquid funds are less than that, then the company shall pay 90% of its liquid funds in dividends, unless a loan agreement concluded with a credit institution restricts such payments,
(d) the company owns no shares in other businesses other than in its own project companies (subsidiaries), in different regulated real estate investment companies (maximum 10% share ownership) and in companies organizing construction projects,
(e) the direct and combined voting rights of credit institutions and insurance companies are limited to 10% of all voting rights within the company,
(f) it has at least 5 billion HUF (consolidated) initial capital,
(g) it is publicly listed and issues only ordinary and employee shares,
(h) at least 25% of the total number of shares is owned by shareholders, of whom no individual shareholder owns – directly or indirectly – more than 5% of the total number of shares.

The requirements for SZIE designation are to fulfill points (a) through (e) in the list above.

There are further requirements in the regulation concerning the company's asset-portfolio and operations that are pre-requisites of applying for the SZIT designation.

The tax benefits of the SZIT and SZIE designations are as follow (for details see Act 102 of 2011 and the tax laws concerned):

- exemption from corporate income tax,
- exemption from local business tax,
- preferential (2%) property acquisition duty rate.

Graphisoft Park SE had started evaluating the possibility of acquiring SZIT designation since the introduction of the legislation, but the provisions of the Act 102 of 2011 before its 2017 modifications had several conditions and restrictions in place that were not feasible or bearable for Graphisoft Park. The National Assembly approved the modifications on June 13, 2017. The Board of Directors then examined the modifications, and it concluded that Graphisoft Park is capable of fulfilling all the requirements of the modified legislation and therefore it is recommended for the Company to apply for the SZIT designation with the necessary modifications to the Articles of Association proposed to the General Meeting. The Company's General Meeting convened on July 14, 2017 and approved the proposals of the Board.

The registration under the SZIT designation was carried out in two steps:

- The Company has already fulfilled the requirements to be registered under the SZIE designation, and by its own request the national tax authority registered the Company as a regulated real estate investment pre-company (SZIE) under the Act 102 of 2011 by the date of July 31, 2017. The effects of the tax benefits prescribed by the

law are kicking in from the day of registration.
- After fulfilling all the legal requirements, the Company has been registered as SZIT as of January 1, 2018.

Realization of the educational function

As we discussed in detail in previous reports in order to realize the full potential of Graphisoft Park's "science park" features with the purchase of land contract concluded with the Municipality of Budapest in 2008 we have undertook the duty to carry out the development for educational purpose by renovating the protected monument parts of the purchased property. To secure the realization of this duty a pledge in the value of 1 billion forints had been recorded. The realization of the educational function was in part carried out by the founding of the Aquincum Institute of Technology (AIT-Budapest), owned by 10% by the Company; and through the International Business School's (IBS) relocation to Graphisoft Park. Our petition for acknowledgement of the complete fulfillment of the duty was granted by the competent trial court, and later the Debrecen Regional Court of Appeal, acting as the appeal court hearing the Municipality's appeal against the previous ruling decided for Graphisoft Park again on March 30, 2017, ordering the removal of the pledge with immediate effect. After the complete realization of the educational function the Company sold its stake in the Aquincum Institute of Technology.

Creating the start-up ecosystem

The demand for floor space generated by evolving companies has already been a driving force behind Graphisoft Park's expansion. Graphisoft Park supports the start-up companies by leasing office and laboratory space, and by providing business development advice from Gábor Bojár, founder of Graphisoft, Graphisoft Park and AIT-Budapest.

Recognition

Graphisoft Park received two prestigious awards appreciating the results of prior year:

- On January 18, 2018, based on the survey of the Budapest Stock Exchange, Graphisoft Park received the "issuers' transparency mid-cap" special award for the year 2017.
- On February 8, 2018, on the "Office of the Year" event Graphisoft Park's Startup Building handed over in 2017 won the "New Property Development of the Year" award.

Main risk factors and limitations associated with the areas

- residual environmental hazard from the prior gasification activity,
- regulations protecting landmark buildings limit the land's usability,
- potential flood risk due to the location on the Danube waterfront, which is to be reckoned with for the increasing water level fluctuation, despite the old Gasworks rampart protecting the area even during the historical high floods in 2013.

Forecast for the years 2018 and 2019

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With the newly applicable SZIT rules, the consolidated statement may be greatly diverging; therefore it will not be a suitable basis for estimating dividends in the future. With regards to this, we will publish the financial statement made following the previous practice (where real estate is presented at historical cost less depreciation cost) along with the SZIT compliant consolidated statement; and where the "pro forma" report's figures will be convergent to those of Graphisoft Park SE's single report serving as the basis of calculating dividend. Our forecasts for the future will be made exclusively following the previous practice, partly for guiding the shareholders' dividend expectations (dividends will be 90% of the net profit under the rules of the SZIT status) and partly for avoiding making guesses about the future changes in real estate appraisals, which have a large impact on the results calculated under the new rules.

As it was announced on December 18, 2017, starting from 2018 Graphisoft Park Engineering & Management Kft., established for this purpose, will carry out the Company's real estate development, operations and administrative activities; therefore the real estate development related expenditures will be activated in the "pro forma" consolidated reports as well (similarly to the industry practice). This change will result in a 300 thousand euros decrease in the Company's operating expenses, which will be accounted later within depreciation. With this, the accordingly updated forecast for 2018 will be presented below. Further, with regards to the developments on the southern area affecting the results in 2018 only in the second half of the year, thus making 2019 the first year when the revenues from the new developments and the related depreciation cost will appear at the same time for the entire period, we will publish estimates for 2019 already in the current report (unlike in our previous or planned practice), based on the lease contracts already concluded and expected to be concluded shortly.

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Net interest expense	(0.83)	(0.90)	*(1.2)*	*(1.1)*
Profit before tax	3.73	4.01	*4.1*	*4.3*
Income tax expense	(0.56)	(0.22)	*0.0*	*0.0*
Net profit	3.17	3.79	*4.1*	*4.3*

- In 2018 **revenue** is expected to rise by 1.7 million euros, or by 16% compared to 2017. This is partly due to the revenue effect (in the second half of 2018) of the expected hand-over of the developments in the southern area in mid-2018; and partly because of revenues relating to developments delivered in 2017 (new SAP wing, Startup building) will have a full year effect. In 2019 we expect that revenues will increase by additional 1.5 million euros or 12% compared to 2018, as developments in the southern area to be delivered in 2018 will have full year revenue effect in 2019.

- In 2018 among **other income** we count with a one-off engineering work (300 thousand euro), which will increase our income compared to 2017. We do not count with the repetition of this work in the upcoming years.

- **Cost of operation** is expected to decrease by 300 thousand euros in 2018 compared to 2017 due to capitalization of direct development costs. This will have a smaller increase (100 thousand euros) in 2019 due to costs relating to the larger office area.

- Due to all of the above **EBIDTA** is expected to rise by 2.2 million euros or 23% compared to 2017, while in 2019 additional 1.2 million euros or 10% increase is expected, achieving an EBIDTA amount of 12.9 million euros.

- As a result of new developments and refurbishments in progress we expect significant increase in **depreciation** (which will not affect the consolidated accounts according to the SZIT rules) both in 2018 and in 2019. In 2018 6.4 million euros (39% increase compared to 2017), in 2019 7.4 million euros (additional 16% increase compared to 2018) depreciation charge is expected.

- Due to the effect of the new borrowings drawn down (in order to finance new developments and also refinance our loan expiring in 2019), **net interest expense** is expected to be 1.2 million euros in 2018 (33% increase compared to 2017 including one-off costs); as a result of repayments in the meantime this will decrease by 100 thousand euros and will be about 1.1 million euros in 2019.

- As a result **net profit** (which is close to the expected profit which will be basis of the 90% dividend rate) in 2018 is forecasted to be around 4.1 million euros (cca.8% increase compared to 2017), and which is estimated to reach 4.3 million euros in 2019 (additional 5% increase).

Forecasts published here are based on the valid lease contracts in effect at the time of writing this report. We will not try to predict the number or value of new lease contracts on one hand, as we will not account for the scenario of current tenants not prolonging their leases after expiration on the other, only if they have given notice by the closing date of our business report.

It is our intention to maintain the price structure designed to match the high value services provided by Graphisoft Park in order to be able to preserve the level of service provided in the long run.

Other factors significantly affecting results are changes in the EUR/HUF exchange rate, the EURIBOR interest rate and the regulatory environment with special regards to the tax regulations. In this forecast we calculate with a 310 HUF/EUR exchange rate, EURIBOR of 0% and an inflation rate of 0% and unchanged legal and taxation environment.

Forward-looking statements *- The forward-looking statements contained in this Interim Management Report involve inherent risks and uncertainties, may be determined by additional factors, other than the ones mentioned above, therefore the actual results may differ materially from those contained in any forecast.*

Statement of responsibility *- We declare that the attached Quarterly Report which have been prepared in accordance with the applicable accounting standards and to the best of our knowledge, give a true and fair view of the assets, liabilities, financial position and profit or loss of Graphisoft Park SE and its undertakings included in the consolidation, and the Business Report gives a fair view of the position, development and performance of Graphisoft Park SE and its undertakings included in the consolidation, together with a description of the principal risks and uncertainties of its business.*

Budapest, February 20, 2018

Kocsány János

Kocsány János
Chief Executive Officer

Ormosy Gábor
Chief Financial Officer

GRAPHISOFT PARK SE

QUARTERLY REPORT

for the quarter ended December 31, 2017

in accordance with International Financial Reporting Standards (IFRS)

(consolidated, unaudited)

Budapest, February 20, 2018

Kocsány János

Chief Executive Officer

Ormosy Gábor

Chief Financial Officer

GRAPHISOFT PARK SE
QUARTERLY REPORT
DECEMBER 31, 2017

CONTENTS:

GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2017
(all amounts in thousands of euros unless otherwise stated)

	Notes	December 31, 2016	December 31, 2017
Cash and cash equivalents	3	2,621	4,239
Trade receivables	4	1,083	856
Current tax receivable	5	271	802
Other current assets	6	5,681	9,459
Current assets		**9,656**	**15,356**
Investment property	7	69,655	87,417
Other tangible assets	7	247	312
Intangible assets		-	2
Investments	9	100	-
Long-term financial assets	12	-	695
Deferred tax asset	13	11	-
Non-current assets		**70,013**	**88,426**
TOTAL ASSETS		**79,669**	**103,782**
Short-term loans	12	3,516	4,520
Trade payables	10	4,190	5,305
Current tax liability	5	279	274
Other short-term liabilities	11	1,661	3,360
Current liabilities		**9,646**	**13,459**
Long-term loans	12	44,313	59,952
Deferred tax liability	13	593	-
Other long-term liabilities	14	1,588	4,331
Non-current liabilities		**46,494**	**64,283**
TOTAL LIABILITIES		**56,140**	**77,742**
Share capital	1.3	250	250
Retained earnings		27,174	29,033
Treasury shares	22	(962)	(974)
Cash flow hedge reserve	12	-	665
Accumulated translation difference		(2,933)	(2,934)
Shareholders' equity		**23,529**	**26,040**
TOTAL LIABILITIES & EQUITY		**79,669**	**103,782**

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF INCOME
DECEMBER 31, 2017
(all amounts in thousands of euros unless otherwise stated)

	Notes	3 months ended		12 months ended	
		Dec. 31, 2016	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2017**
Property rental revenue	15	2,382	2,869	9,525	10,624
Revenue		**2,382**	**2,869**	**9,525**	**10,624**
Property related expense	16	(10)	(11)	(49)	(56)
Employee related expense	16	(209)	(283)	(759)	(961)
Other operating expense	16	(96)	(159)	(323)	(532)
Depreciation and amortization	16, 7	(1,041)	(1,248)	(4,183)	(4,604)
Operating expense		**(1,356)**	**(1,701)**	**(5,314)**	**(6,153)**
Other income	17	112	92	226	437
OPERATING PROFIT		**1,138**	**1,260**	**4,437**	**4,908**
Interest income	18	-	-	3	-
Interest expense	18	(166)	(215)	(828)	(802)
Other financial result	19	(5)	(36)	(4)	(100)
Financial result		**(171)**	**(251)**	**(829)**	**(902)**
PROFIT BEFORE TAX		**967**	**1,009**	**3,608**	**4,006**
Income tax (expense)/benefit	20	(87)	(4)	(547)	365
PROFIT FOR THE PERIOD		**880**	**1,005**	**3,061**	**4,371**
Attributable to equity holders of the parent		880	1,005	3,061	4,371
Basic earnings per share (EUR)	21	0.09	0.10	0.30	0.43
Diluted earnings per share (EUR)	21	0.09	0.10	0.30	0.43

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
DECEMBER 31, 2017
(all amounts in thousands of euros unless otherwise stated)

	Notes	3 months ended		12 months ended	
		Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017
Profit for the period		**880**	**1,005**	**3,061**	**4,371**
Revaluation reserve*	12	-	665	-	665
Translation differences**		-	(1)	-	(1)
Other comprehensive income		**-**	**664**	**-**	**664**
COMPREHENSIVE INCOME		**880**	**1,669**	**3,061**	**5,035**
Attributable to equity holders of the parent		880	1,669	3,061	5,035

* Will be reclassified to profit or loss in subsequent periods.
** Translation difference of subsidiaries with functional currency other than the EUR; will not be reclassified to profit or loss in subsequent periods.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
DECEMBER 31, 2017
(all amounts in thousands of euros unless otherwise stated)

	Share capital	Retained earnings	Treasury shares*	Cash flow hedge reserve**	Accum. translation difference	Total equity
December 31, 2015	**250**	**26,446**	**(962)**	**-**	**(2,933)**	**22,801**
Profit for the period	-	3,061	-	-	-	**3,061**
Dividend	-	(2,333)	-	-	-	**(2,333)**
December 31, 2016	**250**	**27,174**	**(962)**	**-**	**(2,933)**	**23,529**
Profit for the period	-	4,401	-	(30)	-	**4,371**
Revaluation reserve	-	(30)	-	695	-	**665**
Translation difference	-	-	-	-	(1)	**(1)**
Purchase of treasury shares	-	-	(12)	-	-	**(12)**
Dividend	-	(2,512)	-	-	-	**(2,512)**
December 31, 2017	**250**	**29,033**	**(974)**	**665**	**(2,934)**	**26,040**

* Treasury share details are disclosed in Note 22.
** Cash flow hedge transaction details are disclosed in Note 12 (Loans).

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CASH FLOWS
DECEMBER 31, 2017
(all amounts in thousands of euros unless otherwise stated)

	3 months ended		12 months ended	
	Dec. 31, 2016	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2017**
OPERATING ACTIVITIES				
Income before tax	967	1,009	3,608	4,006
Depreciation and amortization	1,041	1,248	4,183	4,604
(Gain) / loss on sale of tangible assets	-	(1)	3	(1)
Disposal of tangible assets	-	-	123	-
Interest expense	166	195	828	782
Interest income	-	-	(3)	-
Unrealized foreign exchange (gains) / losses	15	18	(13)	84
Changes in working capital:				
(Increase) in receivables and other current assets	(4,691)	(122)	(6,547)	(3,940)
Increase in liabilities	175	792	950	1,965
Corporate income tax paid	(149)	(91)	(406)	(359)
Net cash (used in) / from operating activities	**(2,476)**	**3,048**	**2,726**	**7,141**
INVESTING ACTIVITES				
Purchase of tangible assets and intangibles	(4,903)	(6,752)	(11,382)	(21,623)
Sale of tangible assets	-	18	-	18
Interest paid (capitalized)	(39)	(6)	(76)	(77)
Sale of investments	-	-	-	100
Interest received	-	-	3	-
Net cash used in investing activities	**(4,942)**	**(6,750)**	**(11,455)**	**(21,582)**
FINANCING ACTIVITIES				
Proceeds from receipt of loans	6,711	5,838	12,956	22,821
Loan repayments	(859)	(735)	(3,282)	(3,435)
Interest paid	(137)	(200)	(810)	(815)
Purchase of treasury shares	-	(12)	-	(12)
Dividend paid	-	-	(2,305)	(2,512)
Net cash from financing activities	**5,715**	**4,891**	**(6,559)**	**16,047**
(Decrease) / increase in cash and cash equivalents	(1,703)	1,189	(2,170)	1,606
Cash and cash equivalents at beginning of period	4,329	3,037	4,794	2,621
Exchange rate (loss) / gain on cash and cash equivalents	(5)	13	(3)	12
Cash and cash equivalents at end of period	**2,621**	**4,239**	**2,621**	**4,239**

(all amounts in thousands of euros unless otherwise stated)

1. General information

1.1. Business activities

Graphisoft Park SE was established through a demerger from Graphisoft SE on August 21, 2006. The purpose of the restructuring was to spin off a new company, dedicated to real estate development and management. Graphisoft Park operates as a holding having five 100% owned subsidiaries.

The real estate development is performed by Graphisoft Park Kft., Graphisoft Park South I. Kft. and Graphisoft Park South II. Development Kft. Graphisoft Park Services Kft. is responsible for property operation tasks. On December 18, 2017 Graphisoft Park SE established Graphisoft Park Engineering & Management Kft., which entity will be responsible for the Group's certain property management, engineering and administration activities from January 1, 2018.

Graphisoft Park SE and subsidiaries are incorporated under the laws of Hungary. Court registration number of Graphisoft Park SE is CG 01-20-000002. Registered address of the Group is H-1031 Budapest, Záhony utca 7., Hungary. Headcount was 25 on December 31, 2017.

1.2. Properties

The total area of Graphisoft Park is nearly 18 hectares. Over the past 20 years, 61,000 m^2 of office, laboratory and educational space have been developed and occupied by tenants, and further 12,500 m^2 office space is under construction. The remaining area provides the opportunity to develop an additional 54,000 m^2 of office space.

The real estate is categorized as follows:

Area	Property
Core area	modern office park spreading over 8.5 hectares of land, comprising 51,000 m^2 completed office and laboratory space
Monument area	2.4 hectares of land comprising 13,000 m^2 of total rentable net internal area of the monument buildings, out of which 7,000 m^2 has been renovated
Development areas	6.8 hectares of development land, on which a 3,000 m^2 floor area dormitory has been constructed, and further 12,500 m^2 office space is under construction

(all amounts in thousands of euros unless otherwise stated)

1.3. Stock information

Graphisoft Park SE's share capital consists of 10,631,674 class "A" ordinary shares of 0.02 euro face value, each representing equal and identical rights, and 1,876,167 class "B" employee shares of 0.02 euro face value.

Ordinary shares of the Company are publicly traded at Budapest Stock Exchange from August 28, 2006. The share ownership structure is the following according to the Company's shareholder records:

Shareholder	December 31, 2016 Shares (pcs)	Share (%)	December 31, 2017 Shares (pcs)	Share (%)
ORDINARY SHARES:	**10.631.674**	**85,00**	**10.631.674**	**85,00**
Directors and management	**3.890.272**	**31,11**	**3.829.082**	**30,61**
Bojár Gábor - Chairman of the BoD	3.185.125	25,47	3.185.125	25,47
Dr. Kálmán János - Member of the BoD	13.500	0,11	13.500	0,11
Szigeti András - Member of the BoD	126.000	1,01	126.000	1,01
Hornung Péter – Member of the BoD	466.190	3,73	414.000	3,31
Kocsány János - Member of the BoD, CEO	90.457	0,72	90.457	0,72
Hajba Róbert – CFO***	9.000	0,07	-	-
Shareholders over 5% share	**2.608.406**	**20,86**	**2.496.144**	**19,96**
HOLD Alapkezelő Zrt. (previously named Concorde Alapkezelő Zrt.)	1.602.963	12,82	1.449.701	11,59
AEGON Magyarország Befektetési Alapkezelő Zrt.	1.005.443	8,04	1.046.443	8,37
Other shareholders	**3.583.920**	**28,64**	**3.757.372**	**30,04**
Treasury shares*	**549.076**	**4,39**	**549.076**	**4,39**
EMPLOYEE SHARES:**	**1.876.167**	**15,00**	**1.876.167**	**15,00**
Kocsány János - Member of the BoD, CEO	1.250.778	10,00	1.250.778	10,00
Hajba Róbert – CFO***	625.389	5,00	-	-
Employee treasury shares***	-	-	625.389	5,00
SHARES TOTAL:	**12.507.841**	**100,00**	**12.507.841**	**100,00**

* Treasury shares possessed by the Company do not pay dividend and bear no voting rights. For details, see Note 22.
** Class „B" employee shares bear different (reduced) rights to dividend at the proportion of one third of their face value, and are governed by the provisions of the Articles of Association and the Management Share Ownership Plan.

***Effective from October 31, 2017, Hajba Róbert, the Company's CFO by common assent is not in this position. At the same date employee shares owned by him were redeemed by the Company.

(all amounts in thousands of euros unless otherwise stated)

1.4. Governance

The governing body of Graphisoft Park SE, Board of Directors (single-tier system) is composed of the following:

Name	Position	From	Until
Bojár Gábor	Chairman	August 21, 2006	May 31, 2018
Dr. Kálmán János	Member	August 21, 2006	May 31, 2018
Kocsány János	Member	April 28, 2011	May 31, 2018
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2018
Szigeti András	Member	July 21, 2014	May 31, 2018
Hornung Péter	Member	April 20, 2017	May 31, 2018

The Audit Committee comprises of 3 independent members of the Board: Dr. Kálmán János (chairman), Dr. Martin-Hajdu György and Szigeti András. The Chief Executive Officer of Graphisoft Park SE is Kocsány János.

2. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year (see in Notes to the Consolidated Financial Statements 2016), with the following differences:

The Company's business activities are neither seasonal nor cyclical; revenues and expenses generally accrue at a constant rate during the course of the financial year. Certain one-off transactions may affect the results from one quarter to the next.

Exchange rates used are as follows:

	3 months ended		12 months ended	
	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017
EUR/HUF opening:	309.15	311.23	313.12	311.02
EUR/HUF closing:	311.02	310.14	311.02	310.14
EUR/HUF average:	309.34	311.69	311.46	309.21

(all amounts in thousands of euros unless otherwise stated)

3. Cash and cash equivalents

	December 31, 2016	December 31, 2017
Cash in hand	1	2
Cash at banks	2,620	4,237
Cash and bank	**2,621**	**4,239**

4. Trade receivables

	December 31, 2016	December 31, 2017
Trade receivables	1,083	856
Provision for doubtful debts	-	-
Trade receivables	**1,083**	**856**

Trade receivables are on 8-30 day payment terms.

5. Current tax receivables and liabilities

	December 31, 2016	December 31, 2017
Current tax receivables	271	802
Current tax liabilities	(279)	(274)
Current tax (liability) / receivable, net	**(8)**	**528**

(all amounts in thousands of euros unless otherwise stated)

6. Other current assets

	December 31, 2016	December 31, 2017
Accrued income	126	189
Prepaid expense	19	120
Bank security accounts	1,406	1,724
Construction fund manager accounts	4,121	7,403
Other receivables	9	23
Other current assets	**5,681**	**9,459**

7. Tangible assets – book values

	December 31, 2016	December 31, 2017
Investment property	69,655	87,417
Other tangible assets	247	312
Tangible assets, net	**69,902**	**87,729**

(all amounts in thousands of euros unless otherwise stated)

The table shows movements of investment property during the period:

	Land and buildings	Construction in progress	**Investment property**
Net value:			
December 31, 2016	53,939	15,716	**69,655**
Gross value:			
December 31, 2016.	92,789	15,716	**108,505**
Addition	-	22,288	**22,288**
Capitalization	20,641	(20,641)	**-**
Sale	-	-	**-**
Disposal	-	-	**-**
December 31, 2017	113,430	17,363	**130,793**
Depreciation:			
December 31, 2016	38,850	-	**38,850**
Addition	4,526	-	**4,526**
Sale	-	-	**-**
Disposal	-	-	**-**
December 31, 2017.	43,376	-	**43,376**
Net value:			
December 31, 2017	70,054	17,363	**87,417**

Additions in construction in progress of 22,288 thousand EUR comprise the following:

- new developments handed over in the core area (5,781 thousand EUR),
- new developments in progress in the core area (3,203 thousand EUR),
- new developments in progress in the southern development area (13,076 thousand EUR) and
- other property developments and procurements (228 thousand EUR).

Capitalizations in the value of 20,641 thousand EUR comprise the following:

- new developments (Building S new wing and Startup Building) finalized in the core area (18,051 thousand EUR),
- refurbishment of buildings in the core area (2,376 thousand EUR) and
- other developments finalized (214 thousand EUR).

Construction in progress totaling 17,363 thousand EUR comprises the following:

- historical buildings to be renovated in the monument area and the northern development area (1,145 thousand EUR),
- refurbishment of buildings in progress in the core area (842 thousand EUR),
- new developments in progress in the southern development area (15,362 thousand EUR) and
- other developments in progress (14 thousand EUR).

The Company capitalized 77 thousand EUR interest expense on construction in progress in 2017.

(all amounts in thousands of euros unless otherwise stated)

8. Fair value of investment property

The table below presents investment property fair value estimates:

	December 31, 2016	December 31, 2017
Office park	127,230	176,145
Office park - under construction	52,784	38,352
Campus	15,530	16,767
Buildings	**195,544**	**231,234**
Development areas	**20,324**	**30,620**
Estimated value of buildings	**215,868**	**261,884**
Cost to completion of buildings under construction	(26,949)	(15,638)
Fair value*	**188,919**	**246,247**

* Investment property fair value estimates were previously disclosed yearly in the consolidated financial statements. The last valuations for December 31, 2016 were published on March 20, 2017 within the Consolidated Financial Statements for 2016 (Note 10: Fair value of investment property). Starting from the first quarter of 2017, the Company will carry out and publish the current valuation estimates for the fair value of investment property in its quarterly reports.

This significant increase compared to 2016 yearend is due to the finalization and filling up with tenants the new buildings in the first seven months of the year; progression in the developments in the southern development area; and significant decrease in the yields in the Budapest real estate market (we calculated with yield of 6.5% instead of 6.75% in case of buildings and 7.5% instead of 7.75% in case of development areas). Our current estimate of December 31, 2017 for the fair value of investment properties is 3% lower than the last one published in November 2017, mainly due to increasing prices in the real estate construction market, affecting the finalization of the development works in the Southern Development Area and also cost of the current and future refurbishment works.

9. Investments

	December 31, 2016	December 31, 2017
AIT-Budapest Aquincum Institute of Technology Kft.	100	-
Investments	**100**	**-**

The Company acquired a 10 % ownership share (100 thousand EUR) in AIT-Budapest Aquincum Institute of Technology Kft. in 2009. After the complete realization of the educational function (see details in Note 24), in June 2017 the Company sold its stake to the AIT-Budapest Aquincum Institute of Technology.

(all amounts in thousands of euros unless otherwise stated)

10. Trade payables

	December 31, 2016	December 31, 2017
Trade payables - domestic	4,190	5,305
Trade payables	**4,190**	**5,305**

11. Other short-term liabilities

	December 31, 2016	December 31, 2017
Amounts due to employees	48	34
Deposits from tenants	612	604
Fair value difference of loans*	237	286
Advances received from suppliers	-	484
Other payables and accruals	764	1,952
Other short-term liabilities	**1,661**	**3,360**

* Fair value difference of loans with preferential interest rate due within one year. Details are disclosed in Note 12 (Loans).

(all amounts in thousands of euros unless otherwise stated)

12. Loans

12.1. Loan details

	December 31, 2016	December 31, 2017
Short-term	3,516	4,520
Long-term	44,313	59,952
Loans	**47,829**	**64,472**

Loans provided by Westdeutsche ImmobilienBank AG:

	December 31, 2016	December 31, 2017
Short-term	3,516	3,575
Long-term	33,181	29,606
Loans / Westdeutsche ImmobilienBank AG	**36,697**	**33,181**

The total original capital amount of the loans provided by Westdeutsche ImmobilienBank AG from 2007 is 58 million EUR. The loan contract expires in 2019. The loans are denominated and due in EUR. Part of the loans is subject to fixed interest rate and part to a floating rate. Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge. The Company had no undrawn borrowing facilities as of the balance sheet date.

Loans provided by Erste Bank Hungary Zrt.:
Loan number 1. (Erste)

	December 31, 2016	December 31, 2017
Short-term	-	688
Long-term	9,379	13,349
Loan 1 / Erste Bank Hungary Zrt.	**9,379**	**14,037**

The Company executed a loan agreement with Erste Bank Hungary Zrt. on December 28, 2015 with 10 years maturity to finance the ongoing development in the core area. In accordance with the loan agreement and its modification on December 29, 2016 Erste Bank makes a 4 billion HUF (12.6 million EUR) credit facility available to Graphisoft Park within Pillar I of the second phase of the National Bank of Hungary's Funding for Growth Scheme and another 3 million EUR credit facility within Pillar II of the third phase of the Funding for Growth Scheme. Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

(all amounts in thousands of euros unless otherwise stated)

Both the forint based facility (4 billion HUF equals to 12,897 thousand EUR on exchange rate of December 31, 2017) and the euro based facility (3 million EUR) has been drawn down till December 31, 2017. The initial fair value of the loan is 14,037 thousand EUR (see details under point 12.2 below). Borrowing costs of the loan have been capitalized on construction in progress until the completion of the new developments.

In order to manage exchange rate risks associated with the forint-based loan, we have executed a cash flow hedge (CCIRS) transaction agreement on June 24, 2016 covering the entire loan amount and cash flows from the beginning of the loan repayment period until the expiration of the loan contract (from end of 2017 until end of 2025), by which we have converted the forint-based capital and interest payment obligations onto euro base. In this construction, the initial change of capital took place at the commencement of the cash flow hedge transaction (on December29, 2017), therefore, we have also executed a related forward exchange rate agreement (forward forint purchase) to provide the forint coverage required to the initial change of capital.

On December 29, 2017, at the commencement of the cash flow hedge transaction, the related forward exchange rate agreement has been closed down. The gain on the forward transaction has been credited into the profit or loss in amount of 205 thousand EUR. As of December 31, 2017 fair value of the cash flow hedge transaction is presented among long-term financial assets in amount of 695 thousand EUR; unrealized gains related to the transaction are presented within the equity (Valuation reserve) in amount of 665 thousand EUR.

Loan number 2. (Erste)

	December 31, 2016	December 31, 2017
Short-term	-	257
Long-term	-	1,743
Loan 2 / Erste Bank Hungary Zrt.	**-**	**2,000**

On November 30, 2017, based on the decision of the Board of Directors, the Company concluded a new euro-based, 10 years to maturity loan facility with Erste Bank Hungary Zrt., for the refinancing of the previous loan facility before its maturity, concluded with Westdeutsche ImmobilienBank AG in 2007 with expiration in May 2019. The new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term from the second half of 2018, thus the interest rate is fixed for the entire term from that time – unlike the facility to be redeemed with partly variable interest rates.
The new facility is worth 40 million EUR, whose bulk is to be used for the repayment of the entire debt to Westdeutsche ImmobilienBank AG, while the remaining smaller part will be used to finance the refurbishment of the older buildings of Graphisoft Park. 2,000 thousand EUR free usage facility was drawn till December 31, 2017.
Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

(all amounts in thousands of euros unless otherwise stated)

Loan provided by UniCredit Bank Hungary Zrt.:

	December 31, 2016	December 31, 2017
Short-term	-	-
Long-term	1,753	15,254
Loans / UniCredit Bank Hungary Zrt.	**1,753**	**15,254**

The Company executed a loan agreement with UniCredit Bank Hungary Zrt. on December 18, 2016 with 10 years maturity to finance the ongoing development in the southern area. In accordance with the loan agreement UniCredit Bank makes a 24 million EUR credit facility available to Graphisoft Park within Pillar II of the third phase of the National Bank of Hungary's Funding for Growth Scheme. Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

17,911 thousand EUR was drawn from the credit facility until December 31, 2017, whose initial fair value was 15,254 thousand EUR (see details under point 12.2 below). Borrowing costs of the loan will be capitalized on construction in progress until the completion of the new developments in 2018.

(all amounts in thousands of euros unless otherwise stated)

12.2. Analyses

Fair value of the loans:

	December 31, 2016	December 31, 2017
Westdeutsche ImmobilienBank AG	36,398	33,014
Erste Bank Hungary Zrt. Loan nr. 1.	9,379	14,037
Erste Bank Hungary Zrt. Loan nr. 2.	-	2,000
UniCredit Bank Hungary Zrt.	1,753	15,254
Loans at fair value*	**47,540**	**64,305**

* Calculated at a 2.5% effective interest rate for the fixed interest period of the loans.

Loans with preferential interest rate:

As part of its monetary policy instruments, National Bank of Hungary (NBH) launched its Funding for Growth Scheme (FGS) in 2013. Under FGS, the central bank provides refinancing loans at a preferential fixed interest rate of 0% with a maximum maturity of 10 years to credit institutions which the credit institutions lend further to small and medium sized enterprises with a capped interest margin. The following table shows loan liability for the loans borrowed by the Group within FGS broken down by amortized initial fair value (market rate loan liability) and amortized initial fair value difference (interest rate grant) elements as of December 31, 2017:

	Actual loan liability	**Fair value difference	*Fair value
Erste Bank Hungary Zrt.	15,897	1,860	14,037
UniCredit Bank Hungary Zrt.	17,911	2,657	15,254
Loans (FGS)	**33,808**	**4,517**	**29,291**

* Calculated at a 2.5% market-based fixed interest rate effective at the time of concluding the loan contract for the actual cash flows of the loan.

** Fair value difference of loans with preferential interest rate (government grant received through the Funding for Growth Scheme compensating expenses) are shown at other short-term liabilities (Note 11) and other long-term liabilities (Note 14) and amortized to the profit and loss statement based on the effective interest rate method.

(all amounts in thousands of euros unless otherwise stated)

13. Deferred taxes

	December 31, 2016	December 31, 2017
Development reserve	757	-
Depreciation	(20)	-
Loss carried forward	(155)	-
Deferred tax liability, net	**582**	**-**

Effective from July 31, 2017 the Company became regulated real estate investment pre-company (see the "Other key issues" section in the management report) and as such the Company was subject to corporate income tax and local business tax only till this date. As a result deferred tax assets and liabilities were released against current year results as of this date. This one-off profit on consolidated level does not create basis for dividend (distributable profit). The basis for dividend payable is Graphisoft Park SE's standalone annual financial statements, where the release of deferred taxes resulted in a one-off 10 thousand euros loss.

14. Other long-term liabilities

	December 31, 2016	December 31, 2017
Fair value difference of loans*	1,588	4,231
Warranty retention	-	100
Other long-term liabilities	**1,588**	**4,331**

* Fair value differences of loans with preferential interest rate due over one year. Details are disclosed in Note 12 (Loans).

15. Revenue

	3 months ended		12 months ended	
	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017
Property rental	2,382	2,869	9,525	10,624
Revenue	**2,382**	**2,869**	**9,525**	**10,624**

Revenue consists solely of rental fees coming from the lease of real estate of Graphisoft Park.

(all amounts in thousands of euros unless otherwise stated)

16. Operating expense

	3 months ended		12 months ended	
	Dec. 31, 2016	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2017**
Property related expense	10	11	49	56
Employee related expense	209	283	759	961
Other operating expense	96	159	323	532
Depreciation and amortization	1,041	1,248	4,183	4,604
Operating expense	**1,356**	**1,701**	**5,314**	**6,153**

Other operating expense consists of the following items:

	3 months ended		12 months ended	
	Dec. 31, 2016	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2017**
Office and telecommunication	4	4	13	14
Legal and administration	49	104	162	347
Marketing	8	-	33	16
Other	35	51	115	155
Other operating expense	**96**	**159**	**323**	**532**

17. Other income (expense)

	3 months ended		12 months ended	
	Dec. 31, 2016	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2017**
Income from recharged construction expenses	594	72	812	1,564
Recharged construction expenses	(612)	(52)	(786)	(1,435)
Income from recharged operation expenses	1,022	1,254	3,578	4,092
Recharged operation expenses	(898)	(1,139)	(3,264)	(3,733)
Disposal of tangible assets*	-	-	(123)	-
Others	6	(43)	9	(51)
Other income	**112**	**92**	**226**	**437**

(all amounts in thousands of euros unless otherwise stated)

* New developments began in Graphisoft Park in 2015, which will result in the construction of 8,000 m^2 new office space by 2017. The construction of the new buildings required the demolition of older buildings. The demolition of Building K started in 2016 and accordingly net book value (123 thousand euros) of this building has been written off in the first quarter of 2016.

18. Interest

	3 months ended		12 months ended	
	Dec. 31, 2016	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2017**
Interest received	-	-	3	-
Interest income	**-**	**-**	**3**	**-**
Interest paid on loans	(204)	(220)	(900)	(876)
Other interest paid	(1)	(1)	(4)	(3)
Borrowing cost capitalized	39	6	76	77
Interest expense	**(166)**	**(215)**	**(828)**	**(802)**
Net interest expense	**(166)**	**(215)**	**(825)**	**(802)**

19. Other financial result

	3 months ended		12 months ended	
	Dec. 31, 2016	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2017**
Exchange rate gain (loss) realized	15	10	(14)	12
Exchange rate (loss) gain not realized	(20)	(17)	10	(83)
Realized gain on derivative transaction*	-	205	-	205
Change in far value on derivative transaction**	-	(234)	-	(234)
Other financial result	**(5)**	**(36)**	**(4)**	**(100)**

* Realized gain on closed forward transaction; details are disclosed in Note 12 (Loans).
** Change in fair value on IRS agreement relating to the loan Nr. 2. provided by Erste Bank Hungary Zrt. as of December 31, 2017.

(all amounts in thousands of euros unless otherwise stated)

20. Income taxes

	3 months ended		12 months ended	
	Dec. 31, 2016	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2017**
Current income tax	(94)	(4)	(355)	(217)
Deferred income tax	7	-	(192)	582
Income tax (expense) / benefit	**(87)**	**(4)**	**(547)**	**365**

Applicable tax rates are: corporate income tax 10% in 2016 and 9% in 2017 until July 31, local business tax 2%.

Details are disclosed in Note 13.

21. Earnings per share

Basic and diluted earnings per share amounts are calculated as follows:

	3 months ended		12 months ended	
	Dec. 31, 2016	**Dec. 31, 2017**	**Dec. 31, 2016**	**Dec. 31, 2017**
Net profit attributable to equity holders	880	1,005	3,061	4,371
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Basic earnings per share (EUR)	**0.09**	**0.10**	**0.30**	**0.43**
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Diluted earnings per share (EUR)	**0.09**	**0.10**	**0.30**	**0.43**

Treasury shares possessed by the Company and employee shares are excluded when the earnings per share value is determined.

Share ownerships details are disclosed in Note 1.3.

(all amounts in thousands of euros unless otherwise stated)

22. Treasury shares

Graphisoft Park SE treasury share details are as follows:

	December 31, 2016	December 31, 2017
Number of ordinary shares	549,076	549,076
Number of employee shares	-	625,389
Face value per share (EUR)	0.02	0.02
Total face value (EUR)	10,982	23,489
Treasury shares (at historical cost)	**962**	**974**

23. Net asset value

Book value and fair value of assets and liabilities as of December 31, 2017:

	Note	Book value Dec 31, 2017	Fair value Dec 31, 2017	*Difference*
Investment property	7,8	87,417	246,247	*158,830*
Other tangible assets	7	312	312	-
Intangible assets		2	2	-
Non-financial instruments		**87,731**	**246,561**	***158,830***
Cash and cash equivalents	3	4,239	4,239	-
Trade receivables	4	856	856	-
Other current assets	6	9,459	9,459	-
Current tax liability, net	5	528	528	-
Trade payables	10	(5,305)	(5,305)	-
Other short-term liabilities	11	(5,360)	(5,360)	-
Loans	12	(64,472)	(64,304)	*168*
Other long-term liabilities	14	(4,331)	(4,331)	-
Financial instruments		**(62,386)**	**(62,218)**	***168***
Net asset value		**25,345**	**184,343**	***158,998***

(all amounts in thousands of euros unless otherwise stated)

Book value and fair value of assets and liabilities as of December 31, 2016:

	Note	Book value Dec 31, 2016	Fair value Dec 31, 2016	*Difference*
Investment property	7, 8	69,655	188,919	*119,264*
Other tangible assets	7	247	247	*0*
Investments	9	100	100	*0*
Non-financial instruments		**70,002**	**189,266**	***119,264***
Cash and cash equivalents	3	2,621	2,621	*0*
Trade receivables	4	1,083	1,083	*0*
Other current assets	6	5,681	5,681	*0*
Current tax liability, net	5	(8)	(8)	*0*
Trade payables	10	(4,190)	(4,190)	*0*
Other short-term liabilities	11	(1,661)	(1,661)	*0*
Loans	12	(47,829)	(47,540)	*289*
Deferred tax liability, net	13	(582)	(582)	*0*
Other long-term liabilities	14	(1,588)	(1,588)	*0*
Financial instruments		**(46,473)**	**(46,184)**	***289***
Net asset value		**23,529**	**143,082**	***119,553***

24. Commitments, contingencies

Realization of the educational function

As we discussed in detail in previous reports in order to realize the full potential of Graphisoft Park's "science park" features with the purchase of land contract concluded with the Municipality of Budapest in 2008 we have undertook the duty to carry out the development for educational purpose by renovating the protected monument parts of the purchased property. To secure the realization of this duty a pledge in the value of 1 billion forints had been recorded. The realization of the educational function was in part carried out by the founding of the AIT-Budapest Aquincum Institute of Technology, owned by 10% by the Company; and through the International Business School's (IBS) relocation to Graphisoft Park. Our petition for acknowledgement of the complete fulfillment of the duty was granted by the competent trial court, and later the Debrecen Regional Court of Appeal, acting as the appeal court hearing the Municipality's appeal against the previous ruling decided for Graphisoft Park again on March 30, 2017, ordering the removal of the pledge with immediate effect. After the complete realization of the educational function the Company sold its stake in the AIT-Budapest Aquincum Institute of Technology.

25. Events after the balance sheet date

From January 15, 2018 the Company's CFO is Ormosy Gábor. The previous CFO's, Hajba Róbert's employee shares were redeemed by the Company on face value.

Effective from January 1, 2018 the Company and its project subsidiaries were registered as regulated real estate development companies (SZIT) by the Hungarian National Tax Authority (NAV). At the same date the real estate developer pre-company status of the companies' was terminated.

The SZIT status affects the following group companies:

- Graphisoft Park SE
- Graphisoft Park I. Kft.
- GraphisoftPark South II. Development Kft.
- Graphisoft Park Kft.
- Graphisoft Pak Services Kft.

26. Approval of financial statements

Following the recommendation of the Board of Directors, the Annual General Meeting on April 20, 2017 approved the 2016 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 79,669 thousand EUR and a profit for the year of 3,061 thousand EUR. Together with the approval of the consolidated financial statements for issue, the Annual General Meeting approved dividend distribution of 78 HUF per ordinary share, 786,443 thousand HUF in total (2,512 thousand EUR on the exchange rate of April 20, 2017), and 26 HUF per employee share, 48,780 thousand HUF in total (156 thousand EUR on the exchange rate of April 20, 2017). The starting date for dividend payments was May 22, 2017. The Company paid out the dividends to the shareholders identified by shareholder's registration.

27. Declaration

Statement of responsibility *- We declare that the Quarterly Report which has been prepared in accordance with the applicable accounting standards and to the best of our knowledge, gives a true and fair view of the assets, liabilities, financial position and profit or loss of Graphisoft Park SE and its undertakings included in the consolidation, and the Business Report gives a fair view of the position, development and performance of Graphisoft Park SE and its undertakings included in the consolidation, together with a description of the principal risks and uncertainties of its business.*