Graphisoft Park SE Annual Report 2012

GRAPHISOFTPARK

Financial highlights

	IFRS	IFRS
	2011	**2012**
	thousand EUR	**thousand EUR**
Revenue	**8,039**	**8,285**
Operating expense	(773)	(967)
Other income (expense)	86	135
EBITDA	**7,352**	**7,453**
Depreciation and amortization	(3,700)	(3,717)
Operating profit	**3,652**	**3,736**
Net interest expense	(1,996)	(1,593)
Exchange rate differences	(60)	14
Profit before tax	**1,596**	**2,157**
Income taxes	(155)	(313)
Profit for the year	**1,441**	**1,844**
EBITDA margin (%)	**91.5**	**90.0**
Operating profit margin (%)	**45.4**	**45.1**
Assets total	**72,979**	**71,893**
Investment property at historical cost	**63,926**	**62,254**
Investment property at fair value*	**131,426**	**129,922**
Net debt	**44,648**	**41,908**
Number of employees (closing)	**12**	**12**
EUR/HUF (opening)	278.75	311.13
EUR/HUF (closing)	311.13	291.29
EUR/HUF (average)	279.21	289.42

* Investment property fair value estimates are disclosed in the Consolidated Financial Statements, Note 11.

Dear Shareholders,

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

- Financial results for the year 2012,
- Utilization, occupancy,
- Development activities,
- Other key issues,
- Legal proceedings,
- Forecast for the year 2013.

Financial results for the year 2012

Graphisoft Park closed the year of 2012 with revenues of 8,285 thousand euros, EBITDA of 7,453 thousand euros, and a net profit of 1,844 thousand euros.

- **Revenue** increased 3.1% to 8,285 thousand euros in 2012 compared to 2011. Rental fees from new lease contracts increased revenue by 439 thousand euros, that is 5.5%, however the cancellation of the lease contract with AMRI Hungary Zrt. and the subsequent loss in rental fees decreased it by 193 thousand euros, 2.4% in 2012 (see details in the “Utilization, occupancy” and “Legal proceedings” sections below).

- **Operating expense** increased 21% to 832 thousand euros in 2012 compared to 2011. This increase is attributable to expenses (152 thousand euros in 2012) related to legal proceedings commenced against AMRI Hungary Zrt. (see details in the “Legal proceedings” section). Apart from the costs of the legal proceedings, operating expenses actually remained on the same level as in the previous year, because increased employee related expenses (higher bonuses were paid than last year) were balanced by savings in property related expenses (smaller vacant area meant less operating expenses and utility costs to be covered by us), and savings achieved on the other operating expenses line.

- **Depreciation** increased 1% to 3,717 thousand euros in 2012 compared to 2011.

- **EBITDA** increased 1% to 7,453 thousand euros and **operating profit** increased 2% to 3,736 thousand euros compared to the previous year.

- **Net interest expense** decreased 20% to 1,593 thousand euros in 2012 compared to 2011 due to decreasing interest expenses (by 315 thousand euros) and increasing interest income (by 88 thousand euros). Financial results are further improved by the more favorable exchange rate differences than in 2011 (74 thousand euros).

- **Income tax expense** (2012: 313 thousand euros, 2011: 155 thousand euros) is significantly higher than previous year primarily because corporate income tax was lowered by a one-off item (revaluation related to the merger of subsidiaries) in 2011.

- **Net profit** grew 28%, by 403 thousand euros to 1,844 thousand euros in 2012 compared to 2011 because of the following factors: (1) even though the rise in operating profit (84 thousand euros, 2%) was modest (attributable to the 193 thousand euros loss in revenue, and the 152 thousand euros costs of legal proceedings following the termination of the lease contract of AMRI), (2) financial results improved significantly (by 477 thousand euros, 23%) primarily as a result of lower interest expenses, and finally (3) income tax expense was 158 thousand euros higher than the base from last year reduced by a one-off item.

Utilization, occupancy

Occupancy rate of Graphisoft Park's completed 46,000 m2 rentable office and laboratory space developed as follows (at the end of the quarter):

2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4
84%	85%	85%	85%	87%	88%	81%	81%

By the termination of AMRI Hungary Zrt's leasehold in September 2012 (see details below and in the "Legal proceedings" section) the occupancy rate in Graphisoft Park has decreased to 81% from 88%.

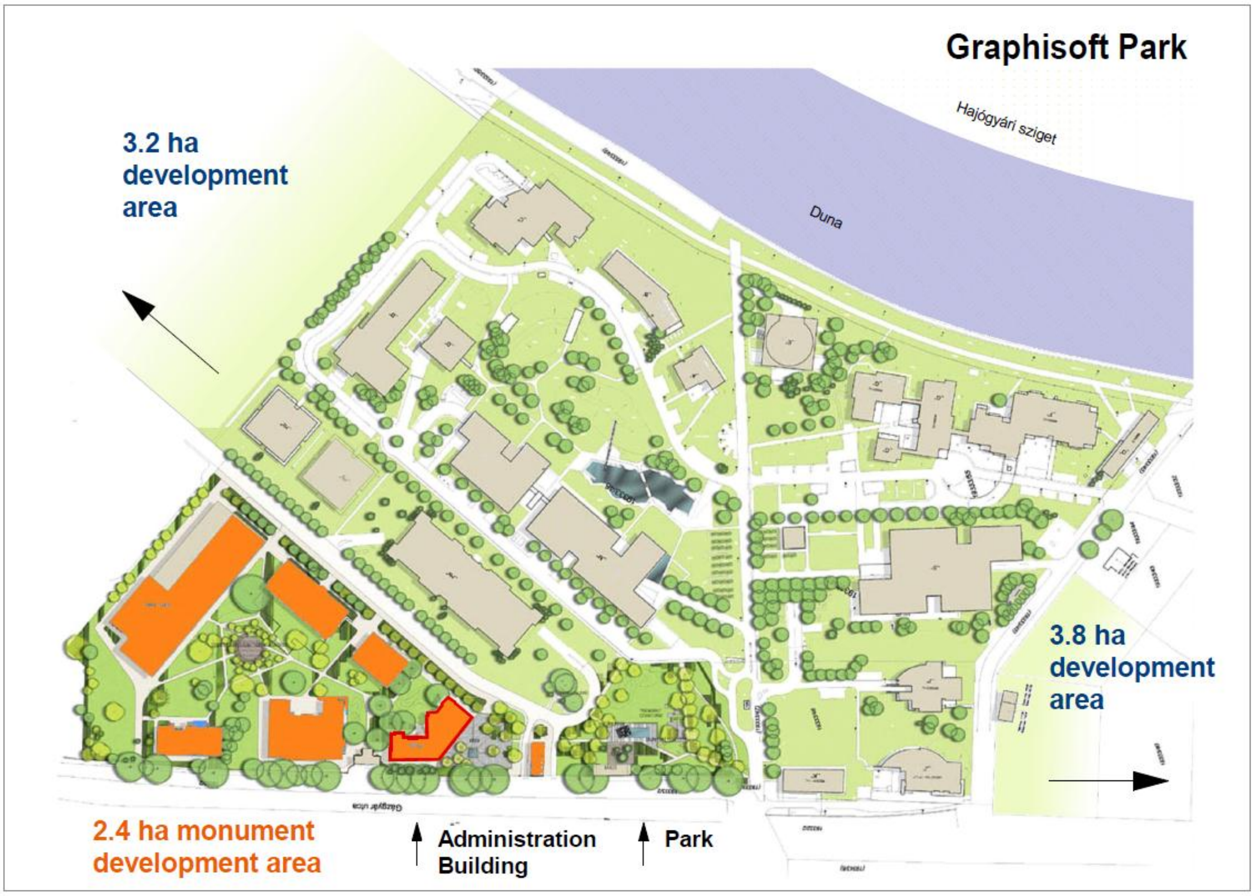
In the first quarter of 2012, a lease agreement has been renewed and extended with one tenant increasing the occupancy rate of the Park by 3% in 2013.

In January 2012, Microsoft whose contract was due to expire in July 2012 has extended its lease by 5 years. Nearly 4,000 m2 of office space was affected in the lease extension.

Consequently, with the rendition of the space occupied by AMRI, Graphisoft Park's 88% occupancy rate in the dropped to 81% by September 2012, then grew to 84% by January 2013, based on the new leases concluded.

Development activities

The total area of Graphisoft Park is nearly 18 hectares. Over the past 15 years 45,000 m2 of office and laboratory space covering 8.5 hectares have been developed and occupied. In the remaining area there is a potential for the development of an additional 65,000 m2 office space. In addition to this, 14,000 m2 of gross floor area in the monument area can be utilized after renovation. Out of this approximately 10,000 m2 total rentable net internal area can be developed, of which 1,000 m2 was renovated in 2011.



Development of the **core area** of Graphisoft Park is completed. Investments such as development, remodeling and renovation of office space and infrastructure development continue there to meet the needs of existing and new tenants. The expenditures for these activities amounted to 800 thousand euros in 2012, and are expected at 400 thousand euros in 2013.

The renovation works of buildings 57 and 58 in the **monument development area** began in April, 2012. The completed buildings will provide 1,400 m2 of rentable office space. The planned total cost of renovation is 2.5 million euros (of which 1.2 million euros occurred in 2012) including the ground works for public utilities and landscaping.

The monument development area will be used primarily for educational purposes. In the fall of 2013 the Aquincum Institute of Technology (AIT), operating in building "D" since 2010, will move there. In March 2013, the Agreement was signed with the International Business School (IBS) to conduct its educational operation there starting in the fall of 2014. For this end we have undertaken to renovate further two buildings in the monument development area with a combined 4,000 m2 usable floor area (buildings 61 and 63), and to deliver spaces suitable for the needs of state-of-the-art education. The program also encompasses the construction and setting-up of a new cafeteria and dormitory, and the related landscaping and public utility works. The realization of the entire program is expected to cost 7 million euros, nearly half of which will occur in 2013 and the rest in 2014.

In the **development areas**, we obtained permission for and carried out the demolition of those structures that are not protected landmarks. The planned archeological excavations have been completed. If new demand arises, construction of a new office building could begin in the excavated southern development area. No further preparatory work or development will take place in the northern development area until the clean-up projects planned by the Capital City Gas Works are finished. Total land development costs in these areas have been 3.2 million euros.

The main risk factors and limitations associated with these areas remain as follows:

- no valid zoning plan is in effect,
- significant risk of environmental pollution,
- regulations protecting landmark buildings limit the land's usability.

Other key issues

Dividend

On April 26, 2012, the Annual General Meeting of Graphisoft Park SE approved dividend distribution of 35 forints per share (totaling 355,341 thousand forints, which is 1,237 thousand euros on the exchange rate of April 26, 2012). The starting date for dividend payments was June 4, 2012. The Company paid out the dividends to the shareholders identified by shareholder's registration.

Realization of the educational function

In order to further strengthen Graphisoft Park's "science park" features we have concluded an agreement with Aquincum Institute of Technology (AIT) to create and run international higher education functions in the Park. AIT does this in close cooperation with the Faculty of Electrical Engineering and Informatics of the Budapest University of Technology and Economics (BME) operating as an independent contractor, running a specialized program of that institution.

The Aquincum Institute of Technology (AIT) was launched with a successful inaugural summer session in June and July of 2010. The program hosted students from top U.S. universities (e.g. Princeton, Williams, Olin, RPI and Smith) at Graphisoft Park. The first regular semester started in February 2011, hosting students from many more excellent North-American universities (Skidmore, Swarthmore and Pomona). In the Fall semester of 2011 AIT received students from Carleton College and the University of Washington. The array of AIT's partner universities extended further in 2012, with Harvard University, Dartmouth, Grinnell, Macalester, Oberlin and Bryn Mawr colleges among them. At the time of writing this report, the 2013 Spring semester is in progress with students from further new institutions to AIT, such as Yale, Rochester, Wesleyan and Tufts universities, Mt. Holyoke, St. Olaf and Hampshire colleges. Besides catering to international students, AIT provides high-level education in small classes for selected students from BME as well, for whom tuition has been waived. To them, the personal relations with the foreign students may prove to be invaluable assets for their careers further on. AIT's curriculum uniquely blends IT education in line with Graphisoft Park's professional orientation with business instructions. This is complemented by courses highlighting the riches of Hungarian culture (language, literature, film, music and architecture) tailored for the needs of the international students. To this date a total of 30 North American universities and colleges have sent students to participate in the program and recognized the credits issued by AIT with BME's accreditation. From the fall of 2014, after IBS will have moved in, over 1,000 students are expected to be pursuing their studies in Graphisoft Park's higher education campus.

AIT leased 550 m2 of space for educational purposes in 2012, which number is likely to grow in 2013, and after IBS moving in in 2014, the total usable floor area rented for educational purposes is expected to be close to 5,000 m2.

Legal proceedings

AMRI Hungary Zrt. went under voluntary winding up on July 19, 2012. With regards to the winding up procedure, Graphisoft Park terminated the lease effective on August 31, 2012 in accordance with its terms. AMRI's filing for winding up triggered the acceleration clause in the lease contract between AMRI Hungary Zrt. and Graphisoft Park making the entire remaining lease fee of 4,783 thousand euros for 79 months due at once.

Graphisoft Park has filed suit with the Arbitration Court attached to the Hungarian Chamber of Commerce and Industry against AMRI Hungary Zrt. to recover its claims arising out of the termination of its lease agreement. Filing suit was necessary because AMRI Hungary Zrt. and its parent Albany Molecular Research Inc (Albany - USA) refused to honor their contractual obligation to fulfill Graphisoft Park's claim. The net amount of the filed claim is 4,443 thousand euros. The claim consists of lease fee for the remaining 79 months at time of termination, estimated costs of removing AMRI owned special equipment installed in the building (which cannot be utilized by Graphisoft Park) and unpaid lease fee and operating expense for August, 2012; minus expected net revenue derived from the subsequent reutilization of the premises. Net revenue consists of expected lease revenues from new tenants (assuming linearly increasing occupancy after the office transformation period); minus the amortization of the investment in the office transformation and operating expenses for unrented spaces for the 79 months period remaining at the time of termination.

Parallel to the proceedings in front of the arbitration court AMRI Hungary Zrt. has filed suit with the Budapest Metropolitan Court, in order to have its self-financed specialized equipment declared "appendage" and subsequently gain ownership in the property. After several months of fruitless searches Graphisoft Park was unable to identify possible tenants who would undertake the utilization of AMRI's sophisticated and extremely expensive equipment, therefore Graphisoft Park had to request the removal of the equipment in accordance with the relevant terms of the lease contract. AMRI refused to honor this request up until the time of closing this report. The outcome and the date of closing the legal dispute cannot be reliably estimated at the time of closing this report.

In accordance with our previous reports, and not altering our conservative estimation methods, in our forecasts 1) any revenues from recovery will not be considered until the final settlement of the claim – this is because the time of settling the case and the actual amount of recovery cannot be estimated reliably –, however, 2) all actual and expected legal and other expenses related to realizing the claim will be considered in the forecasts, even though those are expected to be recovered at the closing of the case. The exact extent of the effects of this case on revenues can only be determined once the case is closed, therefore, revenues expected from the proceedings will not be included in the forecasts until the closing of the case.

The summary of the effects of the termination of AMRI Hungary's leasehold on the results for 2012 and 2013 is as follows:

(million euros)	**2012 actual**	**2013 forecast**
Rental revenue decrease (2012: 4 months; 2013: 12 months)	-0.20	-0.6
Operating expenses in vacant areas (building Hz)	-	-0.1
Costs of the legal proceedings	-0.15	-0.4
Net profit change	**-0.35**	**-1.1**

Forecast for the year 2013

Our forecast for 2013 is summarized in the following table, based exclusively on signed, valid lease agreements, with the current occupancy rate of 84% (the first two columns show 2011 and 2012 actual results):

(million euros)	**2011 actual**	**2012 actual**	**2013 forecast**
Rental revenue	8.04	8.28	8.1
Operating expense	- 0.69	-0.83	-1.2
EBITDA	**7.35**	**7.45**	**6.9**
Depreciation and amortization	- 3.70	-3.71	-3.7
Operating profit	**3.65**	**3.74**	**3.2**
Net interest expense	- 2.00	-1.60	-1.2
Exchange rate difference	-0.06	0.01	-
Income tax expense	- 0.15	-0.31	-0.3
Net profit	**1.44**	**1.84**	**1.7**

Change in results for 2013 compared to 2012 bases is the impact of the following main factors:

- Because of the loss in rental fees derived from building Hz (previously leased by AMRI) rental revenues are to drop by a further 400 thousand euros (2012: 200 thousand euros; 2013: 600 thousand euros loss), but it is set to increase by 200 thousand euros through the renewed and new lease contracts concluded in 2012, therefore a total of 200 thousand euros decrease is expected in rental revenues for 2013.

- We are expecting an average of 5% increase in operating expenses, corrected with the expenses occurred and expected to occur in relation to the termination of AMRI's lease contract (2012: 150 thousand euros; 2013: 500 thousand euros).

- Interest expenses are expected to decrease by 600 thousand euros in 2013 compared to 2012, which is attributable mainly to the refinancing a significant portion of our bank loans with much more favorable terms in December, 2012. Interest income is expected to drop by nearly 200 euros because of the decrease in bank interest rates and yields, and because the 2012 base was raised higher by a one-off item of selling a portion of our bonds held as financial investments at a gain of 84 thousand euros.

- Depreciation and income tax expense are expected to remain on the 2012 levels.

Forecasts published here are based solely on the valid lease contracts in effect at the time of writing this report. At previous times actual revenues were repeatedly higher than forecasted, due to new leases concluded after the publication of reports. Despite this past pattern, it is not in our intention to change the forecasting methods. We will not try to predict the number or value of new lease contract on one hand, nor will we account for the scenario of current tenants not prolonging their leases after expiration on the other.

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. As the current office rental market in Budapest is in the state of oversupply, very low prices can be observed at some places, with which Graphisoft Park has no intention to compete. Loosing tenants for this reason is not unthinkable, even though this has not happened until now. Occupancy rates - which are the primary factor in determining revenue forecasts - may significantly differ, favorably or unfavorably from the forecasted values.

Other factors significantly affecting results are changes in the EUR/HUF exchange rate, the EURIBOR interest rate and the regulatory, especially tax, environment.

Forward-looking statements *- The forward-looking statements contained in this Annual 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 Consolidated Financial Statements 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, March 22, 2013

Kocsány János
Chief Executive Officer

Bojár Gábor
Chairman of Board of Directors

GRAPHISOFT PARK SE

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2012

in accordance with International Financial Reporting Standards (IFRS)

(audited)

Budapest, March 22, 2013

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

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Cg. 01-09-267553

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of Graphisoft Park SE Ingatlanfejlesztő Európai Részvénytársaság

Report on financial statements

1.) We have audited the accompanying 2012 consolidated annual financial statements of Graphisoft Park SE Ingatlanfejlesztő Európai Részvénytársaság ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2012 - showing a balance sheet total of EUR 71,893 thousand and a profit for the year of EUR 1,844 thousand -, the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

2.) Management is responsible for the preparation and presentation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by EU, 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.

Auditor's responsibility

3.) Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance abou t w hether the consolidated financial statements are free from material misstatement.

4.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

5.) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6.). In our opinion the consolidated annual financial statements give a true and fair view of the equity and financial position of Graphisoft Park SE Ingatlanfejlesztő Európai Részvénytársaság as at 31 December 2012 and of the results of its operations for the year then ended in accordance with the International Financial Reporting Standards as adopted by EU.

Other reporting requirement - Report on the consolidated business report

7.) We have reviewed the consolidated business report of Graphisoft Park SE Ingatlanfejlesztő Európai Részvénytársaság for 2012. Management is responsible for the preparation of the consolidated business report in accordance with the Hungarian legal requirements. Our responsibility is to assess whether the consolidated business report is consistent with the consolidated financial statements for the same financial year. Our work regarding the consolidated business report has been restricted to assessing whether the consolidated business report is consistent with the consolidated annual financial statements and did not include reviewing other information originated from non-audited financial records. In our opinion, the consolidated business report of Graphisoft Park SE Ingatlanfejlesztő Európai Részvénytársaság for 2012 corresponds to the disclosures in the 2012 consolidated annual financial statements of Graphisoft Park SE Ingatlanfejlesztő Európai Részvénytársaság.

Budapest, 22 March 2013

Alan Griffiths	Barabás Csaba
Ernst & Young Kft.	Registered auditor
Registration No. 001165	Chamber membership No.: 005787

GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2012
(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2011	December 31, 2012
Cash and cash equivalents	4	3,777	6,186
Securities	5	3,798	2,024
Trade receivables	6	381	422
Current tax receivable	7	169	99
Other current assets	8	450	581
Current assets		**8,575**	**9,312**
Investment property	9, 11	63,926	62,254
Other tangible assets	9	221	199
Intangible assets	10	-	1
Investments	12	100	100
Deferred tax asset	13	157	27
Non-current assets		**64,404**	**62,581**
TOTAL ASSETS		**72,979**	**71,893**
Short-term loans	14	2,064	2,723
Trade payables	15	426	367
Current tax liability	7	159	121
Other short-term liabilities	16	807	878
Current liabilities		**3,456**	**4,089**
Long-term loans	14	49,924	47,147
Deferred tax liability	13	-	11
Non-current liabilities		**49,924**	**47,158**
TOTAL LIABILITIES		**53,380**	**51,247**
Share capital	1.4	213	213
Retained earnings		23,332	23,939
Valuation reserve	5	(339)	96
Treasury shares	24	(669)	(669)
Accumulated translation difference		(2,938)	(2,933)
Shareholders' equity		**19,599**	**20,646**
TOTAL LIABILITIES & EQUITY		**72,979**	**71,893**

The accompanying notes form an integral part of the consolidated financial statements.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2011	December 31, 2012
Property rental revenue	17	8,039	8,285
Revenue		**8,039**	**8,285**
Property related expense	18	(91)	(69)
Employee related expense	18	(415)	(510)
Other operating expense	18	(267)	(388)
Depreciation and amortization	9, 10, 18	(3,700)	(3,717)
Operating expense		**(4,473)**	**(4,684)**
Other income (expense)	19	86	135
OPERATING PROFIT		**3,652**	**3,736**
Interest income	20	396	484
Interest expense	20	(2,392)	(2,077)
Exchange rate difference	21	(60)	14
Financial expense		**(2,056)**	**(1,579)**
PROFIT BEFORE TAX		**1,596**	**2,157**
Income tax expense	22	(155)	(313)
PROFIT FOR THE YEAR		**1,441**	**1,844**
Attributable to equity holders of the parent		1,441	1,844
Basic earnings per share (EUR)	23	0.14	0.18
Diluted earnings per share (EUR)	23	0.14	0.18

The accompanying notes form an integral part of the consolidated financial statements.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2011	December 31, 2012
Profit for the year		**1,441**	**1,844**
Valuation reserve*	5	(376)	483
Valuation reserve – tax effect		37	(48)
Valuation reserve total		(339)	435
Translation difference**		(1,863)	5
Other comprehensive income		**(2,202)**	**440**
COMPREHENSIVE INCOME		**(761)**	**2,284**
Attributable to equity holders of the parent		(761)	2,284

* Fair value changes of available-for-sale securities
** Translation difference comprises the translation difference of subsidiaries with functional currency other than EUR

The accompanying notes form an integral part of the consolidated financial statements.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012
(all amounts in thousands EUR unless otherwise stated)

	Share capital	Retained earnings	Valuation reserve	Treasury shares*	Accum. translation difference	Total equity
December 31, 2010	**213**	**22,856**	**-**	**-**	**(1,075)**	**21,994**
Profit for the period	-	1,441	-	-	-	**1,441**
Valuation reserve	-	-	(339)	-	-	**(339)**
Translation difference	-	-	-	-	(1,863)	**(1,863)**
Purchase of treasury shares	-	-	-	(1,358)	-	**(1,358)**
Sale of treasury shares	-	21	-	689	-	**710**
Dividend	-	(986)	-	-	-	**(986)**
December 31, 2011	**213**	**23,332**	**(339)**	**(669)**	**(2,938)**	**19,599**
Profit for the period	-	1,844	-	-	-	**1,844**
Valuation reserve	-	-	435	-	-	**435**
Translation difference	-	-	-	-	5	**5**
Dividend**	-	(1,237)	-	-	-	**(1,237)**
December 31, 2012	**213**	**23,939**	**96**	**(669)**	**(2,933)**	**20,646**

* Treasury share details are disclosed in Note 24
** Dividend details are disclosed in Note 29

The accompanying notes form an integral part of the consolidated financial statements.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(all amounts in thousands EUR unless otherwise stated)

	December 31, 2011	December 31, 2012
OPERATING ACTIVITIES		
Profit before tax	1,596	2,157
Depreciation and amortization	3,700	3,717
Interest expense	2,392	2,077
Interest income	(396)	(484)
Unrealized foreign exchange losses	2	27
Changes in working capital:		
Decrease / (increase) in receivables and other current assets	228	(28)
Decrease in payables and accruals	(27)	(160)
Corporate income tax paid	(220)	(226)
Net cash from operating activities	**7,275**	**7,080**
INVESTING ACTIVITES		
Expenditure on investment property	(2,510)	(1,909)
Expenditure on other tangible assets and intangibles	(105)	(43)
Interest paid - capitalized	(43)	(73)
Purchase of securities	(4,075)	-
Sale of securities	8,000	2,264
Interest received	411	464
Net cash from investing activities	**1,678**	**703**
FINANCING ACTIVITIES		
Loan repayments	(1,843)	(2,118)
Interest paid	(2,435)	(2,087)
Purchase of treasury shares	(1,358)	-
Sale of treasury shares	710	-
Dividend paid	(950)	(1,167)
Net cash used in financing activities	**(5,876)**	**(5,372)**
Increase in cash and cash equivalents	3,077	2,411
Cash and cash equivalents at beginning of year	723	3,777
Exchange rate loss on cash and cash equivalents	(23)	(2)
Cash and cash equivalents at end of year	**3,777**	**6,186**

The accompanying notes form an integral part of the consolidated financial statements.

(all amounts in thousands EUR unless otherwise stated)

1. General information

1.1. Graphisoft Park Group

Graphisoft Park SE Real Estate Development European Company Limited by Shares (the "Company" or "Graphisoft Park SE") with its subsidiaries form Graphisoft Park Group ("the Group" or "Graphisoft Park").

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 Company is H-1031 Budapest, Záhony utca 7., Hungary.

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 SE operates as a holding and provides management, financial and administrative services to its subsidiaries. The real estate development is performed by Graphisoft Park SE's subsidiary, Graphisoft Park Kft. Graphisoft Park Kft's subsidiary, Graphisoft Park Services Kft. is responsible for property operation.

Average headcount of the Group was 12 in 2012 and 2011.

1.2. Properties

The total area of Graphisoft Park is nearly 18 hectares. Over the past 15 years, 45,000 m2 of office and laboratory space, covering 8.5 hectares, have been developed and occupied. The remaining area provides the opportunity to develop an additional 65,000 m2 of office space and utilize 10,000 m2 of total rentable net internal area comprising the monument area, after renovation.

The real estate is categorized as follows:

Area	Property
Core area	modern business park spreading over 8.5 hectares of land, comprising 9 office buildings with over 45,000 m2 office and laboratory space, 1 storage warehouse with supporting office space, 2 restaurants and 1 service building
Monument development area	2.4 hectares of development land comprising 10,000 m2 of total rentable net internal area of the monument buildings, out of which 1,000 m2 was renovated in 2011 and the renovation of further 1,400 m2 has begun in 2012
Development areas	7.0 hectares of free development land

Investment property book values and fair value estimates are disclosed in Notes 9 and 11.

(all amounts in thousands EUR unless otherwise stated)

1.3. 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, 2013
Hornung Péter	Member	August 21, 2006	May 31, 2013
Gáthy Tibor	Member	April 26, 2012	May 31, 2013
Dr. Kálmán János	Member	August 21, 2006	May 31, 2013
Kocsány János	Member	April 28, 2011	May 31, 2013

The Audit Committee comprises 3 independent members of the Board: Dr. Kálmán János (chairman), Hornung Péter and Gáthy Tibor. The Chief Executive Officer of Graphisoft Park SE is Kocsány János.

1.4. Stock information

Graphisoft Park SE shares are publicly traded at Budapest Stock Exchange from August 28, 2006. The share capital (authorized and fully paid) of the Company is 212,633 EUR, comprising 10,631,674 Series "A" stocks of 0.02 EUR face value each. The ownership structure is the following according to the Company's shareholding records:

		December 31, 2011		December 31, 2012	
Name	**Title**	**Shares (pcs)**	**Share (%)**	**Shares (pcs)**	**Share (%)**
Directors and management		**4,074,464**	**38.33**	**4,076,864**	**38.35**
Bojár Gábor	BD Chairman	3,185,125	29.96	3,185,125	29.96
Hornung Péter	BD Member	530,426	5.00	530,426	5.00
Gáthy Tibor	BD Member	160,000	1.50	160,000	1.50
Dr. Kálmán János	BD Member	13,500	0.13	13,500	0.13
Kocsány János	BD Member CEO	180,913	1.70	180,913	1.70
Hajba Róbert	CFO	3,000	0.03	5,400	0.05
Szűcs Tibor	MD*	1,500	0.01	1,500	0.01
Shareholders over 5% share		**2,265,744**	**21.31**	**2,255,835**	**21.21**
Tari István Gábor		1,074,329	10.10	1,074,329	10.10
Concorde Alapkezelő Zrt.		1,191,415	11.21	1,181,506	11.11
Other shareholders		**3,812,390**	**35.85**	**3,819,899**	**35.93**
Treasury shares**		**479,076**	**4.51**	**479,076**	**4.51**
Total		**10,631,674**	**100.00**	**10,631,674**	**100.00**

* Graphisoft Park Services Kft.
** Treasury share details are disclosed in Note 24

2. Accounting policies

2.1. Basis of preparation

The consolidated financial statements of Graphisoft Park Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). All standards and interpretations issued by the International Accounting Standards Board (IASB) effective at the time of preparing the consolidated financial statements and applicable to Graphisoft Park Group have been adopted by the EU. Therefore, the consolidated financial statements currently also comply with IFRS as issued by the IASB and also comply with the Hungarian Accounting Law on consolidated financial statements, which refers to the IFRS as adopted by the EU.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2. Changes in accounting policies

In 2012, the Group adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are effective for accounting periods beginning on January 1, 2012. Where the transition provisions of a standard allow a preparer to determine the date the standard is effective from the Group has elected to apply the standard prospectively from January 1, 2012. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise in some cases to additional disclosures, including in some cases, revisions to accounting policies. The changes in accounting policies result from the adoption of the following new or revised Standards:

- IAS 12 – Income Taxes
- IFRS 7 – Financial Instruments: Disclosures

The principal effects of these changes are as follows:

IAS 12 Income Taxes – Recovery of Underlying Assets: The amendment became effective for annual periods beginning on or after January 1, 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment has no impact on the Group.

IFRS 7 Financial Instruments: Disclosures — Enhanced De-recognition Disclosure Requirements: The amendment became effective for annual periods beginning on or after July 1, 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment has no impact on the Group.

At the date of authorization of these financial statements, the following standards and interpretations were in issue but not yet effective:

IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income: The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

IAS 19 Employee Benefits (Amendment): The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as recognition of unvested past service cost and transferring the remeasurement component of the defined benefit cost to other comprehensive income to simple clarifications and re-wording. The amendments become effective for annual periods beginning on or after July 1, 2012.

IAS 27 Separate Financial Statements (as revised in 2011): As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011): As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

IAS 32 Financial instruments: Presentation and IFRS 7 Financial Instruments: Disclosures - Clarification on asset/liability offsetting. The IAS 32 amendments clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. Consequent change to IFRS 7 intends to enhance current offsetting disclosures. The amendment of IAS 32 becomes effective for annual periods beginning on or after January 1, 2014. The amendment of IFRS 7 becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 9 Financial Instruments: Classification and Measurement: IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015.

IFRS 10 Consolidated Financial Statements: IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements: IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 12 Disclosure of Involvement with Other Entities: IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

(all amounts in thousands EUR unless otherwise stated)

IFRS 13 Fair Value Measurement: IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013.

Improvements to IFRSs:

In May 2012, the IASB issued amendments to the following standards, primarily with a view to removing inconsistencies and clarifying wording (the amendments become effective for annual periods on or after January 1, 2013):

IAS 1 Presentation of Financial Statements: this improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment: this improvement clarifies that the major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments: Presentation: this improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

Management anticipates that these changes will have no material effect on the Group financial statements, except for the adoption of the first phase of IFRS 9, which might have an effect on the classification and measurement of the Group's financial assets.

2.3. Consolidated financial statements

The consolidated financial statements include the accounts of Graphisoft Park SE and its subsidiaries. Subsidiaries, in which the Company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

The table below shows subsidiary details in 2011:

Subsidiary	Date of foundation	Registered capital HUF thousand	Registered capital EUR
Graphisoft Park Kft.	November, 2005	-	1,846,108
Graphisoft Park Universitas Kft.	October, 2007	3,400,000	-
Graphisoft Park Services Kft.	October, 2008	10,000	-
GP3 Kft.	April, 2008	700,000	-

(all amounts in thousands EUR unless otherwise stated)

On October 28, 2011, Graphisoft Park management made the decision to merge two of its subsidiaries, Graphisoft Park Universitas Kft. and GP3 Kft., into Graphisoft Park Kft. The reason behind the transaction was to make the Group structure simpler and more transparent. The date of the merger was December 31, 2011.

The table below shows subsidiary details in 2012:

Subsidiary	Date of foundation	Registered capital HUF thousand	Registered capital EUR
Graphisoft Park Kft.	November, 2005	-	1,846,108
Graphisoft Park Services Kft.	October, 2008	10,000	-

Graphisoft Park SE is the 100% owner of Graphisoft Park Kft., while Graphisoft Park Kft. is the 100% owner of Graphisoft Park Services Kft. All subsidiaries are incorporated in Hungary.

The consolidated financial statements are prepared in accordance with the measurement and presentation basis applied in IFRS.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany transactions, balances and unrealized gains on transactions between the companies are eliminated. Accounting policies of subsidiaries are adjusted to ensure consistency with the policies adopted by the Group.

The consolidated financial statements are prepared under the historical cost convention.

2.4. Foreign currency translations

Functional and presentation currency:

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"), as follows:

	December 31, 2011	December 31, 2012
Graphisoft Park SE	EUR	EUR
Graphisoft Park Kft.	EUR	EUR
Graphisoft Park Universitas Kft.	HUF	-
Graphisoft Park Services Kft.	HUF	HUF
GP3 Kft.	HUF	-

Two of its subsidiaries, Graphisoft Park Universitas Kft. and GP3 Kft, merged into Graphisoft Park Kft. on December 31, 2011. The functional currency of Graphisoft Park Kft. remains the EUR unchanged after the merger. The management assesses that the EUR is the currency that most faithfully reflects the underlying transactions, events and conditions that are relevant to the entity even after the merger.

Management assessment on functional currency determination is disclosed in Note 3 (Critical accounting estimates and judgments).

The consolidated financial statements are presented in thousands of EUR, which is the Group's presentation currency. Translation difference comprises translation differences of group companies with a functional currency other than EUR before the change of the functional currency.

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of these transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities are recognized in the income statement.

Group companies:

The results and financial position of all of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(b) income statements are translated at average exchange rates;
(c) all resulting exchange differences are recognized directly in the consolidated equity (accumulated translation difference).

Exchange rates used were as follows:

Rate	2011	2012
EUR/HUF opening:	278.75	311.13
EUR/HUF closing:	311.13	291.29
EUR/HUF average:	279.21	289.42

2.5. Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank, short-term bank deposits with less than three months to maturity and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.6. Securities (available-for-sale financial assets)

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are included in current or non-current financial assets depending on the forecasted date of the disposal.

Available-for-sale financial assets are initially recognized and also subsequently carried at fair value. The unrealized changes in the fair value of available-for-sale financial assets are recognized in equity (valuation reserve).

Interest on available-for-sale debt securities calculated using the effective interest method is recognized in the income statement (interest income). Dividends on available-for-sale equity instruments are recognized in the income statement (other financial income) when the Group's right to receive payment is established.

The Group assesses at each financial statement date whether there is objective evidence that a financial asset is impaired. There is objective evidence of impairment if as a result of loss events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset that can be reliably estimated. In the case of securities classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the security below its cost. 'Significant' is evaluated against the original cost of the security (in general 20%) and 'prolonged' against the period in which the fair value has been below its original cost (in general 6-12 months). When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that security previously recognized in the income statement - is removed from other comprehensive income and recognized in the income statement. Impairment losses recognized on equity instruments are not reversed through the income statement, while impairment losses recognized on debt instruments are reversed through the income statement.

When available-for-sale financial assets are sold or redeemed, therefore derecognized, the fair value adjustments accumulated in equity are reclassified from other comprehensive income to the income statement.

2.7. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the underlying arrangement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments as well as historical collections are considered indicators that the trade receivable may have been impaired.

2.8. Investment property and other tangible assets

Investment properties and other tangible assets are stated at historical cost less accumulated depreciation and impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of assets comprises its purchase price, including duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, such as borrowing costs.

Replacements and improvements, which prolong the useful life or significantly improve the condition of the asset are capitalized. Maintenance and repairs are recognized as an expense in the period in which they are incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. General depreciation rules are stated as follows:

Type of asset	Depreciation
Assets in the course of construction	not depreciated
Land	not depreciated
Park infrastructure	50 years
Buildings – rented	20 years
Machinery and equipment	3-7 years
Office equipment	3-7 years
Vehicles	5 years - 20% residual value

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of investment property and other tangible assets.

2.9. Fair value of investment property

The Group determines the fair value of investment property on the basis of internal valuations prepared annually and valuations performed by professional independent property appraisers at least once in three years (the last time in 2011 and the next time in 2014).

Fair value determination principles:

The fair value of completed investment property and investment property under construction where fair market value can be reliably measured is determined on a market value basis. Investment properties under construction where fair value cannot be reliably measured (due to the low stage of completion, the unique nature of the property and/or an absolute lack of transaction activity in the market) are carried at amortized cost.

Fair value determination methods:

The valuations are carried out using the income approach, discounted cash flow method. This method involves the projection of a series of periodic cash flows. To this projected cash flow series, a market derived discount rate, which reflects the yield expectations of the investors, is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is estimated as gross income less vacancy and less expense related to the operation and reinstatement of the property. A series of periodic net operating incomes, along with an estimate of the terminal value anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the fair value of the property.

Investment property fair value estimates are disclosed in Note 11.

2.10. Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will accrue; and the cost of the asset can be measured reliably. Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed annually at each financial year-end. Amortization is provided on a straight-line basis over the 3-7 year estimated useful lives of these assets.

2.11. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense. Borrowing costs include interest and other costs that the Group incurs in connection with the borrowing of funds. The borrowing costs eligible for capitalization are capitalized applying the weighted average of the borrowing costs applicable to the general borrowings during the period. A qualifying asset is an asset that necessarily takes a substantial period of time, in general over 6 months, to get ready for its intended use.

2.12. Impairment of assets

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years.

2.13. Leases

The determination of whether an arrangement is a lease, or contains lease elements, is based on the substance of the arrangement at inception date as to whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment after inception of the lease is possible only if one of the following applies:

(a) there is a change in contractual terms, other than renewal of extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) there is a change in determination of whether fulfillment is dependent on a specific asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as a lessee:

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Group as a lessor:

Finance lease is where the Group transfers substantially all the risks and benefits of ownership of the asset. Assets held under a finance lease are presented in the balance sheet as a receivable at an amount equal to the net investment in the lease. Finance incomes are recognized in the income statement.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. Initial indirect cost incurred while concluding an operating lease agreement are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

2.14. Loans and other borrowings

Borrowings are recognized initially at fair value less transaction costs, and subsequently measured at amortized costs using the effective interest rate method. The effective interest is recognized in the income statement (finance expenses) over the period of the borrowings.

2.15. Trade and other payables

Trade and other payables (including accruals) are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The carrying values of trade and other payables approximate their fair values due to their short maturity.

2.16. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will occur in order to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured and recorded as the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

2.17. Pensions

The Group, in the normal course of business, makes fixed contributions into the Hungarian State and private pension funds on behalf of its employees. The Group does not operate any other pension scheme or post retirement benefit plan, and consequently, has no legal or constructive obligation to make further contributions if the funds do not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

2.18. Treasury shares

Treasury stock represents the cost of shares repurchased and is displayed as a reduction of shareholder's equity. Premiums and discounts on repurchase and subsequent disposal are credited and debited respectively directly to retained earnings.

2.19. Earnings per share

Basic earnings per share is calculated by dividing profit attributable to the equity holders of the Company for the period by the weighted average number of common stocks outstanding. Diluted earnings per share is calculated considering the weighted average number of diluting share options (if any) in addition to the number of common stocks outstanding.

2.20. Income taxes

Current taxes:

Corporate income tax is payable to the Hungarian central tax authority, and local business tax is payable to the local governments. The basis of the corporate income tax is the taxable entities' accounting profit adjusted for non-deductible and non-taxable items. The basis of the local business tax is the taxable entities' revenue reduced by certain expenditure and cost items (gross margin).

Deferred taxes:

Deferred tax is recognized applying the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax is determined using income tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit (or reversing deferred tax liabilities) will be available against which the temporary differences can be utilized.

Deferred tax is also provided on taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.21. Dividend

Dividends payable to the Company’s shareholders are recorded as a liability and debited against equity in the period in which the dividends are approved by the shareholders.

2.22. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized.

Rental revenue:

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms.

Sale of goods:

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income:

Revenue is recognized as interest accrues (using the effective interest method). Interest income is included in financial results in the income statement.

Dividends:

Revenue is recognized when the Group’s right to receive the payment is established.

Other income (expense):

Incomes from agency agreements, where the Group acts as a mediator, are not shown as revenues, but rather as other income (expense) in the income statement together with directly related expenditures (net).

2.23. Operating profit

Operating profit is defined as revenues less operating expenses and other income (expense).

2.24. Segment information

For management purposes the Group comprises a single operational (business and geographical) segment. For this reason, the consolidated financial statements contain no segment information.

2.25. Reclassification of comparative information

Comparative figures are reclassified to conform with presentation in the current period, where necessary.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

3.1. Functional and presentation currency

The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity. IAS 21 – "The Effects of Changes in Foreign Exchange Rates" determines factors to be considered in determining functional currency. When the indicators are mixed and the functional currency is not obvious, management exercises judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Functional and presentation currency details are disclosed in Note 2.4.

3.2. Impairment of investment property, other tangibles and intangibles

We assess the impairment of investment property, other tangibles and intangibles whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The calculations of recoverable amounts are primarily determined by value in use calculations, which use a broad range of estimates and factors affecting those. Among others, we typically consider future revenues and expenses, technological obsolescence, discontinuance of services and other changes in circumstances that may indicate impairment. If impairment is identified using the value in use calculations, we also determine the fair value less cost to sell (if determinable), to calculate the exact amount of impairment to be charged. As this exercise is highly judgmental, the amount of a potential impairment may be significantly different from that of the result of these calculations.

3.3. Fair value of investment property

As investment property fair value determination is highly based on estimates and judgments, the actual results may be significantly different from the results of these estimates. Current fair value estimations involve specifically high inherent risks and uncertainties as future effects of the general economic crisis on the business are not clearly foreseeable at present.

Investment property fair value estimates are disclosed in Note 11.

3.4. Provisions

Provisions in general are highly judgmental, especially in case of legal disputes. The Group assesses the probability of an adverse event as a result of a past event and if the probability of an outflow of economic benefits is evaluated to be more probable than not, the Group fully provides for the total amount of the estimated liability.

(all amounts in thousands EUR unless otherwise stated)

4. Cash and cash equivalents

	December 31, 2011	December 31, 2012
Cash in hand	1	1
Cash at banks	3,776	6,185
Cash and bank	**3,777**	**6,186**

5. Securities

	December 31, 2011	December 31, 2012
Exchangeable bonds	3,798	2,024
Securities (available-for-sale financial assets)	**3,798**	**2,024**

The bonds were issued by the Hungarian State Holding Company, are guaranteed by the Hungarian State and are exchangeable to ordinary shares of Gedeon Richter Plc. The bonds are denominated in EUR and are of fixed interest rate (4.40% p.a.). The issue date is September 25, 2009; the maturity date is September 25, 2014.

The Group had purchased bonds of total face value of 4,500 thousand EUR in August 2011, and sold a total of 2,500 thousand EUR face value bonds in October 2012. The difference between the selling price (2,440 thousand EUR) and the book value (2,356 thousand EUR) is accounted for as financial income.

Valuation of the bonds is disclosed in the following table:

	December 31, 2011	December 31, 2012
Net purchase price (31.08.2011)	4,075	1,811
Accrued interest	99	106
Valuation difference	(376)	107
Bonds (at fair value)	**3,798**	**2,024**

Accrued interest is stated in the Income statement (Interest income), while valuation difference is stated in the Equity (Valuation reserve). Valuation reserve comprises solely of the valuation difference of securities and the related deferred tax effect.

(all amounts in thousands EUR unless otherwise stated)

6. Trade receivables

	December 31, 2011	December 31, 2012
Trade receivables	381	422
Provision for doubtful debts	-	-
Trade receivables	**381**	**422**

Trade receivables are on 8-30 day payment terms.

Trade receivables' aging is as follows:

	December 31, 2011	December 31, 2012
Not due	234	167
Overdue less than 3 months	105	82
Overdue between 3 and 12 months	42	173
Trade receivables	**381**	**422**

7. Current tax receivables and liabilities

	December 31, 2011	December 31, 2012
Current tax receivables	169	99
Current tax liabilities	(159)	(121)
Current tax receivable (liability), net	**10**	**(22)**

(all amounts in thousands EUR unless otherwise stated)

8. Other current assets

	December 31, 2011	December 31, 2012
Accrued income	7	50
Prepaid expense	8	43
Other receivables*	435	488
Other current assets	**450**	**581**

* Details of 482 thousand EUR within other receivables are disclosed in Note 26.

(all amounts in thousands EUR unless otherwise stated)

9. Investment property and other tangible assets

The table shows movements of investment property and other tangible assets:

	Land and buildings	Constr. in progress	**Invest-ment property**	Machinery and equipm.	Vehicles	Constr. in progress	**Other tangible total**	**Tangible assets**
Net value:								
December 31, 2010	51,536	15,583	**67,119**	101	121	-	**222**	**67,341**
Gross value:								
December 31, 2010	68,243	15,583	**83,826**	220	164	-	**384**	**84,210**
Additions		2,271	**2,271**	-	-	104	**104**	**2,375**
Capitalizations	15,222	(15,222)	**-**	41	63	(104)	**-**	**-**
Disposals	-	-	**-**	-	(73)	-	**(73)**	**(73)**
Translation diff.	(1,551)	(293)	**(1,844)**	(4)	(3)	-	**(7)**	**(1,851)**
December 31, 2011	81,914	2,339	**84,253**	257	151	-	**408**	**84,661**
Depreciation:								
December 31, 2010	16,707	-	**16,707**	119	43	-	**162**	**16,869**
Additions	3,633	-	**3,633**	28	28	-	**56**	**3,689**
Disposals	-	-	**-**	-	(30)	-	**(30)**	**(30)**
Translation diff.	(13)	-	**(13)**	(1)	-	-	**(1)**	**(14)**
December 31, 2011	20,327	-	**20,327**	146	41	-	**187**	**20,514**
Net value:								
December 31, 2011	61,587	2,339	**63,926**	111	110	-	**221**	**64,147**
Gross value:								
December 31, 2011	81,914	2,339	**84,253**	257	151	-	**408**	**84,661**
Additions	21	-	**21**	(21)	-	-	**(21)**	**-**
Capitalizations	-	1,978	**1,978**	-	-	42	**42**	**2,020**
Disposals	796	(796)	**-**	42	-	(42)	**-**	**-**
Translation diff.	-	-	**-**	2	1	-	**3**	**3**
December 31, 2012	82,731	3,521	**86,252**	280	152	-	**432**	**86,684**
Depreciation:								
December 31, 2011	20,327	-	**20,327**	146	41	-	**187**	**20,514**
Additions	3,671	-	**3,671**	18	28	-	**46**	**3,717**
Translation diff.	-	-	**-**	-	-	-	**-**	**-**
December 31, 2012	23,998	-	**23,998**	164	69	-	**233**	**24,231**
Net value:								
December 31, 2012	58,733	3,521	**62,254**	116	83	-	**199**	**62,453**

(all amounts in thousands EUR unless otherwise stated)

Additions in investment property at 1,978 thousand EUR comprise the following:

- development activities in the buildings of the Monument development area (927 thousand EUR),
- development activities in the buildings of the Core area (697 thousand EUR) and
- development of infrastructure and public utilities (354 thousand EUR).

Investment property capitalizations in the value of 796 thousand EUR comprise the following:

- development activities completed in the buildings of the Core area (701 thousand EUR) and
- completed infrastructure and public utilities development (95 thousand EUR).

Construction in progress totaling 3,521 thousand EUR comprises the cost of the Monument development area's buildings to be renovated or under renovation.

In 2012, the Group capitalized 73 thousand EUR (2011: 43 thousand EUR) borrowing cost for the construction in progress.

Investment property **fair value** estimates are disclosed in Note 11.

10. Intangible assets

The table shows movements of intangible assets:

	Software	**Intangible assets**		Software	**Intangible assets**
Net value:			***Net value:***		
December 31, 2010	10	**10**	**December 31, 2011**	-	**-**
Gross value:			***Gross value:***		
December 31, 2010	45	**45**	December 31, 2011	46	**46**
Additions	1	**1**	Additions	1	**1**
Translation diff.	-	**-**	Translation diff.	-	**-**
December 31, 2011	46	**46**	**December 31, 2012**	47	**47**
Depreciation:			***Depreciation:***		
December 31, 2010	35	**35**	December 31, 2011	46	**46**
Additions	11	**11**	Additions	-	**-**
Translation diff.	-	**-**	Translation diff.	-	**-**
December 31, 2011	46	**46**	**December 31, 2012**	46	**46**
Net value:			***Net value:***		
December 31, 2010	-	**-**	**December 31, 2012**	1	**1**

(all amounts in thousands EUR unless otherwise stated)

11. Fair value of investment property

The table below presents investment property book values and fair value estimates:

	December 31, 2011	December 31, 2012
Book value (historical cost)	**63,926**	**62,254**
Completed investment property at fair value*	117,634	114,851
Investment property under construction at historical cost**	13,792	15,071
Fair value*	**131,426**	**129,922**

* Calculated with an expected yield of 7.75% both as of December 31, 2011 and 2012.
** Investment property under construction at historical cost consists of construction in progress of 3,521 thousand EUR (2011: 2,335 thousand EUR) and land and buildings of 11,550 thousand EUR (2011: 11,457 thousand EUR) as disclosed in Note 9.

Investment property fair value determination principles and methods are disclosed in Note 2.9 (Accounting policies). Management judgments on fair value determination are disclosed in Note 3.3 (Critical accounting estimates and judgments). Investment property details are disclosed in Note 1.2 (General information).

Valuation as of December 31, 2012

Completed investment property comprises the Core area of Graphisoft Park (45,000 m2 of office and laboratory space) and the Administration building of the Monument development area (1,000 m2 of office space). Investment property under construction at cost comprises the Monument development area excluding the Administration building (2.4 hectares of development land and 9,000 m2 of total rentable net area of old monument buildings, out of which the renovation of 1,200 m2 has begun in 2012) and the Development areas (7.0 hectares of free development land in total).

The valuations as of December 31, 2012 were performed by the Group. The significant assumptions made related to the valuations are set out below:

- for contracts in force: rental rates were used as determined in the rental contracts; for planned contracts: rental rates were based on market rents valid at the time of the valuation,
- 90% occupancy rate; for Building Hz (3,000 m2 laboratory space, previously leased by AMRI Hungary Zrt., effected by legal proceedings) linear occupancy rate growth after the office transformation in 2014,
- 8.1 million (2013) - 9.0 million EUR annual rental income,
- an estimated 10.0 million EUR annual rental income potential (theoretical maximum, with 100% occupancy),
- 7.75% expected yield (discount rate), annual EUR inflation rate of 2%.

(all amounts in thousands EUR unless otherwise stated)

The fair value of investment property varies depending upon the expected yield (discount rate) and the occupancy rate as follows:

Yield:		**7.50 %**	**7.75 %**	**8.00 %**
Occupancy:	**95 %**	127,044	121,688	116,783
	90 %	119,895	***114,851**	110,230
	85 %	112,110	107,406	103,098

* Value calculated based on assumptions considered realistic by the management at the time of the valuation.

Valuation as of December 31, 2011

Completed investment property comprises the Core area of Graphisoft Park (45,000 m2 of office and laboratory space) and the Administration building of the Monument development area (1,000 m2 of office space). Investment property under construction at cost comprises the Monument development area excluding the Administration building (2.4 hectares of development land and 9,000 m2 total rentable net area of old monument buildings) and the Development areas (7.0 hectares of free development land in total).

The valuations as of December 31, 2011 were performed by the Group. The significant assumptions made related to the valuations are set out below:

- for contracts in force: rental rates were used as determined in the rental contracts; for planned contracts: rental rates were based on market rents valid at the time of the valuation,
- 90% occupancy rate; for Building H: 2012: 75%; 2013 and later: 90%,
- 8.3 million (2012) - 9.0 million EUR (starting in 2014) annual rental income,
- an estimated 10.0 million EUR annual rental income potential (theoretical maximum, with 100% occupancy),
- 7.75% expected yield (discount rate), annual EUR inflation rate of 2%.

The fair value of investment property varies depending upon the expected yield (discount rate) and the occupancy rate as follows:

Yield:		**7.50 %**	**7.75 %**	**8.00 %**
Occupancy:	**95 %**	130,349	124,900	119,909
	90 %	122,750	***117,634**	112,948
	85 %	114,433	109,680	105,327

* Value calculated based on assumptions considered realistic by the management at the time of the valuation.

(all amounts in thousands EUR unless otherwise stated)

12. Investments

	December 31, 2011	December 31, 2012
AIT-Budapest Aquincum Institute of Technology Kft.	100	100
Investments	**100**	**100**

The Group acquired a 10 % ownership share (100 thousand EUR) in AIT-Budapest Aquincum Institute of Technology Kft. in 2009.

13. Deferred tax asset

	December 31, 2011	December 31, 2012
Development reserve	(163)	(274)
Depreciation	22	22
Securities*	37	(11)
Loss carried forward	261	279
Deferred tax asset	**157**	**16**

* Securities' deferred tax asset was directly stated in the statement of comprehensive income.

Deferred taxes were calculated with income tax rate of 10% in 2012 and 2011.

14. Loans

	December 31, 2011	December 31, 2012
Short-term	2,064	2,723
Long-term	49,924	47,147
Loans	**51,988**	**49,870**

(all amounts in thousands EUR unless otherwise stated)

The total original capital amount of these loans is 58 million EUR. Loans are denominated and due in EUR. Part of the loans is subject to fixed interest rates (3-5 years fixed period from start of term) and part to a floating rate. The weighted average interest rate of the loans was 3.18 % as of December 31, 2012 and as of the date of the approval of these financial statements (2011: 4.32%). Collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge. The Group had no undrawn borrowing facilities as of the balance sheet date.

Capital repayments of the loans are due:

	December 31, 2011	December 31, 2012
Within 1 year	2,064	2,723
1– 5 years	8,532	11,740
Over 5 years	41,392	35,407
Loans	**51,988**	**49,870**

15. Trade payables

	December 31, 2011	December 31, 2012
Trade payables - domestic	426	367
Trade payables	**426**	**367**

The Group settles trade payables within the payment term, and had no overdue payables as of December 31, 2012 and 2011.

16. Other short-term liabilities

	December 31, 2011	December 31, 2012
Amounts due to employees	24	32
Deposits from tenants	434	507
Other payables and accruals	349	339
Other short-term liabilities	**807**	**878**

(all amounts in thousands EUR unless otherwise stated)

17. Revenue

	December 31, 2011	December 31, 2012
Property rental	8,039	8,285
Revenue	**8,039**	**8,285**

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

Rental contracts are treated as operating lease agreements. Total present values of minimum lease payments that can be required from these operating lease agreements over the lease term are as follows:

	December 31, 2011	December 31, 2012
Within 1 year	7,958	7,851
1– 5 years	17,173	16,802
Over 5 years	1,420	-
	26,551	**24,653**

18. Operating expense

	December 31, 2011	December 31, 2012
Property related expense	91	69
Employee related expense	415	510
Other operating expense	267	388
Depreciation and amortization	3,700	3,717
Operating expense	**4,473**	**4,684**

(all amounts in thousands EUR unless otherwise stated)

Other operating expense consists of the following items:

	December 31, 2011	December 31, 2012
Office and telecommunication	12	13
Legal and administration	127	261
Marketing	38	52
Other	90	62
Other operating expense	**267**	**388**

19. Other income (expense)

	December 31, 2011	December 31, 2012
Income from recharged construction expenses	205	173
Recharged construction expenses	(174)	(160)
Income from recharged operation expenses	2,887	3,040
Recharged operation expenses	(2,838)	(2,903)
Others	6	(15)
Other income (expense)	**86**	**135**

20. Interest

	December 31, 2011	December 31, 2012
Interest received	396	484
Interest income	**396**	**484**
Interest paid on loans	(2,413)	(2,129)
Other interest paid	(22)	(21)
Borrowing cost capitalized	43	73
Interest expense	**(2,392)**	**(2,077)**
Net interest expense	**(1,996)**	**(1,593)**

(all amounts in thousands EUR unless otherwise stated)

21. Exchange rate difference

	December 31, 2011	December 31, 2012
Exchange rate gain (loss) realized	(35)	43
Exchange rate loss not realized	(25)	(29)
Exchange rate gain (loss)	**(60)**	**14**

22. Income taxes

	December 31, 2011	December 31, 2012
Current income tax	(199)	(219)
Deferred income tax	44	(94)
Income tax expense	**(155)**	**(313)**

Applicable tax rates in 2012 and 2011 are: income tax 10%, local business tax 2%.

(all amounts in thousands EUR unless otherwise stated)

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

	December 31, 2011	**December 31, 2012**
IFRS profit before tax	**1,596**	**2,157**
Tax at statutory rate	**160**	**216**
Non-taxable items	(194)	(96)
Non-deductible expenses	1	-
Translation difference	(11)	(18)
Corporate income tax	**(44)**	**102**
Local business tax	**199**	**211**
Tax expense	**155**	**313**
Effective tax rate (%)	**9.7**	**14.5**

The effective tax rate is largely influenced by the local business tax expense, which is calculated on a gross margin basis.

(all amounts in thousands EUR unless otherwise stated)

23. Earnings per share

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

	December 31, 2011	December 31, 2012
Net profit attributable to equity holders of the parent	1,441	1,844
Weighted average number of ordinary shares	10,359,613	10,152,598
Basic earnings per share (EUR)	**0.14**	**0.18**
Weighted average number of ordinary shares	10,359,613	10,152,598
Diluted earnings per share (EUR)	**0.14**	**0.18**

The weighted average number of ordinary shares does not take into account treasury shares.

There are no share option schemes in place.

24. Treasury shares

Graphisoft Park SE treasury share details are as follows:

	December 31, 2011	December 31, 2012
Number of shares	479,076	479,076
Face value per share (EUR)	0.02	0.02
Total face value (EUR)	9,582	9,582
Treasury shares (at historical cost)	**669**	**669**

(all amounts in thousands EUR unless otherwise stated)

25. Related party disclosure

Transactions with related parties:

Graphisoft Park SE does not hold interest in other entities other than its - consolidated - subsidiaries (100%) and in AIT-Budapest Kft. (10%).

AIT-Budapest Kft. and Graphisoft SE are deemed related parties of the Group in 2012 and 2011, as well as vintoCON Kft in 2012, in view of the following facts:

- Chairman of the Board of Directors of Graphisoft Park SE (Bojár Gábor) is Managing Director of AIT-Budapest Kft.,
- Chairman and a member of the Board of Directors of Graphisoft Park SE (Bojár Gábor and Hornung Péter) are members of the Board of Directors of Graphisoft SE,
- Member of the Board of Directors of Graphisoft Park SE (Gáthy Tibor) is managing director of vintoCON Kft.

Total amount of transactions that have been entered into with these parties and year-end balances are as follows:

Item	December 31, 2011	December 31, 2012
Sales to related parties	1,399	1,496
Purchases from related parties	19	22
Amounts owed by related parties	22	1
Amount owed to related parties	7	-

Transactions with the related parties were as follows in 2012 and 2011:

- AIT-Budapest Kft., Graphisoft SE and vintoCON Kft. leased a total office space of exceeding 4,900 m2 in Graphisoft Park in 2012 (AIT-Budapest Kft. and Graphisoft SE 4,500 m2 in 2011),
- Graphisoft Park SE provided financial and administration services for AIT-Budapest Kft. in 2011 and 2012,
- AIT-Budapest Kft. provided marketing services for Graphisoft Park SE in 2011 and 2012,
- vintoCON Kft. provided software administration services for Graphisoft Park Services Kft. in 2012.

Transactions (sales to and purchases from) with the related parties are made at market prices. Office lease rent is similar to other tenants of the Group. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. No guarantees were provided or received for any related party receivables or payables. In 2012 and 2011, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

The Group signed a cooperation agreement with AIT-Budapest Kft. as disclosed in Note 26.

(all amounts in thousands EUR unless otherwise stated)

Remuneration of the board of directors and audit committee, compensation of key management personnel*:

	December 31, 2011	December 31, 2012
Remuneration of the Board of Directors and Audit Committee	44	49
Compensation of Key Management Personnel	154	194
Total	**198**	**243**

* Key management personnel: the Chief Executive Officer and the Chief Financial Officer of Graphisoft Park SE, and the Managing Director of Graphisoft Park Services Kft.

No loans or advance payments were granted to the members of the Board of Directors, the Audit Committee or the Key Management Personnel, and the Group did not undertake guarantees in their names.

Interests of directors and key management personnel in Graphisoft Park SE:

		December 31, 2011		December 31, 2012	
Name	**Title**	**Shares (pcs)**	**Share (%)**	**Shares (pcs)**	**Share (%)**
Bojár Gábor	Chairman of Board	3,185,125	29.96	3,185,125	29.96
Hornung Péter	Member of Board	530,426	5.00	530,426	5.00
Gáthy Tibor	Member of Board	160,000	1.50	160,000	1.50
Dr. Kálmán János	Member of Board	13,500	0.13	13,500	0.13
Kocsány János	Member of Board Chief Executive Officer	180,913	1.70	180,913	1.70
Hajba Róbert	Chief Financial Officer	3,000	0.03	5,400	0.05
Szűcs Tibor	Managing Director*	1,500	0.01	1,500	0.01
Total		**4,074,464**	**38.33**	**4,076,864**	**38.35**

* Graphisoft Park Services Kft.

26. Commitments, contingencies

Termination of leasehold, legal proceedings

AMRI Hungary Zrt. went under voluntary winding up on July 19, 2012. With regards to the winding up procedure, Graphisoft Park terminated the lease effective on August 31, 2012 in accordance with its terms. AMRI's filing for winding up triggered the acceleration clause in the lease contract between AMRI Hungary Zrt. and Graphisoft Park making the entire remaining lease fee of 4,783 thousand euros for 79 months due at once.

Graphisoft Park has filed suit with the Arbitration Court attached to the Hungarian Chamber of Commerce and Industry against AMRI Hungary Zrt. „under voluntary winding up" to recover its claims arising out of the termination of its lease agreement. Filing suit was necessary because AMRI Hungary Zrt. „under voluntary winding up" and its parent Albany Molecular Research Inc (Albany - USA) did not accept their contractual obligation to fulfill Graphisoft Park's claim. The net amount of the filed claim is 4.443 thousand euros. The claim consists of lease fee for the remaining 79 months at time of termination, estimated costs of removing AMRI owned special equipment installed in the building (which cannot be utilized by Graphisoft Park) and unpaid lease fee and operating expense for August, 2012; minus expected net revenue derived from the subsequent reutilization of the premises. Net revenue consists of expected lease revenues from new tenants (assuming linearly increasing occupancy after the office transformation period); minus the amortization of the investment in the office transformation and operating expenses for unrented spaces for the 79 months period remaining at the time of termination.

Parallel to the proceedings in front of the arbitration court AMRI Hungary Zrt. „under voluntary winding up" has filed suit with the Budapest Metropolitan Court, in order to have its self-financed specialized equipment declared "appendage" and subsequently gain ownership in the property. After several months of unsuccessful searches Graphisoft Park was unable to identify possible tenants who would undertake the utilization of AMRI's sophisticated and extremely expensive equipment, therefore Graphisoft Park had to request the removal of the equipment in accordance with the relevant terms of the lease contract. AMRI has not responded to this request up until the time of closing this report.

Until the closing of the case (1) any revenues from recovery will not be considered in our forecast – this is because the time of settling the case and the actual amount of recovery cannot be estimated reliably –, however, (2) all actual and expected expenses related to realizing the claim will be considered in the forecasts, even though those are expected to be recovered at the closing of the case.

The Group had a total of 574 thousand EUR receivables on record against AMRI Hungary Zrt. „under voluntary winding up" on December 31, 2012 accounted for in the period preceding the termination of the lease contract on August 31, 2012, out of which

- 92 thousand EUR is under trade receivables, which is unpaid rent and operating expense for August, 2012, and
- 482 thousand EUR is under other receivables, which was recorded in the 41 month period preceding the August 31, 2012 termination, and consists of the difference between lease fees recorded according to the accounting policies of the Group (straight-line throughout the lease period) and lease fees invoiced according to the terms of the lease contract (increasing throughout the lease period).

The 574 thousand EUR amount is part of the 4,443 thousand EUR total claim filed in court. An impairment loss will be recognized for receivables recorded in case its realization becomes uncertain.

Development for education purposes

The Group has a contractual commitment to development for education purposes, which shall result in the set-up of an educational campus on a portion of the area purchased in 2008 (the Monument development area) and the start-up of a program of higher education within 5 years from the final approval of the zoning plan for the area. The zoning plan is not yet approved, but the education program started already in the core area of Graphisoft Park.

In accordance with the project to develop a part of the property for educational purposes, the Group signed a cooperation agreement with AIT-Budapest Aquincum Institute of Technology Kft. in 2009. According to this agreement, development of the educational infrastructure is the responsibility of Graphisoft Park, while organizing the educational program and operating the institute are the responsibility of AIT. AIT pays a market-rate rent for its use of the real estate. The cooperation also covers the issue of the parties' coordinated appearance on the market and joint marketing activities.

27. Financial risk management

The Group is exposed to risks from changes in market and financial conditions that affect its results, assets and liabilities. Financial risk management aims to limit these risks through ongoing operational and finance activities.

Market risk:

Office rental price risk:

The Group has been pursuing consistent and calculable rental pricing policies for years. Current rental prices and conditions are confirmed by the market (tenants) to be in line with the unique environment and top quality of the property. Considering the current global economic climate and oversupply of Budapest office space market, however, there is no assurance that current rental prices and conditions can be maintained in the future.

Currency risk:

The Group does not run currency risk on the fulfillment of the debt service, since the great majority of rental revenues are denominated in EUR and cover debt service. The Group is exposed to foreign currency risk to a certain extent as the major part of its operating and development expenditures are incurred in HUF.

Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates (7.2 million EUR as of December 31, 2012, 7.7 million EUR as of December 31, 2011).

To manage interest rate risk, the major part of the bank loans of the Group are subject to fixed interest rates (3-5 years fixed period from start of term). Conditions and balances of bank loans are disclosed in Note 14.

The fair value of the loans on December 31, 2012, was 48,936 thousand EUR, calculated at a 3.9% effective rate of interest during the fixed interest rate period (2011: 51,756 thousand EUR, 4.5% effective rate of interest).

(all amounts in thousands EUR unless otherwise stated)

Credit risk:

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its leasing activities and from its financing activities, including deposits with banks and financial investments.

Tenant receivables:

Credit risk is managed by requiring tenants to pay deposits or give bank guarantees in advance, depending on the credit quality of the tenant assessed at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored.

Credit risk related to tenant receivables is limited due to the composition of the tenants and the fact that the tenants are located in Graphisoft Park and services are provided to them by the Group.

Revenue from 3 tenants (SAP Hungary Kft., Microsoft Magyarország Kft. and Graphisoft SE) exceeded 10% of the total revenue of the Group in 2012 and 2011 (separately). Revenue from these 3 tenants represents 42.7% of the total revenue for the year in 2012, and 43.9% in 2011.

Cash deposit and financial investments:

Credit risk from balances with banks and financial investments is managed in accordance with the Group's conservative investment policy. To limit credit risk, reserves are held in cash or low-risk securities (e.g. bonds), with substantial financial institutions.

Liquidity risk:

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of deposits and loans.

The management anticipates that no liquidity difficulties will arise, since rental revenues are sufficient to cover debt service and the cost of operation. Property development projects are planned together with their financing needs, and funds required to complete the projects are secured in advance.

The Group settles its payment obligations within the payment term, and had no overdue payables as of December 31, 2012 and 2011.

The two tables below summarize the maturity profile of financial liabilities based on contractual undiscounted payments as of December 31, 2012 and 2011.

December 31, 2012	**Overdue**	**Due within 1 year**	**Due between 1-5 years**	**Due over 5 years**	**Total**
Loans*	-	4,181	15,241	35,865	**55,287**
Trade payables	-	367	-	-	**367**
Current tax liability	-	121	-	-	**121**
Other liabilities	-	878	-	-	**878**
Financial liabilities	**-**	**5,547**	**15,241**	**35,865**	**56,653**

(all amounts in thousands EUR unless otherwise stated)

December 31, 2011	**Overdue**	**Due within 1 year**	**Due between 1-5 years**	**Due over 5 years**	**Total**
Loans*	-	4,077	11,436	41,392	**56,905**
Trade payables	-	426	-	-	**426**
Current tax liability	-	159	-	-	**159**
Other liabilities	-	807	-	-	**807**
Financial liabilities	**-**	**5,469**	**11,436**	**41,392**	**58,297**

* Capital plus interest calculated for the fixed interest period of the loan.

28. Capital risk management

The management's objectives when managing capital are to safeguard the ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

The management proposes to the owners (through the Board) to approve dividend payments or adopt other changes in its equity capital in order to optimize the capital structure of the Group. The General Meeting may adjust the amount of dividends paid to shareholders, return capital to shareholders by capital reductions, sell or buy back its own shares.

Consistent with others in the industry, the management monitors capital structure based on the debt service cover ratio (DSCR) and the loan-to-value ratio (LTV). DSCR is calculated as cash available for debt service (rental revenues less operating and other costs) divided by debt service (capital plus interest), while LTV is calculated as the ratio between the sum of the outstanding balances of the loan and the market value of the property. The objective of the management is to keep DSCR above 1.25 and LTV below 0.65 (in line with the requirements of the existing loan agreement).

29. Approval of financial statements

Following the recommendation of the Board of Directors, the Annual General Meeting on April 26, 2012, approved the 2011 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 72,979 thousand EUR and a profit for the year of 1,441 thousand EUR. Together with the approval of the consolidated financial statements for issue, the Annual General Meeting approved dividend distribution of 35 HUF per share, 355,341 thousand HUF in total (1,237 thousand EUR on the exchange rate of April 26, 2012). The starting date for dividend payments was June 4, 2012. The Company paid out the dividends to the shareholders identified by shareholder's registration.

The consolidated financial statements of the Company for the year ended December 31, 2012 prepared in accordance with International Financial Reporting Standards (IFRS) are authorized for issue in accordance with the resolution of the Board of Directors on March 22, 2013 Together with the approval of the consolidated financial statements for issue, the Board proposes dividend distribution of 40 HUF per share, 406,104 thousand HUF in total (1,394 thousand EUR as of December 31, 2012) to be approved by the Annual General Meeting of Graphisoft Park SE of April 23, 2013. The Annual General Meeting has the power to amend the consolidated financial statements.

30. Declarations

Forward-looking statements *- This Annual Report contains forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement.*

Statement of responsibility *- We declare that the Consolidated Financial Statements 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.*