GRAPHISOFT PARK SE ANNUAL REPORT 2016

GRAPHISOFTPARK

Dear Shareholders,

The most important events of 2016 were the planned continuation of the developments started in 2015 and the beginning of new developments on the southern area. These were in part prompted by the Park's largest tenant, SAP Hungary's remarkable expansion; and in part by the growing demand for office space that could only be satisfied at the current 100% occupancy rates through constructing new office buildings.

The new developments are carried out in 3 phases:

1. The new SAP wing

The original 7,000 m2 SAP office building and the 400 cars, 3 levels underground parking beneath it was extended by 5,500 m2 net office space and parking for 300 more cars in a similar 3 levels underground parking garage in a new building wing. This development ended in February, 2017, and SAP moved into the building in March.

2. New reception building by Graphisoft Park's main entrance

As previously, the Group keeps focusing on serving the needs of young enterprises with smaller space requirements (start-ups) that may, after a period of intensive growth, become outstanding tenants of the Park. Accumulated experience yielded the development concept suitable to serve best the emerging needs of these companies. With this particular concept and primary aim is the 2,500 m2 building being built by the main entrance of the Park, in which a range of services and a coffee shop open to the general public will be housed. Completion of the building is expected by June 2017.

All of this necessitated the demolition of the neighboring smaller offices and warehouses (total 2,000 m2), which were considered less effective use of space at the current built-up of the Park.

3. New office complex on the southern development area

Since the new wing completed in phase 1 is fully leased, the building to be completed in phase 2 is largely booked and SAP signaled its intent to lease more space, we have started the construction in 2016 of an office complex consisting of 4 blocks with total of 12,000 m2 floor space complete with underground parking for 450 cars. The buildings are expected to be delivered in the first quarter of 2018. One 3,300 m2 block of the four in the new complex will be leased by SAP, and it has an option to lease another block with additional 3,300 m2 office space.

To sum it all up, the existing 53,000 m2 office, laboratory and educational space and the 1,250 cars underground parking at the end of 2016 will be extended by 20,000 m2 office space and underground parking for another 750 cars by mid 2018, therefore the total capacity of the Park will be 73,000 m2 office, laboratory and educational space and underground parking for 2,000 cars. In the meantime a much more imposing façade will be created facing Ángel Sanz-Briz Street (formerly Jégtörő Street) that have evolved to be a busy artery road by now.

Net asset value

Partly due to the new developments, partly to the decreasing yields on the Budapest office market, the Company's properties' fair value has increased 23% compared to last year's 154 million euros to 189 euros this year by the Company's own valuation. Based on this the net asset value per share increased form 11.6 euros to 14.2 euros.

Financing

For the financing of phase 1 and 2 developments described above Erste Bank has made available a 16 million euros credit facility within the framework of the Hungarian National Bank's Funding for Growth Scheme at 10 years maturity, of which 11 million euros have been drawn until the date of making this report. The facility contract has been complemented by hedge agreements against exchange rate and interest rate risks. To finance phase 3 developments, we have executed a 24 million euros credit facility agreement with UniCredit Bank at 10 years maturity, also within the framework of the Hungarian National Bank's Funding for Growth Scheme. Until the end of 2016, 2 million euros have been drawn from this facility.

Financial results

Financial results have progressed as forecasted. Revenue figures in 2016 and 2015 stood equally at 9.5 million euros, as the occupancy levels growing to 100% compensated for the missing revenues from the demolished buildings. Operating expenses rose by more than 100 thousand euros due to the increased staff numbers needed to complete the new developments. Net interest expense fell by 500 thousand euros due to the falling loan interest rates; the exchange rate difference account balance however, is nearly 200 thousand euros lower because in 2015 we have made significant exchange rate gains on the appreciating USD cash reserves, whereas in 2016 slight exchange rate losses occurred. For the reasons above, we have realized a net profit of 3.2 million euros in 2016, nearly 200 thousand euros higher compared to 2015, with writing-off of approximately 100 thousand euros for the demolition of the last building in connection with the new developments.

The revenue figures and net profit expected for 2017 compared to the results in 2016 are to change as follows according to our current estimates:

• Revenue increase from new developments:	1.1 million euros
• Depreciation ending for older assets:	600 thousand euros
• Interest expense decrease for older loans:	200 thousand euros
• Temporary drop in existing buildings' occupancy:	(200 thousand euros)
• Increasing operating expenses:	(200 thousand euros)
• Depreciation of new developments:	(800 thousand euros)
• Interest on new loans:	(200 thousand euros)
• Income tax increase:	(200 thousand euros)

For all the reasons above for the year 2017 we are expecting revenues totaling at 10.4 million euros, 900 thousand euros higher than those in 2016; and net profit surpassing the figure at 3.2 million euros in 2016 by 300 thousand euros at 3.5 million euros.

These results were made possible by the continuingly improving occupancy rates and not changing the rent levels, cornerstones of the Park's quality and profitability; consciously not competing with the artificially low, therefore unsustainable rates on Budapest's overcrowded office market. All this proves that our concept for the "micro-silicon-valley" articulated some 20 years ago was right, targeting a well-defined market - Hungarian and international technology companies pursuing innovation in our case - and focusing real estate developments to their needs is working. The key to success in their fields is attracting talent. We are aiming to contribute to this with quality and environment conscious architecture, in a uniquely quiet setting on the green banks of the river Danube surrounded by the Park's state-of-the art renovated industrial monument buildings preserving the marvelous ambiance of the old Óbuda Gas Works. Our achievements prove that the leading companies in the technology field appreciate this; therefore we are continuing the development along the lines of the same concept.

Bojár Gábor
Chairman of Board of Directors

Kocsány János
Chief Executive Officer

Financial highlights

IFRS, consolidated, thousand EUR

Results*:

	IFRS 2015 thousand EUR	IFRS 2016 thousand EUR
A) Results from ordinary activities:		
Revenue	**9,484**	**9,525**
Operating expense	(912)	(1,131)
Other income (expense)	283	349
EBITDA	**8,855**	**8,743**
Depreciation and amortization	(4,194)	(4,183)
Operating profit	**4,661**	**4,560**
Net interest expense	(1,306)	(825)
Exchange rate differences	216	(4)
Profit before tax	**3,571**	**3,731**
Income tax expense	(592)	(559)
Profit for the period	**2,979**	**3,172**
B) Other results (one-time write-off):		
Other income (expense)	(535)	(123)
Income tax expense	53	12
Loss for the period	**(482)**	**(111)**
A+B) Profit for the period	**2,497**	**3,061**

* New developments began in Graphisoft Park in 2015, which will result in the construction of 8,000 m2 new office space by 2017. The construction of the new buildings required the demolition of some older buildings. Demolition works were completed, and the net book value of buildings demolished were written off accordingly (535 thousand euros in 2015 and 123 thousand euros in 2016). On this page results of the Company are presented in “Results from ordinary activities” / “Other results” breakdown. The “Other results” section solely includes the net result of one-time write-offs due to demolition of the buildings (482 thousand euros in 2015 and 111 thousand euros in 2016). Periodic comparative analyses in this business report are prepared using “Results from ordinary activities”, which do not include the one-time items.

Financial highlights

IFRS, consolidated, thousand EUR

Asset value:

	IFRS	IFRS
	December 31, 2015	December 31, 2016
	thousand EUR	thousand EUR
Investment property at book value	**60,254**	**69,655**
Investment property at fair value*	**153,606**	**188,919**
Net asset value at book value	**22,801**	**23,529**
Net asset value at fair value**	**116,477**	**143,082**
Number of ordinary shares outstanding (thousands)***	10,083	10,083
Net asset value at fair value per share (euro)	**11.6**	**14.2**

* Investment property fair value estimates are disclosed in the attached Consolidated Financial Statements, Note 10.

** Net asset value at book value and net asset value at fair value (equity) are disclosed in the attached Consolidated Financial Statements, Note 25.

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

Management Report

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

- Financial results for the year 2016,
- Utilization, occupancy,
- Development activities,
- Future development potential,
- Financing,
- Other key issues,
- Forecast for the year 2017,
- General information.

Financial results for the year 2016

Changes in the results for 2016 ("Results from ordinary activities", see details in "Financial highlights" on previous pages) compared to the 2015 bases occurred by the effects of the following main factors:

- **Revenue** (2016: 9,525 thousand euros; 2015: 9,484 thousand euros) rose by 41 thousand euros compared to the previous year. The growth in occupancy rate increased revenue by 2%, while drop in rental revenues due to demolitions and remodeling in connection with the new developments that began in 2015 in the core area reduced it by almost the same rate (see details in the „Utilization, occupancy" and „Development activities" sections).

- **Operating expense** (2016: 1,131 thousand euros; 2015: 912 thousand euros) grew by 219 thousand euros, or 24% compared to the previous year due to the increase in employee related and other expenses (the development programs started in 2015 and 2016 required expanding staff). Property related expense stayed at the level of last year.

- **Other income** (2016: 349 thousand euros; 2015: 283 thousand euros) net amount was 66 thousand euros higher than the base last year.

- **Depreciation** (2016: 4,183 thousand euros; 2015: 4,194 thousand euros) did not change substantially compared to the previous year.

- **EBITDA** (2016: 8,743 thousand euros; 2015: 8,855 thousand euros) decreased by 112 thousand euros, or 1%, while **operating profit** (2016: 4,560 thousand euros; 2015: 4,661 thousand euros) fell by 101 thousand euros, or 2% compared to the previous year due to the factors mentioned above.

- **Net interest expense** (2016: 825 thousand euros; 2015: 1.306 thousand euros) decreased by 481 thousand euros, or 37% due to the following factors: interest expense fell by 499 thousand euros as a result of lower loan interest rates and lower principal amounts of earlier loans, and interest income dropped by 18 thousand euros due to the lower interest rates on deposits.

- **Exchange rate differences** (2016: 4 thousand euros loss; 2015: 216 thousand euros gain) worked out less favorably by 220 thousand euros compared to the previous year, attributable mostly to the fact that revaluation of cash reserves denominated in US dollars resulted in a gain in 2015 (135 thousand euros) and a loss in 2016 (38 thousand euros).

- **Income tax expense** (2016: 559 thousand euros; 2015: 592 thousand euros) decreased by 33 thousand euros, or 6% compared to the base period. Local business tax liability rose by 6 thousand euros due to the slight increase in revenues (2016: 258 thousand euros; 2015: 252 thousand euros), while corporate income tax fell by 39 thousand euros (2016: 301 thousand euros; 2015: 340 thousand euros) due to the following factors: higher profit before tax figure increased current tax by 26 thousand euros, and tax rate reduction (from 10% to 9%) effective from 2017 decreased deferred tax liability by 65 thousand euros.

- **Net profit** (2016: 3,172 thousand euros; 2015: 2,979 thousand euros) grew by 193 thousand euros, that is 6% in 2016 compared to 2015 because of the following factors: (1) operating profit decreased by 101 thousand euros, or 2% due to expenses incurred in relation to the new developments, (2) financial results improved by 261 thousand euros, or 24% due to the significant fall in net interest expense, despite less favorable exchange rate differences, and finally (3) income tax expense was lower by 33 thousand euros, or 6% less than the base last year due to corporate income tax rate reduction.

Due to the effect of the demolition of the last building to be demolished in relation to the new developments began in 2015 (see “Utilization, occupancy” section) a one-time 111 thousand euros net write-off (write-off of 123 thousand euros net book value of the building with its 12 thousand euros decreasing effect on income tax) had to be accounted for in the first quarter of 2016, therefore besides our profit from ordinary activities at 3,172 thousand euros the total net profit is 3,061 thousand euros including this one-off item.

Utilization, occupancy

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

Period:	**2015 Q1**	**2015 Q2**	**2015 Q3**	**2015 Q4**	**2016 Q1**	**2016 Q2**	**2016 Q3**	**2016 Q4**
Occupancy (%):	**96%**	**96%**	**97%**	**98%**	**100%**	**100%**	**100%**	**100%**
Area (m2):	55,000	55,000	53,000	53,000	53,000	53,000	53,000	53,000

Occupancy of Graphisoft Park’s 53,000 m2 rentable office, laboratory and educational space reached 98% by the end of 2015 and stays at an effective 100% from the beginning of 2016 due to leases concluded for remaining vacant spaces. This means that until the delivery of the first phase of the new developments in 2017 (see details in the “Development activities” section below) there will be free rentable area only if any of current tenants decides not to extend their lease after expiration.

Development activities

The total area of Graphisoft Park is nearly 18 hectares covering the office park located in the core area, the campus formed in the monument area, and development areas north and south of these as well. Over the past 18 years 45,000 m2 of office and laboratory space have been developed and occupied on the core 8.5 hectares of Graphisoft Park. In the 2.4 hectares monument area directly adjacent to the core area from the west we have completed the renovation and repurposing of 7,000 m2 historical buildings into a state-of-the-art university campus since 2010. The 3,000 m2 dormitory building with 76 rooms constructed on the northeastern corner of the southern development area connects to and serves the same higher education function of the Park.

Until the end of 2014 altogether 55,000 m2 office, laboratory and educational space and underground parking for 1,250 cars were constructed on 11 hectares.

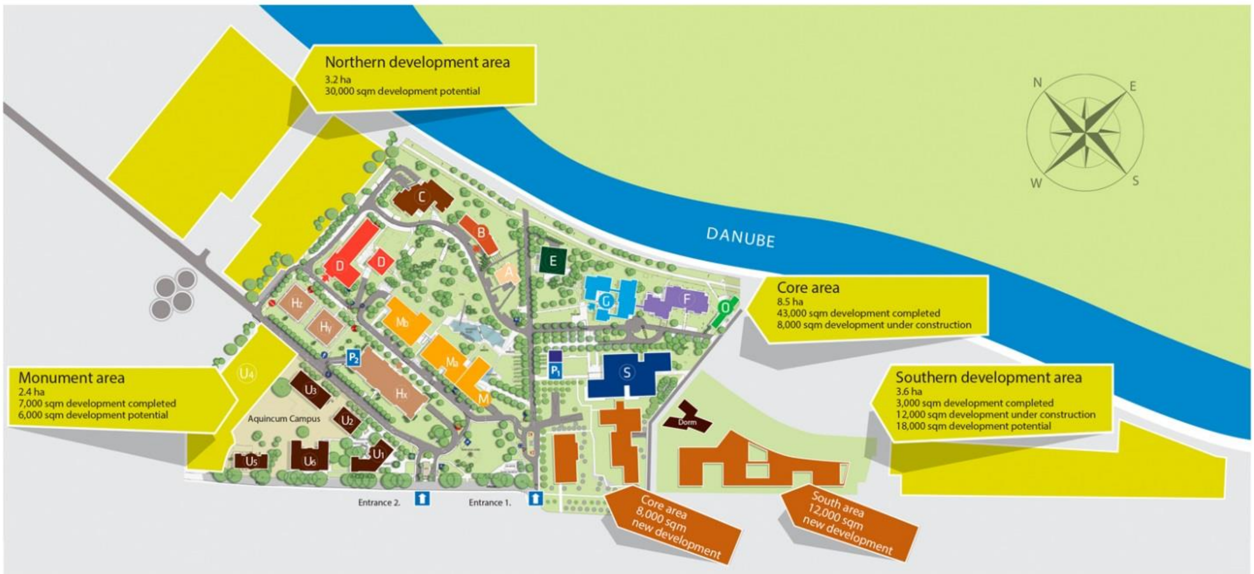
New development in the core area

Graphisoft Park’s largest tenant renting over 10,000 m2 office space by the end of 2016, SAP Hungary Kft. renewed its lease in April 2015, which was to expire in the end of 2016 originally. In relation to the extension of the lease period new developments began in 2015, which will result in the construction of 8,000 m2 new office space and underground parking for 300 cars until 2017 in two phases. Construction of a new wing of 5,500 m2 directly adjacent to SAP’s main building (marked S on the map below) has been completed. In addition to this another building with 2,500 m2 floor space is under construction optimized for the needs of smaller companies and start-ups. With the new constructions as well as with the refurbishment of older sections we are committing to even more environmentally conscious and sustainable architectural solutions.

The new wing adjacent to the SAP building was delivered at the end of February, 2017, while the start-up building is expected to be delivered at the end of the second quarter in 2017.

The new developments required the demolition of a few smaller office and warehouse buildings with less economical uses of space under the current conditions. Most were demolished through 2015 while the last one was demolished in the first quarter of 2016. Demolition and remodeling works temporarily reduced rentable space by 2,000 m2 in the office park, therefore the net expansion is 6,000 m2.

By the completion of the first two phases of the new developments in the middle of 2017, Graphisoft Park will have 61,000 m2 office, laboratory and educational space as well as underground parking for 1,550 cars available for its tenants coupled with 4 restaurants and 6 snack and coffee shops in the Park.



The planned total cost of these two development phases - including the construction of about 8,000 m2 new office space and a three level underground parking facility for 300 vehicles, and in addition the upgrading of the existing S building, with the necessary works for public utilities and landscaping - is approximately 18 million euros, out of which 12.3 million euros occurred until the end of 2016.

New development in the southern development area

With regards to the recent expansion needs articulated by the tenants in 2016 and to the occupancy levels in the Park near their effective cap, we have started the construction of a new string of office building blocks with 12,000 m2 floor space and of an underground parking facility for 450 cars on the part of the southern development area that is already prepared for construction. The buildings are expected to be delivered in the first quarter of 2018. One 3,300 m2 floor space block out of the four of the building complex will be leased by SAP, and it also has an option to lease another 3,300 m2 block.

The planned total cost of this development phase is 25 million euros, out of which 2.3 million euros occurred until the end of 2016.

In the summary of all the above, by the completion of the new developments expected in 2018, Graphisoft Park will have 73,000 m2 office, laboratory and educational space as well as underground parking for 2,000 cars available for its tenants coupled with 5 restaurants and 7 snack and coffee shops in the Park.

Other developments

Simultaneously to the new developments, remodeling and renovation works are taking place in the existing office spaces as well as other infrastructure developments are being carried out to better meet the needs of tenants. These activities cost nearly 400 thousand euros in 2016.

Future development potential

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

Preparation for the future developments have cost 3.2 million euros to date.

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

The lot neighboring the northern development area is owned by the Municipality of Budapest and has been designated as the site of the “New Budapest Velodrom” by a recent decree of the Hungarian Government (Kemény Ferenc Sportlétesítmény-fejlesztési Programról szóló 839/2016. (XII. 23.) Kormányhatározat).

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

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

Financing

We have executed a loan agreement with Erste Bank Hungary Zrt. in December 2015 with 10 years maturity to finance the ongoing development in the core area (see “Development activities” section for details). In accordance with the loan agreement and its modification in December 2017 Erste Bank makes a 4 billion HUF (12.6 million EUR) credit facility available to Graphisoft Park within Pillar I of the second phase of the National Bank of Hungary’s Funding for Growth Scheme and another 3 million EUR credit facility within Pillar II of the third phase of the Funding for Growth Scheme. In order to hedge exchange rate and interest rate risks associated with the forint-based loan, we have executed a cash flow hedge (CCIRS) agreement in June 2016 covering the entire loan amount and cash flows from the beginning of the loan repayment period until the expiration of the loan contract, by which we have converted the forint-based capital and interest payment obligations onto euro base.

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

Other key issues

Realization of the educational function

In order to further strengthen Graphisoft Park's "science park" features we have concluded an agreement with the Aquincum Institute of Technology (AIT) in 2009 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 constituents of AIT's student body come from the most excellent Universities of the United States on their study abroad semester. AIT provides high-level education in small classes for selected students from BME as well, for whom tuition is waived. The personal relations developing with the North American students may prove to be invaluable assets for their later careers. AIT's curriculum uniquely blends IT education in line with Graphisoft Park's professional orientation with business studies. 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.

AIT was launched with a summer pilot program in 2010 concluding three years of preparation. The curriculum was finalized after gathering the feedbacks from students and faculty and drawing the conclusions from the pilot program. 12 semesters have been concluded since the pilot program, with 160 students in 2016. To this date a total of 50 North American universities and colleges have sent students to participate in AIT's program and recognized its BME accredited credits. The most well-known universities among these are Harvard, Yale, MIT, Princeton, Brown, Cornell, Columbia, Dartmouth, UPenn, Rochester and Tufts (including all the prestigious schools of the Ivy League), and some of the famous colleges, such as Williams, Carleton, Harvey Mudd and Pomona. A significant proportion of the students remain in Hungary after the spring semesters for a 1 or 2 months internship with the best Hungarian IT companies (Graphisoft, Prezi, LogMeIn, Ustream, etc). These students return home with great impressions and spread the news of the Hungarian IT industry in the world. Some of them are coming back to Hungary after obtaining their diplomas to gain permanent employment with these companies.

Since 2013 fall, AIT is operating in its permanent location, in one of the former industrial buildings renovated and repurposed exemplarily to suit educational functions.

With the renovation of another three buildings in the monument area in July, 2014, and with the International Business School's (IBS) moved in, the university campus in the former Gasworks with over 1,000 students is complete. The inauguration ceremony of the new educational facilities named "Aquincum Campus" took place on September 5, 2014, with the participation of István Tarlós, mayor of Budapest and Balázs Bús, mayor of the third district.

AIT-Budapest reached the income level needed for long term operation in 2014 from the tuition collected from North American students, and it sustains profitable operation since. At the time of making this report the 2017 spring semester is in progress, which saw approximately 50% more applications over AIT's maximum capacity. This supports the long term sustainability of the educational venture (of which Graphisoft Park owns a 10% share), making the Park an even more attractive destination.

Creating the start-up ecosystem

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

Legal proceedings

Graphisoft Park SE's wholly owned subsidiary, Graphisoft Park Kft. filed suit on June 8, 2016 against the Municipality of Budapest for the removal of a pledge over property.

As published in our previous reports, in the purchase of land contract with the Municipality of Budapest in 2008 we have undertook the duty to carry out development for educational purpose by renovating the protected monument parts of the purchased property. To secure the realization of this duty a pledge in the value of 1 billion forints had been recorded. The starting date of the 5 year deadline (execution of plot division) for completing the development has not passed yet, we have met and exceeded our duties ahead of time (see details in the „Realization of the educational function" section above). As the Municipality has refused our request to remove the pledge over property, we have filed suit to the same end with the Budapest-Capital Regional Court. The Court has ruled in Graphisoft Park's favor and ordered the removal of the pledge. At the time of making this report the proceedings continue at the appeals court as the Municipality appealed the decision with the execution pending for the duration of the appeal proceedings.

Forecast for the year 2017

Our forecast 2017 results (from ordinary activities) is summarized in the following table, based on signed and valid lease agreements with the current occupancy rate at an effective 100% (see details in section "Utilization, occupancy"; the first column shows 2016 actual results):

(million euros)	**2016 actual**	**2017 forecast**
Rental revenue	**9.52**	**10.4**
Operating expense	-1.13	-1.3
Other income, net	0.35	0.3
EBITDA	**8.74**	**9.4**
Depreciation	-4.18	-4.4
Operating profit	**4.56**	**5.0**
Net interest expense	-0.83	-0.8
Exchange rate difference	-	-
Profit before tax	**3.73**	**4.2**
Income tax expense	-0.56	-0.7
Net profit	**3.17**	**3.5**

Change in results for 2017 compared to 2016 bases is the impact of the following main factors:

- Revenue is expected to rise by 900 thousand euros in 2017 compared to 2016 due to the following factors: (1) rental revenue from the new buildings in the core area to be delivered in 2017 (see "Development activities" section for details) will increase revenue by 1.1 million euros (calculated at 10 months and 100% occupancy in the new SAP wing, and at 6 months and initial 60% occupancy in the start-up building); (2) internal tenant moving and significant remodeling works will temporarily reduce the current 100% occupancy in the existing buildings throughout 2017, which will result in a 200 thousand euros revenue dip.

- Cost of operation is expected to rise by 200 thousand euros in 2017 compared to 2016. Employee related and other expenses will grow at that rate due to the costs associated with the ongoing developments in the core area and the southern development area (see "Development activities" section for details), and due to the operating expenses associated with the buildings to be delivered in 2017 in the core area.

- Depreciation is expected to increase by 200 thousand euros in 2017 compared to 2016 due to the following factors: (1) depreciation for the new buildings to be delivered in the core area in 2017 (see "Development activities" section for details) will be 800 thousand euros (calculated at 10 months for the new SAP wing and at 6 months for the start-up building); and (2) depreciation for the existing buildings will decrease by 600 thousand euros due to depreciation ending for older assets.

- Net interest expense is not expected to change in 2017 compared to 2016 due to the following factors: (1) interest expense on the loan borrowed to finance the development of the new buildings to be delivered in the core area in 2017 is expected to be approximately 200 thousand euros in 2017 (interest expense accounted for in the income statement after the delivery of the buildings; calculated at 10 months for the new SAP wing and at 6 months for the start-up building); and (2) interest expense decrease over loans connected to the existing buildings and the diminishing principal result in a 200 thousand euros drop in net interest expense.

- Income tax is expected to increase by nearly 200 thousand euros in 2017 compared to 2016 due to higher revenue and profit before tax.

Due to all the above, for 2017 we are expecting a net profit of 3.5 million euros, 300 thousand euros higher than in 2016.

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

It is our intention to maintain the price structure designed to match the high value services provided by Graphisoft Park in order to be able to preserve the level of service provided in the long run. Graphisoft Park has no intention to compete with the very low prices observed at some places in the Budapest rental market, therefore losing some tenants for this is a probable but not likely factor to be reckoned with.

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

General information

Graphisoft Park Group

Graphisoft Park SE Real Estate Development European Company Limited by Shares (the "Company" or “Graphisoft Park SE”) with its subsidiaries form the Graphisoft Park Group (“the Group” or “Graphisoft Park”). Graphisoft Park SE and subsidiaries are incorporated under the laws of Hungary. The court registration number of Graphisoft Park SE is CG 01-20-000002. The registered address of the Company is H-1031 Budapest, Záhony utca 7, Hungary.

Corporate Governance

Public companies are increasingly expected to state clearly their corporate governance principles and to what extent those principles are implemented. As a company listed on the Budapest Stock Exchange (BSE), we are highly committed to meeting these expectations and legal and stock exchange requirements (publicly available at BSE website: bse.hu).

The Statutes of Graphisoft Park SE provides as governing bodies the general meeting of shareholders and the Board of Directors (single-tier system). Under the single-tier system, the SE is managed by the Board of Directors. The members of the Board of Directors have the power to represent the company in dealings with third parties. Under the single-tier system the Board of Directors may delegate the power of management to one or more of its members. The independent members of the Board of Directors form the Audit Committee.

General Meeting

The General Meeting is the principal body of the Company, which comprises all the shareholders. The following activities shall fall within the exclusive authority of the General Meeting (inter alia, see details in the Articles of Association: graphisoftpark.com/corporate-governance):

- Decision on the establishment of, and amendment to these Articles, unless otherwise provided by the Companies Act;
- Electing and dismissing the members and chairman of the Board of Directors, the auditor, and determining their remuneration, including their service as members of the committees of the Board of Directors.

Board of Directors

The Board of Directors is responsible for the Company's management and decides on matters other than those that must be determined by shareholders. The Board of Directors is required to report annually to the shareholders at the annual general meeting of the shareholders.

Pursuant to the Company's Articles of Association, the Board of Directors consists of a minimum of 5 and a maximum of 11 members elected at the annual general meeting of the shareholders for a term not to exceed of 6 years. Presently Graphisoft Park SE operates with 5 members of Board.

Meetings of the Board of Directors are held at least four times a year. Meetings of the Board of Directors require the presence of 3 for a quorum. Each member has one vote. The Board of Directors passes resolutions by simple majority vote.

Members of the Board of Directors:

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

Audit Committee

The Audit Committee assists in the appointment of independent auditors to be elected by the annual general meeting and reviews the scope of external audit services. It must pre-approve all audit and non-audit services to be performed by the external auditor.

The Audit Committee also reviews the annual financial statements of Graphisoft Park, taking into account the results of the audits and reviews performed by the independent auditors. The Audit Committee also reviews financial reports submitted to the stock exchanges, banks and regulatory bodies.

The Audit Committee shall have as many as necessary but at least four meetings each year. Audit Committee members are appointed from the independent members of the Board of Directors by the general meeting of the company.

Members of the Audit Committee:

Name	Position	From	Until
Dr. Kálmán János	Chairman	August 21, 2006	May 31, 2018
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2018
Szigeti András	Member	July 21, 2014	May 31, 2018

Stock information

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

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

	December 31, 2015		December 31, 2016	
Shareholder	**Shares (pcs)**	**Share (%)**	**Shares (pcs)**	**Share (%)**
ORDINARY SHARES:	**10,631,674**	**85.00**	**10,631,674**	**85.00**
Shareholders over 5% share	**5,324,649**	**42.57**	**5,793,531**	**46.33**
Bojár Gábor	3,185,125	25.47	3,185,125	25.47
Concorde Zrt.	1,643,881	13.14	1,602,963	12.82
AEGON Zrt.	495,643	3.96	1,005,443	8.04
Other shareholders	**4,757,949**	**38.04**	**4,289,067**	**34.28**
Treasury shares*	**549,076**	**4.39**	**549,076**	**4.39**
EMPLOYEE SHARES:**	**1,876,167**	**15.00**	**1,876,167**	**15.00**
SHARES TOTAL:	**12,507,841**	**100.00**	**12,507,841**	**100.00**

* Treasury shares possessed by the Company do not pay dividend and bear no voting rights.

** Class „B" employee shares bear different (reduced) rights to dividend at the proportion of one third of their face value, and are governed by the provisions of the Articles of Association and the Management Share Ownership Plan.

***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 20, 2017

Hajba Róbert
Chief Financial Officer

Kocsány János
Chief Executive Officer

GRAPHISOFT PARK SE

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2016

in accordance with International Financial Reporting Standards (IFRS)

(audited)

Budapest, March 20, 2017

Hajba Róbert
Chief Financial Officer

Kocsány János
Chief Executive Officer

GRAPHISOFT PARK SE
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

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Ernst & Young Kft.
Ernst & Young Ltd.
H-1132 Budapest Váci út 20.
1399 Budapest 62. Pf.632, Hungary

Tel: +36 1 451 8100
Fax: +36 1 451 8199
www.ey.com/hu
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

Opinion

We have audited the accompanying 2016 consolidated financial statements of Graphisoft Park SE Ingatlanfejlesztő Európai Részvénytársaság and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2016 - showing a balance sheet total of EUR 79,669 thousand and a total comprehensive income for the year of EUR 3,061 thousand -, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs").

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Hungary, and we have fulfilled our ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements section" of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<u>Determination of fair value of investment properties</u>

The Group's investment properties represent 87% of total assets carried at cost. Fair value of investment properties is determined by management annually for disclosure purposes and also represent a key factor in performing the impairment review. Valuation of investment properties is a significant judgmental area and it is highly dependent on estimates relating to future rental revenue, inflation and occupancy rates.	Our audit procedures included, among others, using a valuation expert to assist us in evaluating the assumptions and methodologies used by management and tested input data of the valuation model and also evaluating management's qualification for performing such valuation. We assessed completeness and the adequacy of the Group's disclosures about those assumptions to which the outcome of the valuation model is most sensitive. The Group's disclosures about its investment properties are included in Note 10 which specifically explains the key assumptions used when determining fair value.

Other information

Other information consists of the 2016 business report of the Group included in the annual report. Management is responsible for the preparation of the business report in accordance with the Act C of 2000 on Accounting ("Hungarian Accounting Law") and other relevant legal requirements, if any. Our opinion on the consolidated financial statements does not cover the business report.

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

Our opinion on the business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g) of Section 95/B of the Hungarian Accounting Law have been made available.

In our opinion, the business report of the Group, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2016 corresponds to the 2016 consolidated financial statements of the Group and has been prepared in accordance with the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Group further requirements with regard to its business report, our opinion on the business report does not include opinion in this regard as required by Subsection (5) h) of Section 156 of the Hungarian Accounting Law.

We also confirm that the Group have made available the information required according to Subsection (2) a)-d) and g) of Section 95/B of the Hungarian Accounting Law.

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Building a better
working world

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Budapest, March 20, 2017

Szabó Gergely
Engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Bodócsy Ágnes
Registered auditor
Chamber membership No.: 007117

GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2016
(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2015	December 31, 2016
Cash and cash equivalents	4	4,794	2,621
Trade receivables	5	178	1,083
Current tax receivable	6	131	271
Other current assets	7	125	5,681
Current assets		**5,228**	**9,656**
Investment property	8, 10	60,254	69,655
Other tangible assets	8	273	247
Investments	11	100	100
Deferred tax asset	15	19	11
Non-current assets		**60,646**	**70,013**
TOTAL ASSETS		**65,874**	**79,669**
Short-term loans	14	3,243	3,516
Trade payables	12	961	4,190
Current tax liability	6	123	279
Other short-term liabilities	13	1,601	1,661
Current liabilities		**5,928**	**9,646**
Long-term loans	14	36,737	44,313
Deferred tax liability	15	408	593
Other long-term liabilities	16	-	1,588
Non-current liabilities		**37,145**	**46,494**
TOTAL LIABILITIES		**43,073**	**56,140**
Share capital	1.3	250	250
Retained earnings		26,446	27,174
Treasury shares	24	(962)	(962)
Accumulated translation difference		(2,933)	(2,933)
Shareholders' equity		**22,801**	**23,529**
TOTAL LIABILITIES & EQUITY		**65,874**	**79,669**

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, 2016
(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2015	December 31, 2016
Property rental revenue	17	9,484	9,525
Revenue		**9,484**	**9,525**
Property related expense	18	(49)	(49)
Employee related expense	18	(594)	(759)
Other operating expense	18	(269)	(323)
Depreciation and amortization	8, 9, 18	(4,194)	(4,183)
Operating expense		**(5,106)**	**(5,314)**
Other income (expense)	19	(252)	226
OPERATING PROFIT		**4,126**	**4,437**
Interest income	20	21	3
Interest expense	20	(1,327)	(828)
Exchange rate difference	21	216	(4)
Financial expense		**(1,090)**	**(829)**
PROFIT BEFORE TAX		**3,036**	**3,608**
Income tax expense	22	(539)	(547)
PROFIT FOR THE YEAR		**2,497**	**3,061**
Attributable to equity holders of the parent		2,497	3,061
Basic earnings per share (EUR)	23	0.25	0.30
Diluted earnings per share (EUR)	23	0,25	0.30

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, 2016
(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2015	December 31, 2016
Profit for the year		**2,497**	**3,061**
COMPREHENSIVE INCOME		**2,497**	**3,061**
Attributable to equity holders of the parent		2,497	3,061

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, 2016
(all amounts in thousands EUR unless otherwise stated)

	Share capital	Retained earnings	Treasury shares*	Accum. translation difference	Total equity
December 31, 2014	**250**	**25,953**	**(962)**	**(2,933)**	**22,308**
Profit for the period	-	2,497	-	-	**2,497**
Dividend	-	(2,004)	-	-	**(2,004)**
December 31, 2015	**250**	**26,446**	**(962)**	**(2,933)**	**22,801**
Profit for the period	-	3,061	-	-	**3,061**
Dividend**	-	(2,333)	-	-	**(2,333)**
December 31, 2016	**250**	**27,174**	**(962)**	**(2,933)**	**23,529**

* Treasury share details are disclosed in Note 24.
** Dividend details are disclosed in Note 30.

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, 2016
(all amounts in thousands EUR unless otherwise stated)

	December 31, 2015	December 31, 2016
OPERATING ACTIVITIES		
Profit before tax	3,036	3,608
Depreciation and amortization	4,194	4,183
(Gain) / loss on sale of tangible assets	(16)	3
Disposal of tangible assets	535	123
Interest expense	1,327	828
Interest income	(21)	(3)
Provision for bad debts	12	-
Unrealized foreign exchange losses / (gains)	29	(13)
Changes in working capital:		
(Increase) / decrease in receivables and other current assets	85	(6,547)
Increase / (decrease) in payables and accruals	(157)	950
Corporate income tax paid	(339)	(406)
Net cash from operating activities	**8,685**	**2,726**
INVESTING ACTIVITES		
Purchase of investment property	(1,151)	(11,327)
Purchase of other tangible assets and intangibles	(88)	(55)
Sale of tangible assets	29	-
Interest paid - capitalized	-	(76)
Interest received	36	3
Net cash used in investing activities	**(1,174)**	**(11,455)**
FINANCING ACTIVITIES		
Proceeds from receipt of loans	-	12,956
Loan repayments	(4,332)	(3,282)
Interest paid	(1,335)	(810)
Dividend paid	(2,002)	(2,305)
Net cash from / (used in) financing activities	**(7,669)**	**6,559**
Decrease in cash and cash equivalents	(158)	(2,170)
Cash and cash equivalents at beginning of year	4,822	4,794
Exchange rate gain / (loss) on cash and cash equivalents	130	(3)
Cash and cash equivalents at end of year	**4,794**	**2,621**

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 the Graphisoft Park Group (“the Group” or “Graphisoft Park”).

Graphisoft Park SE and subsidiaries are incorporated under the laws of Hungary. The court registration number of Graphisoft Park SE is CG 01-20-000002. The 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 subsidiaries: Graphisoft Park Kft., Graphisoft Park South I. Kft. and Graphisoft Park South II. Development Kft. Graphisoft Park Kft’s subsidiary, Graphisoft Park Services Kft. is responsible for property operation tasks.

Average headcount of the Group was 19 in 2016 and 17 in 2015.

1.2. Properties

The total area of Graphisoft Park is nearly 18 hectares. Over the past 18 years, 58,500 m2 of office, laboratory and educational space have been developed and occupied by tenants, and further 14,500 m2 office space is under construction. The remaining area provides the opportunity to develop an additional 54,000 m2 of office space.

The real estate is categorized as follows:

Area	Property
Core area	modern office park spreading over 8.5 hectares of land, comprising 48,500 m2 completed office and laboratory space, and further 2,500 m2 office space under construction
Monument area	2.4 hectares of land comprising 13,000 m2 of total rentable net internal area of the monument buildings, out of which 7,000 m2 has been renovated
Development areas	6.8 hectares of development land, on which a 3,000 m2 floor area dormitory has been constructed, and further 12,000 m2 office space is under construction

(all amounts in thousands EUR unless otherwise stated)

1.3. Stock information

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

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

	December 31, 2015		December 31, 2016	
Shareholder	**Shares (pcs)**	**Share (%)**	**Shares (pcs)**	**Share (%)**
ORDINARY SHARES:	**10,631,674**	**85.00**	**10,631,674**	**85.00**
Directors and management	**3,514,538**	**28.11**	**3,424,082**	**27.38**
Bojár Gábor - Chairman of the BoD	3,185,125	25.47	3,185,125	25.47
Dr. Kálmán János - Member of the BoD	13,500	0.11	13,500	0.11
Szigeti András - Member of the BoD	126,000	1.01	126,000	1.01
Kocsány János - Member of the BoD, CEO***	180,913	1.45	90,457	0.72
Hajba Róbert - CFO	9,000	0.07	9,000	0.07
Shareholders over 5% share	**2,139,524**	**17.10**	**2,608,406**	**20.86**
Concorde Alapkezelő Zrt.	1,643,881	13.14	1,602,963	12.82
AEGON Magyarország Befektetési Alapkezelő Zrt.****	495,643	3.96	1,005,443	8.04
Other shareholders	**4,428,536**	**35.40**	**4,050,110**	**32.37**
Treasury shares*	**549,076**	**4.39**	**549,076**	**4.39**
EMPLOYEE SHARES:**	**1,876,167**	**15.00**	**1,876,167**	**15.00**
Kocsány János - Member of the BoD, CEO	1,250,778	10.00	1,250,778	10.00
Hajba Róbert - CFO	625,389	5.00	625,389	5.00
SHARES TOTAL:	**12,507,841**	**100.00**	**12,507,841**	**100.00**

* Treasury shares possessed by the Company do not pay dividend and bear no voting rights. For details, see Note 24.
** Class „B" employee shares bear different (reduced) rights to dividend at the proportion of one third of their face value, and are governed by the provisions of the Articles of Association and the Management Share Ownership Plan.
*** Share ownership of Kocsány János decreased in the first quarter of 2016 due to division of assets between family members.
**** AEGON Magyarország Befektetési Alapkezelő Zrt. has acquired 500,000 Graphisoft Park SE ordinary shares on February 24, 2016 through its managed funds in an over the counter transaction. Altogether with the completed recent transaction AEGON Magyarország Befektetési Alapkezelő Zrt. increased its Graphisoft Park SE stock over 5%, to 995,643 shares with 7.96% of the voting rights.

(all amounts in thousands EUR unless otherwise stated)

1.4. Corporate Governance

Public companies are increasingly expected to state clearly their corporate governance principles and to what extent those principles are implemented. As a company listed on the Budapest Stock Exchange (BSE), we are highly committed to meeting these expectations and legal and stock exchange requirements (publicly available at BSE website: bse.hu).

The Statutes of Graphisoft Park SE provides as governing bodies the general meeting of shareholders and the Board of Directors (single-tier system). Under the single-tier system, the SE is managed by the Board of Directors. The members of the Board of Directors have the power to represent the company in dealings with third parties. Under the single-tier system the Board of Directors may delegate the power of management to one or more of its members. The independent members of the Board of Directors form the Audit Committee.

General Meeting

The General Meeting is the principal body of the Company, which comprises all the shareholders. The following activities shall fall within the exclusive authority of the General Meeting (inter alia, see details in the Articles of Association: graphisoftpark.com/corporate-governance):

- Decision on the establishment of, and amendment to these Articles, unless otherwise provided by the Companies Act;
- Electing and dismissing the members and chairman of the Board of Directors, the auditor, and determining their remuneration, including their service as members of the committees of the Board of Directors.

Board of Directors

The Board of Directors is responsible for the Company's management and decides on matters other than those that must be determined by shareholders. The Board of Directors is required to report annually to the shareholders at the annual general meeting of the shareholders.

Pursuant to the Company's Articles of Association, the Board of Directors consists of a minimum of 5 and a maximum of 11 members elected at the annual general meeting of the shareholders for a term not to exceed of 6 years. Presently Graphisoft Park SE operates with 5 members of Board.

Meetings of the Board of Directors are held at least four times a year. Meetings of the Board of Directors require the presence of 3 for a quorum. Each member has one vote. The Board of Directors passes resolutions by simple majority vote.

Members of the Board of Directors:

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

(all amounts in thousands EUR unless otherwise stated)

Audit Committee

The Audit Committee assists in the appointment of independent auditors to be elected by the annual general meeting and reviews the scope of external audit services. It must pre-approve all audit and non-audit services to be performed by the external auditor.

The Audit Committee also reviews the annual financial statements of Graphisoft Park, taking into account the results of the audits and reviews performed by the independent auditors. The Audit Committee also reviews financial reports submitted to the stock exchanges, banks and regulatory bodies.

The Audit Committee shall have as many as necessary but at least four meetings each year. Audit Committee members are appointed from the independent members of the Board of Directors by the general meeting of the company.

Members of the Audit Committee:

Name	Position	From	Until
Dr. Kálmán János	Chairman	August 21, 2006	May 31, 2018
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2018
Szigeti András	Member	July 21, 2014	May 31, 2018

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 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

Adoption of new or modified standards and interpretations

In 2016, 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, 2016. 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, 2016. 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 16 Property, Plant and Equipment
- IAS 27 Separate Financial Statements
- IAS 38 Intangible Assets
- IFRS 11 Joint Arrangements

IAS 16 Property, Plant and Equipment: The amendments are effective for annual periods beginning on or after January 1, 2016. The amendment clarifies the principle that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment. The amendment has no impact on the Group.

IAS 27 Separate Financial Statements: The amendment is effective for annual periods beginning on or after January 1, 2016. The amendment reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendment has no impact on the Group.

IAS 38 Intangible Assets: The amendments are effective for annual periods beginning on or after January 1, 2016. The amendment clarifies the principle that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method may only be used in very limited circumstances to amortize intangible assets. The amendment has no impact on the Group.

IFRS 11 Joint Arrangements: The amendments are effective for annual periods beginning on or after January 1, 2016. The amendment requires that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendment also clarifies that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendment has no impact on the Group.

Annual Improvements – 2012-2014

The below amendments became effective for annual periods beginning on or after January 1, 2016.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Assets (or disposal Companies) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures:

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting: The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report).

The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

Amendments to IAS 1 Disclosure Initiative: The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

The materiality requirements in IAS 1: (i) That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated. (ii) That entities have flexibility as to the order in which they present the notes to financial statements. (iii) That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception. The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

Improvements to IFRSs have 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 for the year commencing on January 1, 2016:

IFRS 9 Financial Instruments: Classification and Measurement: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard is effective retrospectively for annual periods beginning on or after January 1, 2018, but comparative information is not compulsory. Management anticipates that adoption of the first phase of IFRS 9 might have an effect on the classification and measurement of the Group's financial assets.

IFRS 15 Revenue from Contracts with Customers: IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. The standard is effective for annual periods beginning on or after January 1, 2018. The Group is assessing the possible effects of adoption of IFRS 15.

IFRS 16 leases: IFRS 16 was issued in January 2016 which requires lessees to recognize assets and liabilities for most leases. The standard will be effective for annual periods beginning on or after January 1, 2019. The Group is assessing the possible effects of adoption of IFRS 16.

(all amounts in thousands EUR unless otherwise stated)

2.3. Consolidated financial statements

The consolidated financial statements include the accounts of Graphisoft Park SE and the subsidiaries that it controls. Control is evidenced when the Group is exposed, or has rights, to variable returns from its involvement with a company, and has the ability to affect those returns through its power over the company. Power over an entity means having existing rights to direct its relevant activities. The relevant activities of a company are those activities which significantly affects its returns.

The following subsidiaries were consolidated in 2015:

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 South I. Kft. and Graphisoft Park South II. Development Kft. demerged from Graphisoft Park Kft. on September 30, 2016.

The following subsidiaries were consolidated in 2016:

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 South I. Kft.	September, 2015	-	20,000
Graphisoft Park South II. Development Kft.	September, 2015	-	20,000

All companies remained in Graphisoft Park SE's sole ownership after the demerger as well. Graphisoft Park SE is the 100% owner of Graphisoft Park Kft., Graphisoft Park South I. Kft. and Graphisoft Park South II. Development Kft., while Graphisoft Park Kft. is the 100% owner of Graphisoft Park Services Kft.

Graphisoft Park SE is the 100% owner of Graphisoft Park Kft., while Graphisoft Park Kft. is the 100% owner of Graphisoft Park Services Kft. 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, 2015	December 31, 2016
Graphisoft Park SE	EUR	EUR
Graphisoft Park Kft.	EUR	EUR
Graphisoft Park Services Kft.	HUF	HUF
Graphisoft Park South I. Kft.	-	EUR
Graphisoft Park South II. Development Kft.	-	EUR

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.

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 are translated at the closing rate at the date of the balance sheet;
(b) income statements are translated at annual 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	2015	2016
EUR/HUF opening:	314.89	313.12
EUR/HUF closing:	313.12	311.02
EUR/HUF average:	309.90	311.46

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. Derivative financial instruments

The derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year as finance income or expense. The year-end fair value of derivative financial instruments is determined by the contracted partner of the Group taking into expected yield and the contractual conditions.

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.

Fair value determination principles:

The fair value of investment property is determined on the basis of the income generating potential of the property.

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 (capital cost) of the investors and creditors, is applied to establish an indication of the present value of the income stream associated with the property.

For buildings, the calculated periodic cash flow is estimated as gross income less expense related to the operation and maintenance 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 building.

For development areas (building sites), the calculated periodic cash flow is estimated - based on a development plan determined by the Group - as gross income less expenses related to the operation and maintenance of the property, less expense related to the realization of the development (infrastructure, landscaping, cost of construction of the building and other expenses), and less expenses related to the development land incurring until the expected realization of the development (property tax and other costs). 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 development land.

Fair value hierarchy:

With regards to the investment property, the fair value measurement's IFRS 13 hierarchy level based on the valuations shown above is level 3.

Investment property fair value estimates are disclosed in Note 10.

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.

Fair value hierarchy:

With regards to the loans, the fair value measurement's IFRS 13 hierarchy level is level 3. The effective rate of interest used to present fair value is calculated considering market rates and the Group specific premium.

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 pension fund 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. Employee shares

Payouts related to employee shares (reduced rate dividend payments) are shown under employee related expenses in the statement of income in the period in which the dividends are approved by the shareholders.

2.20. 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 ordinary shares outstanding. Diluted earnings per share is calculated considering the weighted average number of diluting share options (if any) in addition to the number of ordinary shares outstanding.

2.21. 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.

2.22. 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.

2.23. 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).

2.24. Operating profit

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

2.25. 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.

2.26. Government grants

Government grants are recognized at fair value, if there is reasonable assurance that the grant will be received by the Group and every condition is complied with. Grants compensating expenses are recognized in the profit and loss statement in the period when the related expenses are recognized.

Grants related to assets are recognized as deferred income and recognized in the profit and loss statement systematically over the useful life of the asset.

2.27. 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

The Group assesses 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, the Group typically considers 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, the Group also determines 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 based on estimates and assumptions, the actual results may be significantly different from the results of these estimates, especially in case of development land.

Investment property fair value estimates are disclosed in Note 10.

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, 2015	December 31, 2016
Cash in hand	1	1
Cash at banks	4,793	2,620
Cash and bank	**4,794**	**2,621**

5. Trade receivables

	December 31, 2015	December 31, 2016
Trade receivables	190	1,083
Provision for doubtful debts	(12)	-
Trade receivables	**178**	**1,083**

Trade receivables are on 8-30 day payment terms.

Trade receivables' aging is as follows:

	December 31, 2015	December 31, 2016
Not overdue	115	881
Overdue less than 3 months	58	107
Overdue between 3 and 12 months	4	93
Overdue over 12 months	1	2
Trade receivables	**178**	**1,083**

(all amounts in thousands EUR unless otherwise stated)

6. Current tax receivables and liabilities

	December 31, 2015	December 31, 2016
Current tax receivables	131	271
Current tax liabilities	(123)	(279)
Current tax receivable (liability), net	**8**	**(8)**

7. Other current assets

	December 31, 2015	December 31, 2016
Accrued income	103	126
Prepaid expense	21	19
Bank security accounts	-	1,406
Construction fund manager accounts	-	4,121
Other receivables	1	9
Other current assets	**125**	**5,681**

(all amounts in thousands EUR unless otherwise stated)

8. 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, 2014	61,997	1,154	**63,151**	157	119	-	**276**	**63,427**
Gross value:								
December 31, 2014	93,612	1,154	**94,766**	475	226	-	**701**	**95,467**
Addition	-	1,753	**1,753**	-	-	88	**88**	**1,841**
Capitalization	662	(662)	**-**	20	68	(88)	**-**	**-**
Disposal	(1,363)	-	**(1,363)**	(1)	(54)	-	**(55)**	**(1,418)**
December 31, 2015	92,911	2,245	**95,156**	494	240	-	**734**	**95,890**
Depreciation:								
December 31, 2014	31,615	-	**31,615**	318	107	-	**425**	**32,040**
Addition	4,115	-	**4,115**	45	33	-	**78**	**4,193**
Disposal	(828)	-	**(828)**	(1)	(41)	-	**(42)**	**(870)**
December 31, 2015	34,902	-	**34,902**	362	99	-	**461**	**35,363**
Net value:								
December 31, 2015	58,009	2,245	**60,254**	132	141	-	**273**	**60,527**
Gross value:								
December 31, 2015	92,911	2,245	**95,156**	494	240	-	**734**	**95,890**
Addition	-	13,843	**13,843**	-	-	55	**55**	**13,898**
Capitalization	372	(372)	**-**	55	-	(55)	**-**	**-**
Sale	(220)	-	**(220)**	-	-	-	**-**	**(220)**
Disposal	(274)	-	**(274)**	-	-	-	**-**	**(274)**
Translation diff.	-	-	-	2	-	-	**2**	**2**
December 31, 2016	92,789	15,716	**108,505**	551	240	-	**791**	**109,296**
Depreciation:								
December 31, 2015	34,902	-	**34,902**	362	99	-	**461**	**35,363**
Addition	4,101	-	**4,101**	52	30	-	**82**	**4,183**
Sale	(2)	-	**(2)**	-	-	-	**-**	**(2)**
Disposal	(151)	-	**(151)**	-	-	-	**-**	**(151)**
Translation diff.	-	-	**-**	1	-	-	**1**	**1**
December 31, 2016	38,850	-	**38,850**	415	129	-	**544**	**39,394**
Net value:								
December 31, 2016	53,939	15,716	**69,655**	136	111	-	**247**	**69,902**

(all amounts in thousands EUR unless otherwise stated)

Addition in construction in progress of 13,898 thousand EUR comprise the value of the following:

- new developments in progress in the core area (11,188 thousand EUR),
- new developments in progress in the southern development area (2,286 thousand EUR), and
- other property developments and procurements (369 thousand EUR),
- other tangible assets (55 thousand EUR).

Construction in progress totaling 15.716 thousand EUR comprises the value of the following:

- historical buildings to be renovated in the monument and northern development area (1,145 thousand EUR),
- new developments in progress in the core area (12,271 thousand EUR),
- new developments in progress in the southern development area (2,286 thousand EUR), and
- other current developments (14 thousand EUR).

The Group capitalized 76 thousand EUR interest expense on construction in progress in 2016 (and no interest expense in 2015).

New developments began in Graphisoft Park in 2015, which will result in the construction of 8,000 m2 new office space by 2017. The construction of the new buildings required the demolition of older buildings. Demolition works started in the third quarter of 2015 and accordingly net book value (535 thousand EUR) of buildings demolished marked N and L has been written off. The demolition of Building K started in 2016 and accordingly net book value (123 thousand euros) of this building has been written off in the first quarter of 2016.

Investment property **fair value** estimates are disclosed in Note 10.

9. Intangible assets

The table shows movements of intangible assets:

	Software	**Intangible assets**		Software	**Intangible assets**
Net value:			***Net value:***		
December 31, 2014	-	**-**	**December 31, 2015**	-	**-**
Gross value:			***Gross value:***		
December 31, 2014	48	**48**	December 31, 2015	48	**48**
Addition	1	**1**	Additions	-	**-**
December 31, 2015	49	**49**	**December 31, 2016**	49	**49**
Depreciation:			***Depreciation:***		
December 31, 2014	48	**48**	December 31, 2015	48	**48**
Addition	1	**1**	Additions	-	**-**
December 31, 2015	49	**49**	**December 31, 2016**	49	**49**
Net value:			***Net value:***		
December 31, 2015	-	**-**	**December 31, 2016**	-	**-**

(all amounts in thousands EUR unless otherwise stated)

10. Fair value of investment property

The table below presents investment property fair value estimates:

	December 31, 2015	December 31, 2016
Office park	117,140	127,230
Office park - under construction	16,994	52,784
Campus	13,907	15,530
Buildings	**148,041**	**195,544**
Development areas	**20,988**	**20,324**
Fair value*	**169,029**	**215,868**
Cost to completion of buildings under construction	(15,423)	(26,949)
Fair value for financial reporting purposes	**153,606**	**188,919**

* The valuation as of December 31, 2016 was calculated with the assumed capital cost of 6.75% for the buildings and 7.75% for the development areas, while the valuation as of December 31, 2015 was calculated with the assumed capital cost of 7.25% for the buildings and 8.25% for the development areas, at 100% long-term occupancy rate in the campus and 90% in the office park assumed in both years.

(all amounts in thousands EUR unless otherwise stated)

Fair value changes:

The table below presents changes in investment property fair value compared to the previous valuation:

	December 31, 2015	December 31, 2016
Fair value in previous valuation	**156,920**	**153,606**
Decrease in capital cost	**-**	**24,160**
Increase in fair value of buildings under construction	16,994	30,878
Development area's involvement into development	-	(7,312)
Increase in construction costs	-	(6,696)
Modifications in the development plan	-	4,893
Increase in fair value of buildings completed	2,115	916
Decrease in fair value due to demolitions and remodeling	(7,000)	-
Changes in income generating potential of the properties*	**12,109**	**22,679**
Fair value	**169,029**	**200,445**
Cost to completion of buildings under construction	(15,423)	(11,526)
Fair value for financial reporting purposes	**153,606**	**188,919**

* Calculated with the capital cost used in the previous valuation.

Changes in the fair value of investment property in 2016 reflect the effects of the main factors below:

- In line with the fall in Budapest office market yields in 2016 the assumed capital cost used in the valuations was lowered by 50 basis points. The valuation as of December 31, 2016 was calculated with the assumed capital cost of 6.75% for the buildings and 7.75% for the development areas, while the valuation of December 31, 2015 was calculated with the assumed capital cost of 7.25% for the buildings and 8.25% for the development areas. Decrease in capital cost increased property fair value by 24 million euros.

- 8,000 m2 new office space and underground parking for 300 cars were under construction on December 31, 2015 and 20,000 m2 new office space and underground parking for 750 cars were under construction on December 31, 2016 in Graphisoft Park. Fair value of buildings under construction rose by 31 million euros, and the expected cost to completion of buildings under construction increased by 12 million euros, which is to be deducted from the estimated fair value of the buildings. The new constructions in progress increased the estimated fair value of the buildings by 19 million euros in total. The involvement of the land plot into the new development started in 2016 in the southern development area decreased estimated fair value of the development areas available for construction by 7 million euros. Due to all the above, property fair value rose by 12 million euros as a result of the new developments.

- Considering significant rise in construction cots in 2016 the expected reinstatement cost for the buildings was raised, which resulted in a 7 million euros fall in property fair value.

- Due to the new development started in 2016 and more favorable office market trends the Group modified the development plan and assumed a full build-up time of 15 years instead of the 20 years used earlier, which resulted in a 5 million euros increase in property fair value.

- Changes in rental contracts increased the fair value of the completed buildings by 1 million euros.

Due to the factors above the estimated fair value of investment property increased by 35 million euros compared to the valuation as of December 31, 2015.

Investment property, valuation principles, methods and assumptions as well as related analyses are disclosed in detail later within this note.

10.1. Investment property

Office park:

The development of the office park within the 8.5 hectares core area of Graphisoft Park had begun in 1996; the first buildings were completed in 1998.

At the beginning of 2015 altogether 45,000 m2 office and laboratory space as well as underground parking for 1,250 cars were available in the office park.

Graphisoft Park's largest tenant renting over 10,000 m2 office space currently, SAP Hungary Kft. renewed its lease in April 2015. In relation to the extension of the lease period new developments began in 2015, which will result in the construction of 8,000 m2 new office space and underground parking for 300 cars until 2017 in several phases. Construction of a new wing of 5,500 m2 directly adjacent to SAP's main building (marked S on the map below) has begun. In addition to this another building with 2,500 m2 floor space is under construction optimized for the needs of smaller companies and start-ups. The new wing adjacent to the SAP building has been delivered at the end of February, 2017, while the start-up building is expected to be delivered at the end of the second quarter in 2017.

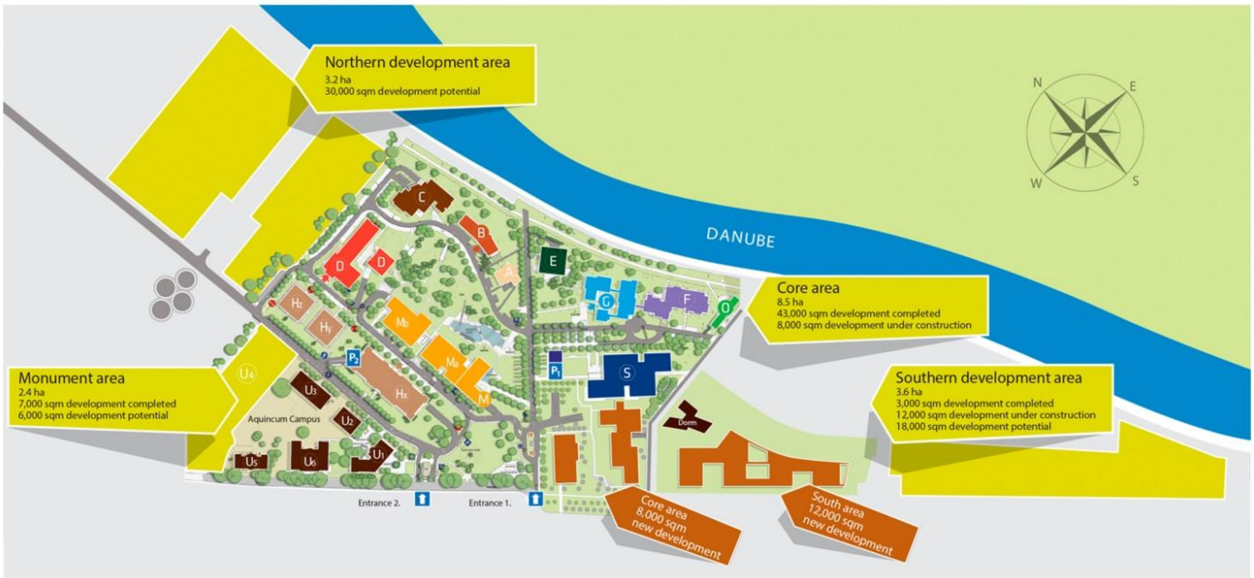
The new developments required the demolition and remodeling of older buildings with less economical uses of space under the current conditions. Demolition and remodeling works temporarily reduced rentable space by 2,000 m2 in the office park in 2015, therefore the net expansion is 6,000 m2.

By the completion of the new development in the middle of 2017, the office park will have 51,000 m2 office and laboratory space as well as underground parking for 1,550 cars available for its tenants.

With regards to the recent expansion needs articulated by the tenants in 2016 and to the occupancy levels in the Park near their effective cap, the Group started the construction of a new string of office building blocks with 12,000 m2 floor space and of an underground parking facility for 450 cars on the part of the southern development area that is already prepared for construction. The buildings are expected to be delivered in the first quarter of 2018.

By the completion of the new developments expected in 2018, the office park will have 63,000 m2 office and laboratory space as well as underground parking for 2,000 cars available for its tenants.

Occupancy rates in the office buildings stood at 100% on December 31, 2016 and are the same at the time of writing this report.



Campus:

In the 2.4 hectares monument area of Graphisoft Park the Group completed the renovation and repurposing of 7,000 m2 historical buildings of the old Gasworks' (buildings U1, U2, U3, U5 and U6) into a state-of-the-art university campus since 2010 in several phases. In relation to the education program, the Group constructed a 3,000 m2 dormitory building with 76 rooms, housing 85 persons in the southern development area. Occupancy rate in the campus and the dormitory was 100% on December 31, 2016 and is the same at the time of writing this report.

Renovation of the largest building of the monument area (building U4) has not begun at the time of writing this report. This building along with the attached land is considered to be development area until renovation starts.

Development areas:

The 7 hectares of free development land in Graphisoft Park (the southern development area without the dormitory, the northern development area and building U4 in the monument area not yet renovated) allowed for the development of a combined total of 70,000 m2 leasable office space at the end of 2015. Due to the new development started in 2016 in the southern development area and the related plot restructuring and change the free development land area decreased to 52,000 m2 which allows for the development of 54,000 m2 office space according to the zoning plan in effect.

10.2. Valuation principles, methods and assumptions

Valuation principles:

The fair value of investment property is determined on the basis of the income generating potential of the property.

Valuation 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 (capital cost) of the investors and creditors, is applied to establish an indication of the present value of the income stream associated with the property.

For buildings, the calculated periodic cash flow is estimated as gross income less expenses related to the operation and maintenance 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 building.

For development areas (building sites), the calculated periodic cash flow is estimated - based on a development plan determined by the Group - as gross income less expenses related to the operation and maintenance of the property, less expense related to the realization of the development (infrastructure, landscaping, cost of construction of the building and other expenses), and less expenses related to the development land incurring until the expected realization of the development (property tax and other costs). 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 development land.

Investment property fair value determination principles and methods are disclosed in detail in Note 2.9 (Accounting policies).

Assumptions:

Valuations of December 31, 2016 and December 31, 2015 were performed by the Group.

Key assumptions in the valuations are set out below:

- For the duration of executed and operative contracts rental rates were calculated as provided in the contracts, while after expiration actual (indexed) market rental fees were used.
- Operating expenses related to the property were planned at then current cost levels of the Group (11% of gross income).
- Property maintenance expenses were determined with regards to actual (indexed) market reinstatement rates (2% per year).
- When calculating reinstatement costs actual (indexed) specific market building rates were used.
- In the December 31, 2016 and 2015 valuations the Group assumed 100% long-term occupancy rate for the campus in line with the leases concluded. With the office park did not use the current occupancy rate of nearly 100% there for long-term estimates, but remained with our practice of assuming 90% occupancy for the offices in the long-term.
- The Group anticipates office space development in the development areas. Due to the new development started in 2016 and more favorable office market trends the Group modified the development plan and assumed a full build-up time of 15 years in the December 31, 2016 valuations instead of the 20 years used in the December 31, 2015 valuations.
- The valuations of the buildings (office park and campus) were calculated with an assumed capital cost (discount rate) of 6.75% as of December 31, 2016 and 7.25% as of December 31, 2015. With the valuation of the development areas, higher capital cost (discount rates) of 7.75% and 8.25% was used than for the completed buildings to reflect the risks inherent with incomplete developments.
- When determining future incomes and expenses, the European Central Bank's long term inflation forecasts were used.

(all amounts in thousands EUR unless otherwise stated)

Main input data sources for the valuations are summarized in the tables below:

		December 31, 2015	December 31, 2016
BUILDINGS COMPLETED:			
Leasable area	• office area	43,000 m2	43,000 m2
	• educational area	7,000 m2	7,000 m2
	• dormitory	3,000 m2 / 85 persons	3,000 m2 / 85 persons
Rent	• contracted	as provided in the contract	as provided in the contract
	• forecast	market rate	market rate
Occupancy	• office park actual	98%	100%
	• office park forecast	90%	90%
	• campus actual	100%	100%
	• campus forecast	100%	100%
Rental revenue	• one year forecast	9.5 million EUR (in 2016)	9.4 million EUR (in 2017)
	• long term forecast	9.4 million EUR	9.4 million EUR
	• maximum	10.2 million EUR	10.2 million EUR
Expenses	• operation	11% of rental revenue	11% of rental revenue
	• maintenance	2% of constr. cost yearly	2% of constr. cost yearly

(all amounts in thousands EUR unless otherwise stated)

		December 31, 2015	December 31, 2016

BUILDINGS UNDER CONSTRUCTION:

Leasable area	• office area	8,000 m2	20,000 m2
Rent	• contracted	as provided in the contract	as provided in the contract
	• forecast	market rate	market rate
Occupancy	• forecast 1st year	60%	60%
	• forecast from 2nd year	90%	90%
Rental revenue	• long term forecast	1.3 million EUR	3.9 million EUR
	• maximum	1.4 million EUR	4.3 million EUR
Expenses	• operation	11% of rental revenue	11% of rental revenue
	• maintenance	2% of constr. cost yearly	2% of constr. cost yearly

DEVELOPMENT AREAS:

Development area	land plot	7 hectares	5.2 hectares
	development potential	70,000 m2	54,000 m2
	development plan	constant, full build up in 20 years (2017-2036)	constant, full build up in 15 years (2018-2032)
Rent	forecast	market rate	market rate
Occupancy	forecast 1st year	60%	60%
	forecast 2nd year	75%	75%
	forecast from 3rd year	90%	90%
Rental revenue	long term forecast	13.4 million EUR	10.3 million EUR
	maximum	14.9 million EUR	11.4 million EUR
Expenses	operation	11% of rental revenue	11% of rental revenue
	maintenance	2% of constr. cost yearly	2% of constr. cost yearly
	construction	actual market rate indexed	actual market rate indexed

FINANCIAL:

Capital cost	buildings	7.25%	6.75%
(discount rate)	development areas	8.25%	7.75%
Inflation rate		0.3% (2016) – 1.8% (from 2019)	0.3% (2017) – 1.8% (from 2020)

Management judgment on fair value determination is disclosed in Note 3.3 (Critical accounting estimates and judgments).

(all amounts in thousands EUR unless otherwise stated)

10.3. Sensitivity analysis

Valuation as of December 31, 2016

The fair value of investment property varies by the capital cost (discount rate) and the long term occupancy rate as follows (with a 100% long term occupancy rate in the buildings of the campus):

Capital cost / buildings:		**6.50 %**	**6.75 %**	**7.00 %**
Capital cost / development areas:		**7.50 %**	**7.75 %**	**8.00 %**
Long term	**95 %**	219,322	204,351	190,849
occupancy	**90 %**	202,981	***188,919**	176,239
/ buildings:	**85 %**	185,121	172,051	160,271

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

Valuation as of December 31, 2015

The fair value of investment property varies by the capital cost (discount rate) and the long term occupancy rate as follows (with a 100% long term occupancy rate in the buildings of the campus):

Capital cost / buildings:		**7.00 %**	**7.25 %**	**7.50 %**
Capital cost / development areas:		**8.00 %**	**8.25 %**	**8.50 %**
Long term	**95 %**	177,192	165,768	155,405
occupancy	**90 %**	164,341	***153,606**	143,871
/ buildings:	**85 %**	150,292	140,309	131,261

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

(all amounts in thousands EUR unless otherwise stated)

11. Investments

	December 31, 2015	December 31, 2016
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 Kft. in 2009.

12. Trade payables

	December 31, 2015	December 31, 2016
Trade payables - domestic	961	4,190
Trade payables	**961**	**4,190**

The Group settles trade payables within the payment term, and had no overdue payables as of December 31, 2016 and 2015.

13. Other short-term liabilities

	December 31, 2015	December 31, 2016
Amounts due to employees	41	48
Deposits from tenants	608	612
Initial fair value difference of loans*	-	237
Other payables and accruals	952	764
Other short-term liabilities	**1,601**	**1,661**

* Initial fair value difference of loans with preferential interest rate due within one year. Details are disclosed in Note 14 (Loans).

(all amounts in thousands EUR unless otherwise stated)

14. Loans

14.1. Loan details

	December 31, 2015	December 31, 2016
Short-term	3,243	3,516
Long-term	36,737	44,313
Loans	**39,980**	**47,829**

Loans provided by Westdeutsche ImmobilienBank AG:

	December 31, 2015	December 31, 2016
Short-term	3,243	3,516
Long-term	36,737	33,181
Loans / Westdeutsche ImmobilienBank AG	**39,980**	**36,697**

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

Loans provided by Erste Bank Hungary Zrt.:

	December 31, 2015	December 31, 2016
Short-term	-	-
Long-term	-	9,379
Loans / Erste Bank Hungary Zrt.	**-**	**9,379**

The Company executed a loan agreement with Erste Bank Hungary Zrt. on December 28, 2015 with 10 years maturity to finance the ongoing development in the core area. In accordance with the loan agreement and its modification on December 29, 2016 Erste Bank makes a 4 billion HUF (12.6 million EUR) credit facility available to Graphisoft Park within Pillar I of the second phase of the National Bank of Hungary's Funding for Growth Scheme and another 3 million EUR credit facility within Pillar II of the third phase of the Funding for Growth Scheme. Main collaterals provided for the bank are: mortgage on real estate (up to 33 million EUR), revenue assignment and bank account pledge.

(all amounts in thousands EUR unless otherwise stated)

10,846 thousand EUR (3,373 million HUF) was drawn from the credit facility until December 31, 2016, which is 9,379 thousand euros at amortized initial fair value (see 14.2 for details below). Borrowing costs of the loan will be capitalized on construction in progress until the completion of the new developments in 2017.

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

Loans provided by UniCredit Bank Hungary Zrt.:

	December 31, 2015	December 31, 2016
Short-term	-	-
Long-term	-	1,753
Loans / UniCredit Bank Hungary Zrt.	**-**	**1,753**

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

2.111 thousand EUR was drawn from the credit facility until December 31, 2016, which is 1,753 thousand euros at amortized initial fair value (see 14.2 for details below). Borrowing costs of the loan will be capitalized on construction in progress until the completion of the new developments in 2018.

(all amounts in thousands EUR unless otherwise stated)

14.2. Analyses

Maturity profile of the loans:

	December 31, 2015	December 31, 2016
Due within 1 year	3,243	3,516
Due between 1-5 years	36,737	35,190
Due over 5 years	-	9,123
Loans	**39,980**	**47,829**

Fair value of the loans:

	December 31, 2015	December 31, 2016
Westdeutsche ImmobilienBank AG	39,656	36,398
Erste Bank Hungary Zrt.	-	9,379
UniCredit Bank Hungary Zrt.	-	1,753
Loans at fair value*	**39,656**	**47,540**

* Calculated at a 2.5% effective interest rate for the fixed interest period of the loans as of December 31, 2015 and 2016.

The weighted average interest rate of the loans was 1.4% as of December 31, 2016 and as of the date of the approval of these financial statements (2015: 3.1%).

(all amounts in thousands EUR unless otherwise stated)

Loans with preferential interest rate:

As part of its monetary policy instruments, National Bank of Hungary (NBH) launched its Funding for Growth Scheme (FGS) in 2013. Under FGS, the central bank provides refinancing loans at a preferential fixed interest rate of 0% with a maximum maturity of 10 years to credit institutions which the credit institutions lend further to small and medium sized enterprises with a capped interest margin. The following table shows loan liability for the loans borrowed by the Group within FGS broken down by amortized initial fair value (market rate loan liability) and amortized initial fair value difference (interest rate grant) elements as of December 31, 2016:

	Actual loan liability	**Initial fair value difference	*Initial fair value
Erste Bank Hungary Zrt.	10,846	1,467	9,379
UniCredit Bank Hungary Zrt.	2,111	358	1,753
Loans (FGS)	**12,957**	**1,825**	**11,132**

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

** Initial fair value difference of loans with preferential interest rate (government grant received through the Funding for Growth Scheme compensating expenses) are shown at other short-term liabilities (Note 13) and other long-term liabilities (Note 16) and amortized to the profit and loss statement based on the effective interest rate method.

15. Deferred taxes

	December 31, 2015	**December 31, 2016**
Development reserve	675	757
Depreciation	(22)	(20)
Loss carried forward	(264)	(155)
Deferred tax liability, net*	**389**	**582**

* 11 thousand EUR asset and 593 thousand EUR liability in 2016 (19 thousand EUR asset and 408 thousand EUR liability in 2015).

Deferred taxes were calculated at an income tax rate of 9% in 2016 and 10% in 2015.

(all amounts in thousands EUR unless otherwise stated)

16. Other long-term liabilities

	December 31, 2015	December 31, 2016
Initial fair value difference of loans*	-	1,588
Other long-term liabilities	**-**	**1,588**

* Initial fair value differences of loans with preferential interest rate due over one year. Details are disclosed in Note 14 (Loans).

17. Revenue

	December 31, 2015	December 31, 2016
Property rental	9,484	9,525
Revenue	**9,484**	**9,525**

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, 2015	December 31, 2016
Within 1 year	8,928	9,170
1– 5 years	14,618	13,876
Over 5 years	6,425	8,294
	29,971	**31,340**

(all amounts in thousands EUR unless otherwise stated)

18. Operating expense

	December 31, 2015	December 31, 2016
Property related expense	49	49
Employee related expense	594	759
Other operating expense	269	323
Depreciation and amortization	4,194	4,183
Operating expense	**5,106**	**5,314**

Other operating expense consists of the following items:

	December 31, 2015	December 31, 2016
Office and telecommunication	14	13
Legal and administration	127	162
Marketing	33	33
Other	95	115
Other operating expense	**269**	**323**

19. Other income (expense)

	December 31, 2015	December 31, 2016
Income from recharged construction expenses	192	812
Recharged construction expenses	(161)	(786)
Income from recharged operation expenses	3,514	3,578
Recharged operation expenses	(3,233)	(3,264)
Disposal of tangible assets*	(535)	(123)
Others	(29)	9
Other income (expense)	**(252)**	**226**

(all amounts in thousands EUR unless otherwise stated)

* New developments began in Graphisoft Park in 2015, which will result in the construction of 8,000 m2 new office space by 2017. The construction of the new buildings required the demolition of older buildings. Demolition works started in the third quarter of 2015 and accordingly net book value (535 thousand EUR) of buildings demolished marked N and L has been written off. The demolition of Building K started in 2016 and accordingly net book value (123 thousand euros) of this building has been written off in the first quarter of 2016.

20. Interest

	December 31, 2015	December 31, 2016
Interest received	21	3
Interest income	**21**	**3**
Interest paid on loans	(1,321)	(900)
Other interest paid	(6)	(4)
Borrowing cost capitalized	-	76
Interest expense	**(1,327)**	**(828)**
Net interest expense	**(1,306)**	**(825)**

21. Exchange rate difference

	December 31, 2015	December 31, 2016
Exchange rate gain (loss) realized	115	(14)
Exchange rate gain not realized	101	10
Exchange rate gain (loss)	**216**	**(4)**

(all amounts in thousands EUR unless otherwise stated)

22. Income taxes

	December 31, 2015	**December 31, 2016**
Current income tax	(329)	(355)
Deferred income tax	(210)	(192)
Income tax expense	**(539)**	**(547)**

Applicable tax rates are: 10% corporate income tax in 2015 and 2016 and 9% from 2017; 2% local business tax in 2015, 2016 and from 2017.

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

	December 31, 2015	**December 31, 2016**
Profit before tax	**3,036**	**3,608**
Tax at statutory rate	**304**	**361**
Effect of change in tax rate*	-	(65)
Non-taxable items	(19)	-
Translation difference	2	(7)
Corporate income tax	**287**	**289**
Local business tax	**252**	**258**
Tax expense	**539**	**547**
Effective tax rate	**17.8%**	**15.2%**

* Corporate income tax rate reduction (from 10% to 9%) effective from 2017 decreased deferred tax by 65 thousand euros.

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, 2015	December 31, 2016
Net profit attributable to equity holders of the parent	2,497	3,061
Weighted average number of ordinary shares outstanding	10,082,598	10,082,598
Basic earnings per share (EUR)	**0.25**	**0.30**
Weighted average number of ordinary shares outstanding	10,082,598	10,082,598
Diluted earnings per share (EUR)	**0.25**	**0.30**

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

Share ownerships details are disclosed in Note 1.3.

24. Treasury shares

Graphisoft Park SE treasury share details are as follows:

	December 31, 2015	December 31, 2016
Number of shares	549,076	549,076
Face value per share (EUR)	0.02	0.02
Total face value (EUR)	10,982	10,982
Treasury shares (at historical cost)	**962**	**962**

(all amounts in thousands EUR unless otherwise stated)

25. Net asset value

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

	Note	Book value December 31, 2016	Fair value December 31, 2016	*Difference*
Investment property	8, 10	69,655	188,919	119,264
Other tangible assets	8	247	247	0
Investments	11	100	100	0
Non-financial instruments		**70,002**	**189,266**	**119,264**
Cash and cash equivalents	4	2,621	2,621	0
Trade receivables	5	1,083	1,083	0
Other current assets	7	5,681	5,681	0
Current tax liability, net	6	(8)	(8)	0
Trade payables	12	(4,190)	(4,190)	0
Other short-term liabilities	13	(1,661)	(1,661)	0
Loans	14	(47,829)	(47,540)	289
Deferred tax liability, net	15	(582)	(582)	0
Other long-term liabilities	16	(1,588)	(1,588)	0
Financial instruments		**(46,473)**	**(46,184)**	**289**
Net asset value		**23,529**	**143,082**	**119,553**

(all amounts in thousands EUR unless otherwise stated)

Book value and fair value of assets and liabilities as of December 31, 2015:

	Note	**Book value December 31, 2015**	**Fair value December 31, 2015**	***Difference***
Investment property	8, 10	60,254	153,606	*93,352*
Other tangible assets	8	273	273	-
Investments	11	100	100	-
Non-financial instruments		**60,627**	**153,979**	***93,352***
Cash and cash equivalents	4	4,794	4,794	-
Trade receivables	5	178	178	-
Current tax asset, net	6	8	8	-
Other current assets	7	125	125	-
Deferred tax liability, net	16	(389)	(389)	-
Loans	14	(39,980)	(39,656)	*324*
Trade payables	12	(961)	(961)	-
Other short-term liabilities	13	(1,601)	(1,601)	-
Financial instruments		**(37,826)**	**(37,502)**	***324***
Net asset value		**22,801**	**116,477**	***93,676***

(all amounts in thousands EUR unless otherwise stated)

26. Related party disclosure

Transactions with related parties:

Graphisoft Park SE did not hold interests in entities other than its consolidated subsidiaries (100%) and AIT-Budapest Kft. (10%) in 2016 and 2015.

AIT-Budapest Kft., Graphisoft SE and vintoCON Kft. are deemed related parties of the Group in 2016 and 2015 in view of the following facts:

- Chairman of the Board of Directors of Graphisoft Park SE (Bojár Gábor) is Managing Director at AIT-Budapest Kft.,
- Chairman of the Board of Directors of Graphisoft Park SE (Bojár Gábor) is member of the Board of Directors of Graphisoft SE,
- Member of the Board of Directors of Graphisoft Park SE (Szigeti András) is member of the executive management 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, 2015	December 31, 2016
Sales to related parties	1,678	1,681
Purchases from related parties	4	4
Amounts owed by related parties	3	2
Amount owed to related parties	11	-

Transactions with the related parties were as follows in 2016 and 2015:

- AIT-Budapest Kft., Graphisoft SE and vintoCON Kft. leased a total office space of 6,100 m2 in Graphisoft Park in 2016 and 2015,
- Graphisoft Park SE provided financial and administration services for AIT-Budapest Kft. in 2016 and 2015,
- vintoCON Kft. provided software administration services for Graphisoft Park Services Kft. in 2016 and 2015,
- Graphisoft SE provided software administration services for Graphisoft Park Kft. in 2016 and 2015.

Transactions (sales to and purchases from) with the related parties are made at market prices. Office lease rent and service charges are similar to other tenants of the Group. No guarantees were provided or received for any related party receivables or payables. In 2016 and 2015, the Group has not recorded any impairment loss relating to amounts owed by related parties.

The Group signed a cooperation agreement with AIT-Budapest Kft. as disclosed in Note 27.

(all amounts in thousands EUR unless otherwise stated)

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

	December 31, 2015	December 31, 2016
Remuneration of the Board of Directors	58	64
Compensation of key management personnel	239	267
Total	**297**	**331**

* 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 or the key management personnel, and the Group did not undertake guarantees in their names.

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

	December 31, 2015		December 31, 2015	
Shareholder	**Shares (pcs)**	**Shares (pcs)**	**Shares (pcs)**	**Share (%)**
ORDINARY SHARES:	**3,514,538**	**28.11**	**3,424,082**	**27.38**
Bojár Gábor - Chairman of the BoD	3,185,125	25.47	3,185,125	25.47
Dr. Kálmán János - Member of the BoD	13,500	0.11	13,500	0.11
Szigeti András - Member of the BoD	126,000	1.01	126,000	1.01
Kocsány János - Member of the BoD, CEO	180,913	1.45	90,457	0.72
Hajba Róbert - CFO	9,000	0.07	9,000	0.07
EMPLOYEE SHARES:	**1,876,167**	**15.00**	**1,876,167**	**15.00**
Kocsány János - Member of the BoD, CEO	1,250,778	10.00	1,250,778	10.00
Hajba Róbert - CFO	625,389	5.00	625,389	5.00
SHARES TOTAL:	**5,390,705**	**43.11**	**5,300,249**	**42.38**

Information on shareholders and governance of the Company are provided in Notes 1.3 and 1.4.

27. Commitments, contingencies

Development for education purposes

The Group has a contractual commitment to develop 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 approval of the zoning plan for the area and the execution of the plot division. The zoning plan has been approved, the plot division may take several years to be carried out. The university campus was completed and handed over in September 2014. The educational program started in 2010 extended further with the International Business School (IBS) moving in.

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 responsibilities 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.

Legal proceedings

Graphisoft Park SE’s wholly owned subsidiary, Graphisoft Park Kft. filed suit on June 8, 2016 against the Municipality of Budapest for the removal of a pledge over property.

In the purchase of land contract with the Municipality of Budapest in 2008 the Group undertook the duty to carry out development for educational purpose by renovating the protected monument parts of the purchased property. To secure the realization of this duty a pledge in the value of 1 billion forints had been recorded. The starting date of the 5 year deadline (execution of plot division) for completing the development has not passed yet, the Group has met and exceeded our duties ahead of time. As the Municipality has refused our request to remove the pledge over property, the Group has filed suit to the same end with the Budapest-Capital Regional Court. The Court has ruled in Graphisoft Park’s favor and ordered the removal of the pledge. At the time of making this report the proceedings continue at the appeals court as the Municipality appealed the decision with the execution pending for the duration of the appeal proceedings.

28. Financial risk management

Changes in market and financial conditions may significantly affect results, assets and liabilities of the Group. Financial risk management aims to limit these risks through 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. 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 both the predominant part of the rental revenues and the debt service are denominated in EUR. The Group is exposed to foreign currency risk to a certain extent because operating and capital expenditures are mostly due 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 its long-term loans with floating interest rates (9.7 million EUR as of December 31, 2016 and 5.6 million EUR as of December 31, 2015).

To manage interest rate risk, the major part of the bank loans of the Group are subject to fixed interest rates. Conditions and balances of bank loans are disclosed in Note 14.

Credit risk:

Credit risk is the risk that counterparty does not meet its payment obligations. The Group is exposed to credit risk from its leasing and financing (including deposits with banks and financial investments) activities.

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. Tenant receivables are regularly monitored.

Credit risk related to tenant receivables is limited due to the composition of the tenant portfolio.

Revenue from 2 tenants (SAP Hungary Kft., Graphisoft SE) exceeded 10% of the total revenue of the Group in 2016 and 2015 (separately). Revenue from these 2 tenants represented 33% of the total revenue both in 2016 and 2015.

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, with substantial financial institutions.

Liquidity risk:

The Group's revenues are sufficient to cover debt service and operating costs, and therefore liquidity problems are not to be expected. Property development projects are planned together with their financing needs, and funds required to complete the projects are ensured in time.

The Group settles its payment obligations within the payment term, and had no overdue payables as of December 31, 2016 and 2015.

(all amounts in thousands EUR unless otherwise stated)

The two tables below summarize the maturity profile of financial liabilities based on contractual undiscounted payments as of December 31, 2016 and 2015.

December 31, 2016	**Overdue**	**Due within 1 year**	**Due between 1-5 years**	**Due over 5 years**	**Total**
Loans*	-	4,069	37,109	9,935	**51,113**
Trade payables	-	4,190	-	-	**4,190**
Current tax liability	-	279	-	-	**279**
Other liabilities	-	1,424	-	-	**1,424**
Financial liabilities	**-**	**9,962**	**37,109**	**9,935**	**57,006**

December 31, 2015	**Overdue**	**Due within 1 year**	**Due between 1-5 years**	**Due over 5 years**	**Total**
Loans*	-	4,127	38,238	-	**42,365**
Trade payables	-	961	-	-	**961**
Current tax liability	-	123	-	-	**123**
Other liabilities	-	1,601	-	-	**1,601**
Financial liabilities	**-**	**6,812**	**38,238**	**-**	**45,050**

* Capital plus interest calculated for the fixed interest period of the loan
* Loans and the initial fair value difference of loans with preferential interest rate altogether

29. Capital risk management

The Group'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 to approve dividend payments or adopt other changes in the equity capital in order to optimize the capital structure of the Group. This can be achieved primarily by adjusting the amount of dividends paid to shareholders, or alternatively, by returning capital to shareholders by capital reductions, selling or buying 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 financial indebtedness and the market value of the property. The objective of the Group is to keep DSCR above 1.25 and LTV below 0.60 (in line with the requirements of the existing loan agreements).

30. Approval of financial statements

Following the recommendation of the Board of Directors, the Annual General Meeting on April 28, 2016 approved the 2015 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 65,874 thousand EUR and a profit for the year of 2,497 thousand EUR. Together with the approval of the consolidated financial statements for issue, the Annual General Meeting approved dividend distribution of 72 HUF per ordinary share, 725,947 thousand HUF in total (2,333 thousand EUR on the exchange rate of April 28, 2016), and 24 HUF per employee share, 45,028 thousand HUF in total (145 thousand EUR on the exchange rate of April 28, 2016). The starting date for dividend payments was May 31, 2016. The Company paid out the dividends to the shareholders identified by shareholder's registration.

31. Events after the balance sheet date

The consolidated financial statements of the Company for the year 2016 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 20, 2017. Together with the approval of the consolidated financial statements for issue, the Board proposes dividend distribution of 78 HUF per ordinary share, 786,443 thousand HUF in total (2,529 thousand EUR on the exchange rate of December 31, 2016), and 26 HUF per employee share, 48,780 thousand HUF in total (157 thousand EUR on the exchange rate of December 31, 2016) to be approved by the Annual General Meeting of Graphisoft Park SE of April 20, 2017. The Annual General Meeting has the power to amend the consolidated financial statements.

32. 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.*