GRAPHISOFT PARK SE ANNUAL REPORT 2018

GRAPHISOFTPARK

Dear shareholders,

Graphisoft Park SE was registered as a regulated real estate investment company (SZIT) effective as of January 1, 2018. In order to comply with the rules of this status, the IFRS consolidated balance sheet and statement of income will not be presented based on the historical cost of real estate less depreciation, but based on the actual fair value, determined quarterly by an independent appraiser. Besides this, for the comparability with previous results and in the interest of providing guidance to our shareholders' in estimating dividend payments, we will present our current results according to the previously applied accounting policies ("pro forma" results). In the interest of continued stability and transparency the Board of Directors, based on the standalone financial statements of the Company and in full compliance with the SZIT regulations plans to propose the expected dividend amount to the General Meeting which equals the 90% of the consolidated pro forma results.

In 2018 the Company's IFRS consolidated pro forma result reached **4.45 million euros** surpassing the previously forecasted 4.3 million euros by 150 thousand euros. Accordingly, the Board of Directors plans to propose to the General Meeting dividend payment in amount of 4 million euros, which **equals to around 40 eurocents per ordinary share**.

Property portfolio and fair value of net assets

In 2018 in the southern area the South Park office building has been delivered. The office building, which consists of 4 blocks, received the occupancy permit in the second quarter of 2018. The tenant entered into possession of blocks A and B (altogether 8,400 m^2 of gross leasable area[1]) till July 10 and till the end of December 2018 additional around 4,000 m^2 office, storage and related service area were rented out; as such the occupancy rate of this building reached nearly 90% from January 2019. As a result, the gross leased area in the Park grew by more than 10% during the second half of 2018.

The fair value of the Company's entire property portfolio were valued by the independent appraiser (ESTON International Zrt.) at **265 million euros** in the 2018 Q4 report compared to the 262 million euros figure at the end of 2018 Q3. During the 3rd quarter of 2018 the delivery of South Park office building further increased the fair value of "Completed, delivered properties".

[thousands of EUR]

	Sept 30, 2018	Dec 31, 2018
Completed, delivered properties	231,840	234,630
Development lands	29,880	29,880
Estimated fair value of the entire property portfolio	**261,720**	**264,510**
Net asset value at estimated fair value	**187,241**	**190,796**
Net asset value at fair value per share (EUR)	18.6	18.9

At the end of 2018 Q4 increase in the fair value of properties resulted in **191 million euros** fair value of net assets which is nearly 4 million euros higher than at the end of the third quarter.

[1] Besides office space occupancy levels that we have published before, starting with the current management report we will publish gross leasable area occupancy levels in line with industry standards. Gross leasable area includes storage and other facilities in addition to office, laboratory and education spaces.

Pro forma results and forecast

Beginning from January 1, 2018 the Company have changed the depreciation key of building engineering assets uniformly to 7%. This change is based on the Company's 20 years experience in property operation, on the quality of materials built in and technology applied during the current refurbishment works.

The 2018 "pro forma" results developed more favorable than our latest forecast: the rental revenue surpassed our previously published plans by 100 thousand euros, while the net profit by 150 thousand euros; as a result the revenue figure reached 12.41 million euros and the **net profit reached 4.45 million euros**.

We have reached a rental revenue figure surpassing the same period of previous year by 1.8 million euros, in addition a one-off other revenue from engineering services provided also increased the results. EBIDTA rose by 2.3 million euros while the operational expenses decreased. Due to the delivery of new buildings depreciation charge increased and a one-off financial charge in connection with the refinancing of the loan also decreased the financial results. The net profit surpassed the figure of 2017 by 660 thousand euros.

Based on the recently concluded rental and other contracts we increased our 2019 expected rental revenue and other revenue by 100 and 100 thousand euros compared to our previously published forecast, therefore we modified our **2019 expected pro forma results to 4.7 million euros**. The new building complex delivered in 2018 will generate revenue in the whole next year therefore the 2019 expected rental revenue will be 14 million euros. With operating expense expected on a similar level and with a growing level of depreciation for the new completed developments and refurbishments the 2019 net profit is expected to surpass that of the current period by nearly 6%.

(million euros)	2017 actual	*2018 actual*	*2019 forecast*
Rental revenue	**10.62**	**12,41**	***14,0***
Other revenue	-	0,41	*-*
Other income (net)	0.44	0,55	*0,4*
Operating expense	(1.55)	(1,49)	*(1,4)*
EBITDA	**9.51**	**11,88**	***13,0***
Depreciation	(4.60)	(5,96)	*(7,1)*
Operating profit	**4.91**	**5,92**	***5,9***
Net interest expense	(0.90)	(1,42)	*(1,2)*
Profit before tax	**4.01**	**4,50**	***4,7***
Income tax expense	(0.22)	(0,05)	*0,0*
Net profit	**3.79**	**4,45**	***4,7***

In furtherance of this, with regards to the cash reserve expected to be available, as well as the dividend requirements of "SZIT" (primarily the guiding principles of those regulations), the Board plans to propose to the General Meeting **dividend payment in amount of 4.0 million euros**, which equals the 90% of the 2018 pro forma results.

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

Bojár Gábor
Chairman of Board of Directors

Kocsány János
Chief Executive Officer

Financial highlights

IFRS, consolidated, thousand EUR

Results:

	„Pro forma" results (1)		Results according to financial statements	
	12 months ended	12 months ended	12 months ended	12 months ended
	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018
	modified		modified	
A) Result from ordinary activities:				
Rental revenue	**10,624**	**12,411**	**10,624**	**12,411**
Other revenue	-	408	-	408
Operating expense (2)	(1,345)	(1,494)	(1,345)	(1,494)
Other income	437	552	437	552
EBITDA	**9,716**	**11,877**	**9,716**	**11,877**
Valuation gains from investment property (3)	-	-	17,771	4,858
Depreciation and amortization	(4,611)	(5,963)	(179)	(190)
Operating profit	**5,105**	**5,914**	**27,308**	**16,545**
Net interest expense	(802)	(972)	(802)	(972)
Other financial costs (4)	-	(258)	-	(258)
Other financial result	(100)	(187)	(100)	(187)
Profit before tax	**4,203**	**4,497**	**26,406**	**15,128**
Income tax expense	(217)	(45)	(217)	(45)
Profit for the period	**3,986**	**4,452**	**26,189**	**15,083**
Earnings per share (EUR) (5)	**0.40**	**0.44**	**2.60**	**1.50**
B) Other results (one-off items) (6):				
Income tax benefit	582	-	582	-
Profit for the period	**582**	**-**	**582**	**-**
A+B) Profit for the period	**4,568**	**4,452**	**26,771**	**15,083**
Earnings per share (EUR) (5)	**0.45**	**0.44**	**2.66**	**1.50**

(1) "Pro forma" results show profit and loss according to the previously applied accounting policies (cost model).

(2) Operating expenses were adjusted in the comparative period with the capitalized development direct costs.

(3) Significant increase in fair value in the comparative period is due to the progress in real estate developments, the delivery of the new SAP wing and the Startup building and extremely fast decrease in expected return (yield). In the current period the independent appraiser has not considered such significant decrease in yield yet; further increase in fair value is due to the handover of the new building in the southern area and the significant increase in rented office area.

(4) Early repayment of loan provided by Aareal Bank resulted 258 thousand euros one-off cost.

(5) Treasury shares possessed by the Company and employee shares are excluded when the earnings per share value is determined (refer to Note 1.3 to the financial statements).

(6) On July 31, 2017 the Company was registered as regulated real estate development pre-company and at the same time had been exempt from paying corporate income tax and local business tax. As of that date the Company released its deferred tax liability, which resulted in one-off gain of 582 thousand euros in the 2017 consolidated financial statements.

IFRS, consolidated, thousand EUR

Asset value:

	December 31, 2017 modified	December 31, 2018
Fair value of properties	**186,660**	**234,630**
-from this book value	*182,157*	*229,492*
Fair value of properties under development	**23,900**	**-**
- from this book value	*23,900*	*-*
Fair value of development lands	**32,450**	**29,880**
- from this book value	*11,767*	*11,767*
Entire property portfolio at estimated fair value	**243,010**	**264,510**
Net asset value at estimated fair value	**181,800**	**190,796**
Number of ordinary shares outstanding (thousands)	10,083	10,083
Net asset value at fair value per share (euro) (1)	**18.0**	**18.9**

(1) Treasury shares possessed by the Company and employee shares are excluded when the earnings per share value is determined (refer to Note 1.3 to the financial statements).

Net asset value at book value and net asset value at fair value (equity) are disclosed in Note 25 to the financial statements.

Management Report

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

- Financial results of 2018 ("pro forma" results and results according to the financial statements),
- Utilization, occupancy,
- Delivered developments in 2018 and future development potential,
- Financing,
- Other key issues,
- Recognition,
- Forecast for the year 2019.

"Pro forma" results of 2018

"Pro forma" results of 2018 changed compared to 2017 because of the following main factors:

- **Rental revenue** (2018: 12,411 thousand euros; 2017: 10,624 thousand euros) rose by 1,787 thousand euros, or 17% compared to the previous period due to the rental revenues derived from the new developments handed over in 2017 and in 2018 (SAP new wing, Startup building and South Park buildings).

- **Other revenue** (2018: 408 thousand euros; 2017: 0 thousand euros) includes a one-off revenue from engineering services provided in the 2nd quarter of 2018.

- **Operating expense** (2018: 1,494 thousand euros; 2017: 1,345 thousand euros) grew by 149 thousand euros, or 11% due to the increase in employee related and other expenses (ongoing organizational development projects required additional expenditures; in addition one-off expenses relating to obtaining SZIT status increased further the operating expenses). Property related expenses increased in the proportion of the new developments delivered.

- **Other income** (2018: 552 thousand euros; 2017: 437 thousand euros) net amount was 115 thousand euros, or 26% higher than the base last year.

- **Depreciation** (2018: 5,963 thousand euros; 2017: 4,611 thousand euros) increased by 1,352 thousand euros, or 29% compared to the previous year because of delivery of the new developments (SAP new wing, Startup building and South Park buildings), and refurbishment in the core area during 2017 and 2018.

- **EBITDA** (2018: 11,877 thousand euros; 2017: 9,716 thousand euros) grew by 2,161 thousand euros, or 22%, while **operating profit** (2018: 5,914 thousand euros; 2017: 5,105 thousand euros) increased by 809 thousand euros, or 16% compared to the previous year due to the factors mentioned above.

- **Net interest expense** (2018: 972 thousand euros; 2017: 802 thousand euros) grew by 170 thousand euros, or 21% due to the higher balance of loans payable.

- **Other financial costs** (2018: 258 thousand euros; 2017: 0 thousand euro) contains the one-off early repayment cost of loan provided by Aareal Bank.

- **Other financial result** (2018: 187 thousand euros loss; 2017: 100 thousand euros loss) decreased by 87 thousand euros compared to prior year.

- **Income tax expense** (2018: 45 thousand euros; 2017: 217 thousand euros) decreased by 172 thousand euros due to the fact that in the current period the Group – except for Graphisoft Park Engineering & Management Kft. – has SZIT status and as such is not subject to corporate income tax and local business tax.

- **Net profit** (2018: 4,452 thousand euros; 2017: 3,986 thousand euros) grew by 466 thousand euros that is 12% in 2018 compared to 2017 because of the factors explained in the previous points.

2018 results according to the financial statements

According to the new accounting policies applied from January 1, 2018, investment properties and investment properties under construction are fair valued in the financial statements, while development lands and owner occupied property are stated at cost. Development lands are presented under "Investment properties" and owner occupied properties under "(Owner occupied) Property, plant and equipment" in the balance sheet. As a result, instead of accounting depreciation, current period change in fair value are presented in the profit or loss.

2018 results according to the financial statements are 10,631 thousand euros higher than the "pro forma" results due to the following factors: unrecognized depreciation expense increased the results by 5,773 thousand euros and fair value gains increased the results by 4,858 thousand euros. Increase in fair value is due to the delivery of the development in the southern area and conclusion of new rental contracts.

In the same period of 2017 results according to the financial statements are 22,203 thousand euros higher than the "pro forma" results: unrecognized depreciation expense increased the results by 4,432 thousand euros and fair value gains increased the results by 17,771 thousand euros. In the comparative period the significant fair value gain was caused by the progress in the new developments and the delivery of the new SAP wing and Startup building, and the rather fast decrease in expected return (yield). In 2018 the independent appraiser has not considered such significant decrease in yield.

Details of changes in fair values are disclosed in Note 2 (Accounting policy) and in Note 10 (Investment property) to the financial statements.

Utilization, occupancy

Occupancy rate of Graphisoft Park's gross leasable area developed as follows (at the end of the quarter):

Period:	**2018 Q1**	**2018 Q2**	**2018 Q3**	**2018 Q4**
Occupancy of gross leasable area (%):	**98%**	**95%**	**94%**	**95%**
Gross leasable area (m^2):	68,000	72,000	82,000	82,000

Occupancy stood at an effective 100% from the beginning of 2017. In the second quarter of 2018, in relation to delivery of South Park's first two office buildings, the temporarily rented offices became for a while available and decreased the occupancy rate by 3 percentage points. In the third quarter of 2018, due to the delivery of the development in the southern area the rentable area significantly increased in more steps. Due expansion needs of certain tenants who moved from the core area to the southern area (and leaving some empty office spaces in the core area) the current occupancy rate is 95%, however the rented office space increased by more than 10% in the previous two quarters.

Graphisoft Park's tenant's make longer commitments than the national average. The Park's unique natural environment and its information technology focus (the "micro silicon-valley" concept) provide the space in which globally acclaimed companies have settled as tenants and expanded continuously over time. Examples for these companies are Microsoft, SAP or Servier; and the Park's naming tenant and founder, Graphisoft SE, which now operates wholly independently. It is important to highlight that smaller tenants are staying in the Park for more than 5 years on average and keep extending their leases after expiration even with rental fees considered premium in the Budapest office market. The average lease term in the Park calculated with the starting date of current tenants' earliest lease agreements (in certain cases lease agreements concluded with the predecessor of Graphisoft Park Group) is **12 years**, and in case of existing lease contracts the weighted average lease term to expiry is **5.1 years**.

Delivered developments in 2018

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, in 2016 we have started the construction of a new string of office building blocks with 14,000 m^2 gross leasable area and of an underground parking facility for around 450 cars on the part of the southern development area that is already prepared for construction. After receiving the occupancy permit in the II. quarter of 2018, the buildings were delivered in more steps during this year. Blocks A and B at a total gross leasable areas of 8,400 m^2 of the four blocks new complex was delivered in the second quarter of 2018, while blocks C and D at a total of 5,600 m^2 was delivered in the third quarter. Tenants moved into around 12,500 m^2 out of the total 14,000 m^2 gross leasable area.

The total cost of the development is 28.8 million euros until the end of 2018; tenants moving into the new complex contributed additional cca. 3 million euros to the implementation of their individual requests.


South Park (Architect: RADIUS B+S Stúdió)

In the summary of all the above, by the completion of the new developments from September 2018, Graphisoft Park has 82,000 m^2 gross leasable area as well as underground parking for around 2,000 cars available for its tenants.

In 2017 we have started the systematic modernization and refurbishing of the buildings of the nearly 20 years old office park. For 2017 and 2018 the total budget is 4 million euros, of which 3 million euros occurred in this period. In 2017 and 2018 additional cca. 6 million euros have been invested by the tenants to implement their individual needs.

Future development potential

Other parts of the southern development area offer room for another 20,000 m^2 potential development, while the monument and northern development areas provide room for another 42,000 m^2 gross leasable area. In the latter area no further preparatory work or development is allowed until the Capital City Gas Works (currently NKM Földgázszolgáltató Zrt.) completes its mandated rehabilitation duties in the area (see details below in the “Main risk factors associated with the areas” section).

Financing

On November 30, 2017 we concluded a new euro-based, 10 years to maturity loan facility with Erste Bank Hungary Zrt., for the refinancing of the previous loan facility before its maturity, concluded with Westdeutsche ImmobilienBank AG (which was recently acquired by Aareal Bank AG) in 2007 with expiration in May 2019. The new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term from the second half of 2018; as a result the interest rate is fixed for the full term of the loan. The new facility is worth 40 million EUR, whose bulk is to be used for the repayment of the entire debt to Aareal Bank AG, while the remaining smaller part will be used to finance the refurbishment of the older buildings of Graphisoft Park. The date of the refinancing was June 28, 2018; all the outstanding amounts were settled to Aareal Bank AG.

We have executed a loan agreement with Erste Bank Hungary Zrt. in December 2015 with 10 years maturity to finance the development in the core area. In accordance with the loan agreement and its modification in December 2016 Erste Bank makes a 4 billion HUF (12.2 million EUR) credit facility available to Graphisoft Park within Pillar I of the second phase of the National Bank of Hungary’s Funding for Growth Scheme and another 3 million EUR credit facility within Pillar II of the third phase of the Funding for Growth Scheme. In order to hedge exchange rate risk associated with the forint-based loan, we have executed a cash flow hedge (CCIRS) agreement in June 2016 covering the entire loan amount and cash flows from the beginning of the loan repayment period until the expiration of the loan contract, by which we have converted the forint-based capital and the fixed 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 “Delivered developments in 2018” 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. The credit facility has fixed interest rate.

At the end of 2018 the outstanding loan liability amounted to 77.5 million euro.

After the refinancing, all of the Company's outstanding loan liabilities have been switched to fixed interest rates, which further strengthen the Park's stable operation.

Other key issues

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

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

Regulated real estate investment companies (SZIT) are public companies limited by shares that fulfill the requirements of the governing law (Act 102 of 2011 on regulated real estate investment companies) and are therefore eligible for registration with the national tax authority as SZIT and are registered as such upon request from the company, which entitles them to certain tax benefits.

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

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

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

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

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

After fulfilling all the legal requirements, the Company has been registered as SZIT as of January 1, 2018.

Recognition

In 2018 Graphisoft Park received four prestigious awards appreciating the results of prior year:

- On January 18, 2018, based on the survey of the Budapest Stock Exchange, Graphisoft Park received the "issuers' transparency mid-cap" special award for the year 2017.
- On February 8, 2018, on the "Office of the Year" event Graphisoft Park's Start-up Building handed over in 2017 won the "New Property Development of the Year" award.
- On October 30, 2018 on the FIABCI award ceremony Graphisoft Park's new SAP wing (delivered in 2017) won 3rd prize of the "XX. Hungarian Real Estate Development Award of Excellence" competition, while it won 1st prize in "Office" category.
- On November 22, 2018 on Portfolio Property Conference based on the decision of the professional judges the South Park Office Building Complex won the "Real Estate Development of the Year" prize in the 15,000 m^2 and below category.

Forecast for the year 2019

Our "pro forma" profit for 2018 is 4.45 million euros, significantly surpassing prior year's "pro forma" profit. We increased our forecasted profit for 2019 by 200 thousand euros compared to the previously published one to 4.7 million euros, based on the recently concluded rental and other contracts.

(million euros)	**2017 actual**	***2018 actual***	***2019 forecast***
Rental revenue	**10.62**	**12.41**	***14.0***
Other revenue	-	0.41	-
Other income (net)	0.44	0.55	*0.4*
Operating expense	(1.55)	(1.49)	*(1.4)*
EBITDA	**9.51**	**11.88**	***13.0***
Depreciation	(4.60)	(5.96)	*(7.1)*
Operating profit	**4.91**	**5.92**	***5.9***
Net interest expense	(0.90)	(1.42)	*(1.2)*
Profit before tax	**4.01**	**4.50**	***4.7***
Income tax expense	(0.22)	(0.05)	*0.0*
Net profit	**3.79**	**4.45**	***4.7***

- In 2019 **revenue** is expected to rise by 1.6 million euros, or by 13% compared to 2018 as current year delivery of South Park office building will have full year revenue effect in 2019.

- In 2018 among **other revenue** we realized a one-off engineering work (408 thousand euro); we do not count with the repetition of this work in the upcoming years.

- We count with slight decrease of **operational costs** in 2019.

- Due to all of the above **EBIDTA** is expected to rise by 1.1 million euros or 9% compared to 2018, achieving an EBIDTA amount of 13 million euros.

- As a result of new developments and refurbishments in progress we expect significant increase in **depreciation** (which will not affect the consolidated accounts according to the SZIT rules) in 2019: it will increase by 1.1 million euros or by 19% compared to 2018.

- In 2018 net interest expense was increased due to the one-off fee relating to the refinancing of the loan. The **net interest expense** of the outstanding loan liabilities will be about 1.2 million euros in 2019.

- As a result, **net profit** in 2019 is forecasted to be 4.7 million euros surpassing the 2018 profit of 4.45 million euros by almost 6%.

Main risk factors associated with the areas

- Due to the prior gasification activity the northern development area is still contaminated. The rehabilitation of this area is the duty of the polluter Capital City Gas Works (currently NKM Földgázszolgáltató Zrt.).
- 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.

Legal proceedings

In the resolution received on October 3, 2018, the competent government body, the Pest County Government Office notified us about the prolongation of the completion deadline of the rehabilitation in the northern development area. We have filed suit for the review of the resolution in administrative court.

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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. Since we do not intend to compete with the sometimes extremely low prices in the Budapest office market, we cannot rule out the possibility of some tenants leaving in the future.

Other factors significantly affecting results are changes in the EUR/HUF exchange rate, the inflation rate and the regulatory environment with special regards to the tax regulations. In this forecast we calculate with an exchange rate of 320 HUF/EUR till the end of 2019, euro inflation rate of 1.5% 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 5 years. Presently Graphisoft Park SE operates with 6 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 major 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, 2022
Dr. Kálmán János	Member	August 21, 2006	May 31, 2022
Kocsány János	Member	April 28, 2011	May 31, 2022
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2022
Szigeti András	Member	July 21, 2014	May 31, 2022
Hornung Péter	Member	April 20, 2017	May 31, 2022

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, 2022
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2022
Hornung Péter	Member	April 20, 2017	May 31, 2022

Stock information

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

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

Shareholder		December 31, 2017			December 31, 2018	
	Shares (pc)	Share (%)	Voting right (%)	Shares (db)	Share (%)	Voting right (%)
ORDINARY SHARES:	**10,631,674**	**100.00**	**88.97**	**10,631,674**	**100.00**	**88.97**
Shareholders over 5% share	**5,681,269**	**53.44**	**50.12**	**5,783,320**	**54.39**	**51.04**
Bojár Gábor	3,185,125	29.96	28.10	2,485,125	23.37	21.93
HOLD Zrt.	1,449,701	13.64	12.79	1,504,628	14.15	13.28
AEGON Zrt.	1,046,443	9.84	9.23	1,093,567	10.29	9.65
B.N.B.A. Holding Zrt.	-	-	-	700,000	6.58	6.18
Other shareholders	**4,401,329**	**41.40**	**38.85**	**4,299,278**	**40.45**	**37.93**
Treasury shares*	**549,076**	**5.16**	**-**	**549,076**	**5.16**	**-**
EMPLOYEE SHARES:**	**1,876,167**	**-**	**11.03**	**1,876,167**	**-**	**11.03**
Kocsány János	1,250,778	-	11.03	1,250,778	-	11.03
Treasury shares*	625,389	-	-	625,389	-	-
SHARES TOTAL:	**12,507,841**	**100.00**	**100.00**	**12,507,841**	**100.00**	**100.00**

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

** Class „B" employee shares are not marketable, connected to employment, may be withdrawn by the Board of Directors at any time, have no voting rights in decisions that require qualified majority and bear reduced rights to dividend at the proportion of one third of their face value. In the financial statements of the Company these payments are accounted as employee related expense instead of dividend. The Articles of Association and the Management Share Ownership Plan govern all other matters related to the employee shares.

Human resources

We ensure the continuous development of our employees, in addition we pay particular attention to special labour safety prescriptions affecting engineers working on development projects and employees working on property operation.

Diversity policy

Graphisoft Park SE prohibits discrimination against any person based on gender identity, age, disability, race or ethnicity, gender preferences and religion and will not tolerate any form of discrimination in the workplace. The Holding is committed to provide a working environment free from discrimination and equal opportunities to all of its employees, with regards to its cultural and legal environment.

The Company will designate its managing officers and persons responsible for controlling its operation in accordance with its policies and commitments. The Company is committed to promoting and endeavours to achieve the highest level of diversity through the consistent practical implementation of its HR policies.

Events after the balance sheet date

Proposed dividend by the Board

The annual financial statements of the Company for the year 2018 prepared in accordance with International Financial Reporting Standards (IFRS) are authorized for issue in accordance with the resolution of the Board of Directors on March 22, 2019. The Board proposes dividend distribution of 126 HUF per ordinary share, and 42 HUF per employee share to be approved by the Annual General Meeting of Graphisoft Park SE of April 29, 2019. The Annual General Meeting has the power to amend the annual financial statements.

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

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

Budapest, March 22, 2019

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

GRAPHISOFT PARK SE

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2018

in accordance with International Financial Reporting Standards (IFRS)

(audited)

Budapest, March 22, 2019

Kocsány János

Kocsány János
Chief Executive Officer

GRAPHISOFT PARK SE
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

CONTENTS:

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Independent Auditor's Report

to the Shareholders of Graphisoft Park SE Ingatlanfejlesztő Európai Rt.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Graphisoft Park SE Ingatlanfejlesztő Európai Rt. and its subsidiaries (the „Group") for the year 2018 which comprise the consolidated balance sheet as at December 31, 2018 which shows a total assets of **EUR 251 757 thousands** and the related consolidated statement of income and consolidated statement of comprehensive income which shows a net profit for the year of **EUR 14 091 thousands**, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and consolidated notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Graphisoft Park SE Ingatlanfejlesztő Európai Rt. and its subsidiaries as at December 31, 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS"), and the consolidated financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (hereinafter: "the Accounting Act") relevant to the entities preparing consolidated financial statements in accordance with EU IFRS.

Basis for the opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") 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 Company in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, for matters not regulated in the Rules, with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board (IEASBA Code of Ethics) and we also comply with further ethical requirements set out in Rules and Standards.

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

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Key Audit Matters

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

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Revenue recognition Refer to Notes 17. in the consolidated financial statements Revenue is an important measure used to evaluate the performance of the Group. As a consequence, it needs to be ensured that the revenue in the consolidated financial statements is real, accurate and refers to the current year. Revenue from property rental revenue transactions is recognized as of the performance date based on the terms of the lease agreement.	Our audit procedures supporting the revenue recognition included testing of business cycles as well as substantive audit procedures as follows. We have performed review of the revenue recognition process relating to property rental revenue. We have assessed the risks in the certain processes, the existence of relating controls. Existence and accuracy of property rental revenue have been tested on a sample basis and the items selected have been reconciled to source documents. We have review the lease agreements. Based on the lease agreements we have recalculated the whole property rental revenue. We have tested manual journal entries regarding revenues in order to identify unusual items outside of the normal course of business and reviewed the audit evidences supporting the items selected. We have checked the appropriate compliance with relevant financial reporting standards, accounting records and disclosures. Based on our procedures we have not identified material misstatements.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Valuation of investment properties Refer to Notes 2.2., 3.2. and 10. in the consolidated financial statements	
Value of investment properties in the consolidated financial statements of the Group amounts to EUR 239,633 thousands as of 31 December 2018 and EUR 216,238 thousands as of 31 December 2017. Above balance sheet value reflects the estimated fair value of the investment properties determined by an independent external valuation expert engaged by the Group. As a consequence of the fair value adjustment, a revaluation gain of EUR 4,858 thousands has been recorded as Valuation gains from investment property. The valuation is dependent on certain assumptions regarding factors influencing the value of properties, which bear uncertainty, thus the value of investment properties may change in parallel with the change of influencing factors.	Our audit procedures regarding the valuation of investment properties were as follows. We have evaluated the independent external valuer's professional competence, capabilities, objectivity. We have assessed the methodologies and the appropriateness of the key assumptions used by the valuer based on our knowledge of the property industry. We have checked the accuracy and relevance of input data used for determining the balance sheet value of investment properties and checked the accuracy of the fair value adjustments by recalculating them. We have checked the appropriate compliance with relevant financial reporting standards, accounting records and disclosures. Based on our procedures we have not identified material misstatements.

Other information: the business report

The other information comprises the consolidated business report of the Company for the year 2018. Management is responsible for the preparation of the consolidated business report in accordance with the provisions of the Accounting Act and other relevant regulations. Our opinion on the consolidated financial statements expressed in the "Opinion" section of our independent auditor's report does not cover the consolidated business report.

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In connection with our audit of the consolidated financial statements, our responsibility is to read the consolidated business report and, in doing so, consider whether the consolidated business report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that the consolidated business report is materially misstated we are required to report this fact and the nature of the misstatement.

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the consolidated business report also include reviewing the consolidated business report to assess whether the consolidated business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the consolidated business report complies with the requirements of Section 95/B. (2) e) and f) of the Accounting Act. Furthermore, in accordance with the Accounting Act we shall make a statement whether the information referred to in Section 95/B. (2) a)-d), g) and h) has been provided in the consolidated business report.

In our opinion, the consolidated business report of Graphisoft Park SE Ingatlanfejlesztő Európai Rt. and its subsidiaries for 2018 corresponds to the consolidated financial statements of Graphisoft Park SE Ingatlanfejlesztő Európai Rt. and its subsidiaries for 2018 and the relevant provisions of the Accounting Act in all material respects. The information referred to in Section 95/B. (2) a)-d), g) and h) of the Accounting Act has been provided. As there is no other regulation prescribing further requirements for the Group's consolidated business report, we do not express an opinion in this respect.

We are not aware of any other material inconsistency or material misstatement in the consolidated business report therefore we have nothing to report in this respect.

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 International Financial Reporting Standards as adopted by the European Union, 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.

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The 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 HNSAs 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 HNSAs, 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 Company'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 in the preparation of the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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 gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. 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.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of Graphisoft Park SE Ingatlanfejlesztő Európai Rt. by the General Meeting of Shareholders on 26 April 2018 and since then our engagement lasts without interruption.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Graphisoft Park SE Ingatlanfejlesztő Európai Rt. , which we issued on 22 March 2019 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

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Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Group. In addition, there are no other non-audit services which were provided by us to the Graphisoft Park SE Ingatlanfejlesztő Európai Rt. and its controlled undertakings and which have not been disclosed in the consolidated financial statements or in the consolidated business report.

The engagement partners on the audit resulting in this independent auditor's report are the signatories of the report.

Budapest, 22 March 2019

BDO Hungary Audit Ltd.
1103 Budapest, Kőér utca 2/A
Registration number: 002387

Edmond Gaál
Managing Director

Magyarország Könyvvizsgáló Kft. BDO
Eng.szám:
Licence nr.:
002387

Péter Kékesi
Certified Auditor
Chamber registration No.:
007128

This is the translation of the original Hungarian statutory report. In case of any discrepancies, the original Hungarian version prevails.

GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2018
(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2016 modified*	December 31, 2017 modified*	December 31, 2018
Cash and cash equivalents	5	2,621	4,239	5,874
Trade receivables	6	1,083	856	1,450
Current tax receivable	7	271	802	217
Other current assets	8	5,681	9,589	2,504
Current assets		**9,656**	**15,486**	**10,045**
Investment property	10	176,158	216,238	239,633
(Owner occupied) Property, Plant and Equipment	9	1,269	1,898	2,074
Intangible assets		-	2	5
Investments	11	100	-	-
Long-term financial assets		-	695	-
Deferred tax asset	15	11	-	-
Non-current assets		**177,538**	**218,833**	**241,712**
TOTAL ASSETS		**187,194**	**234,319**	**251,757**
Short-term loans	14	3,516	4,520	3,561
Trade payables	12	4,190	5,305	1,250
Current tax liability	7	279	274	136
Other short-term liabilities	13	1,661	3,490	5,124
Current liabilities		**9,646**	**13,589**	**10,071**
Long-term loans	14	44,313	59,952	69,111
Deferred tax liability	15	593	-	-
Other long-term liabilities	16	1,588	4,331	5,030
Non-current liabilities		**46,494**	**64,283**	**74,141**
TOTAL LIABILITIES		**56,140**	**77,872**	**84,212**
Share capital	1.3	250	250	250
Retained earnings		134,650	158,909	170,999
Treasury shares	24	(962)	(974)	(974)
Cash flow hedge reserve	14	-	665	(308)
Revaluation reserve of properties		49	531	531
Accumulated translation difference		(2,933)	(2,934)	(2,953)
Shareholders' equity		**131,054**	**156,447**	**167,545**
TOTAL LIABILITIES & EQUITY		**187,194**	**234,319**	**251,757**

*Effects of the accounting policy change to the prior periods are disclosed in note 2.2.

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, 2018
(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2017 modified*	December 31, 2018
Property rental revenue	17	10,624	12,411
Other revenue		-	408
Revenue		**10,624**	**12,819**
Property related expense	18	(56)	(69)
Employee related expense	18	(757)	(888)
Other operating expense	18	(532)	(537)
Depreciation and amortization	9, 18	(179)	(190)
Operating expense		**(1,524)**	**(1,684)**
Valuation gains from investment property	10	17,771	4,858
Other income (expense)	19	437	552
OPERATING PROFIT		**27,308**	**16,545**
Interest income	20	(802)	(972)
Interest expense	20	-	(258)
Other financial result	21	(100)	(187)
Financial expense		**(902)**	**(1,417)**
PROFIT BEFORE TAX		**(26,406)**	**(15,128)**
Income tax expense	22	365	(45)
PROFIT FOR THE YEAR		**26,771**	**15,083**
Attributable to equity holders of the parent		26,771	15,083
Basic earnings per share (EUR)	23	2.66	1.50
Diluted earnings per share (EUR)	23	2.66	1.50

*Effects of the accounting policy change to the prior periods are disclosed in note 2.2.

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, 2018
(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2017 modified*	December 31, 2018
Profit for the year		**26,771**	**15,083**
Cash-flow hedge valuation reserve**		665	(973)
Revaluation reserve of properties		482	-
Translation difference***		(1)	(19)
Other comprehensive income		**1,146**	**(992)**
COMPREHENSIVE INCOME		**27,917**	**14,091**
Attributable to equity holders of the parent		27,917	14,091

*Effects of the accounting policy change to the prior periods are disclosed in note 2.2.

** Effective part of fair value change in cash-flow hedge. Will be reclassified to profit or loss in subsequent periods.

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

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, 2018
(all amounts in thousands EUR unless otherwise stated)

	Share capital	Retained earnings	**Treasury shares	***Cash flow hedge reserve	****Revaluation reserve of properties	Accum. translation difference	Total equity
December 31, 2016 modified*	**250**	**134,650**	**(962)**	**-**	**49**	**(2,933)**	**131,054**
Profit for the period	-	26,801	-	(30)	-	-	**26,771**
Translation difference	-	-	-	-	-	(1)	**(1)**
Revaluation difference of properties	-	-	-	-	482	-	**482**
Revaluation reserve	-	(30)	-	695	-	-	**665**
Purchase of treasury shares	-	-	(12)	-	-	-	**(12)**
Dividend	-	(2,512)	-	-	-	-	**(2,512)**
December 31, 2017 modified*	**250**	**158,909**	**(974)**	**665**	**531**	**(2,934)**	**156,447**
Profit for the period	-	15,465	-	(382)	-	-	**15,083**
Translation difference	-	-	-	-	-	(19)	**(19)**
Revaluation reserve	-	(382)	-	(591)	-	-	**(973)**
Dividend	-	(2,993)	-	-	-	-	**(2,993)**
December 31, 2018	**250**	**170,999**	**(974)**	**(308)**	**531**	**(2,953)**	**167,545**

*Effects of the accounting policy change to the prior periods are disclosed in note 2.2.
** Treasury share details are disclosed in Note 24.
*** Cash flow hedge transaction details are disclosed in Note 14 (Loans).
**** Revaluation surplus on transfers from investment property to owner occupied property.
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, 2018
(all amounts in thousands EUR unless otherwise stated)

	Note	December 31, 2017 modified*	December 31, 2018
OPERATING ACTIVITIES			
Profit before tax		26,406	15,128
Fair value change of investment properties	10	(17,771)	(4,858)
Depreciation and amortization	9	179	190
Revaluation difference of properties		(482)	-
(Gain) on sale of tangible assets		(1)	-
Interest expense	20	802	972
Break cost of loan	20	-	258
Unrealized foreign exchange losses / (gains)		84	(520)
Changes in working capital:			
(Increase) / decrease in receivables and other current assets		(4,070)	7,130
Increase / (decrease) in liabilities		2,579	(1,206)
Corporate income tax paid		(359)	(91)
Net cash from operating activities		**7,347**	**17,003**
INVESTING ACTIVITES			
Purchase of tangible assets and intangibles		(21,745)	(21,555)
Purchase of other tangible assets and intangibles	9	(161)	(436)
Sale of tangible assets	9	18	58
Sale of investments	26	100	-
Net cash used in investing activities		**(21,788)**	**(21,933)**
FINANCING ACTIVITIES			
Proceeds from receipt of loans		22,821	46,089
Loan repayments		(3,435)	(35,268)
Interest paid		(835)	(998)
Break fee loan		-	(258)
Purchase of treasury shares		(12)	-
Dividend paid	31	(2.512)	(2,993)
Net cash from financing activities		**16,027**	**6,572**
Decrease in cash and cash equivalents		1,606	1,642
Cash and cash equivalents at beginning of year		2,621	4,239
Exchange rate gain / (loss) on cash and cash equivalents		12	(7)
Cash and cash equivalents at end of year		**4,239**	**5,874**

*Effects of the accounting policy change to the prior periods are disclosed in note 2.2.
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, its website is www.graphisoftpark.com

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 having five 100% owned subsidiaries.

The real estate development is performed by Graphisoft Park Kft., Graphisoft Park South I. Kft. and Graphisoft Park South II. Development Kft. Graphisoft Park Services Kft. is responsible for property operation tasks. On December 14, 2017 Graphisoft Park SE established Graphisoft Park Engineering & Management Kft., which entity will be responsible for the Group’s certain property management, engineering and administration activities from January 1, 2018.

Average headcount of the Group was 24 in 2018 and 26 in 2017.

1.2. Properties

The total area of Graphisoft Park is nearly 18 hectares. Over the past 20 years, 82,000 m^2 gross leasable area have been developed and occupied by tenants. In the southern development area 14,000 m^2 gross leasable was handed over in 2018. The remaining area provides the opportunity to develop an additional 62,000 m^2 of gross leasable area.

The real estate is categorized as follows:

Area	Property
Core area	Modern office park spreading over 8.5 hectares of land, comprising 59,000 m^2 completed gross leasable area.
Monument area	2.4 hectares of land comprising 13,500 m^2 of total gross leasable area of the monument buildings, out of which 6,000 m^2 has been renovated and handed over; as such additional 7,500 m^2 can be developed.
Southern and Northern development areas	6.8 hectares of development land, on which a 3,000 m^2 floor area dormitory has been constructed, and further 14,000 m^2 gross leasable area was handed over during 2018 and additional 54,500 m^2 rentable area together with underground parking and auxiliary facilities can be developed.

(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, 2017			December 31, 2018		
Shareholder	**Shares (pcs)**	**Share (%)**	**Voting right (%)**	**Shares (pcs)**	**Share (%)**	**Voting right (%)**
ORDINARY SHARES:	**10,631,674**	**100.00**	**88.97**	**10,631,674**	**100.00**	**88.97**
Directors and management	**3,829,082**	**36.02**	**33.79**	**2,715,082**	**25.54**	**23.96**
Bojár Gábor - Chairman of the BoD	3,185,125	29.96	28.10	2,485,125	23.37	21.93
Dr. Kálmán János - Member of the BoD	13,500	0.13	0.12	13,500	0.13	0.12
Szigeti András - Member of the BoD	126,000	1.19	1.11	126,000	1.19	1.11
Hornung Péter – Member of the BoD	414,000	3.89	3.65	-	-	-
Kocsány János - Member of the BoD, CEO	90,457	0.85	0.80	90,457	0.85	0.80
Shareholders over 5% share	**2,496,144**	**23.48**	**22.02**	**3,298,195**	**31.02**	**29.10**
HOLD Alapkezelő Zrt.	1,449,701	13.64	12.79	1,504,628	14.15	13.28
AEGON Magyarország Befektetési Alapkezelő Zrt.	1,046,443	9.84	9.23	1,093,567	10.29	9.65
B.N.B.A. Holding Zrt.	-	-	-	700,000	6.58	6.18
Other shareholders	**3,757,372**	**35.34**	**33.16**	**4,069,321**	**38.28**	**35.91**
Treasury shares*	**549,076**	**5.16**	**-**	**549,076**	**5.16**	**-**
EMPLOYEE SHARES:**	**1,876,167**	**-**	**11.03**	**1,876,167**	**-**	**11.03**
Kocsány János - Member of the BoD, CEO	1,250,778	-	11.03	1,250,778	-	11.03
Employee treasury shares*	625,389	-	-	625,389	-	-
SHARES TOTAL:	**12,507,841**	**100.00**	**100.00**	**12,507,841**	**100.00**	**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 are not marketable, connected to employment, may be withdrawn by the Board of Directors at any time, have no voting rights in decisions that require qualified majority and bear reduced rights to dividend at the proportion of one third of their face value. In the financial statements of the Company these payments are accounted as employee related expense instead of dividend. The Articles of Association and the Management Share Ownership Plan govern all other matters related to the employee shares.

(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 5 years. Presently Graphisoft Park SE operates with 6 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 major 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, 2022
Dr. Kálmán János	Member	August 21, 2006	May 31, 2022
Kocsány János	Member	April 28, 2011	May 31, 2022
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2022
Szigeti András	Member	July 21, 2014	May 31, 2022
Hornung Péter	Member	April 20, 2017	May 31, 2022

(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, 2022
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2022
Hornung Péter	Member	April 20, 2017	May 31, 2022

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

Accounting policy change in relation to investment properties

Since the Company received the regulated real estate entity status effective from January 1, 2018, the Company changed its accounting policies in relation to investment properties (as required by the regulation). Under the standard IAS 40 "Investment Property" the Company changed from "Cost model" to "Fair value model" from January 1, 2018. The new accounting policy applied is as follows:

<u>Investment property</u>

Investment property comprises completed property, development lands and property under construction or re-development that is held to earn rentals or for capital appreciation or both. Property held under lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services, borrowing costs and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise, including the corresponding tax effect (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an owner occupied property becomes an investment property, any difference at that date between the carrying amount and the fair value of that property will be recorded in the "revaluation reserve of properties" within the equity, if the fair value is higher than the carrying amount; and in the profit or loss if the fair value is lower than the carrying amount.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss in the period of de-recognition.

Critical accounting estimates and judgements: Fair value of investment property

The fair value of investment property is determined by real estate valuation experts using recognized valuation techniques and principles of IFRS 13 “Fair Value Measurement”.

Investment property under construction is measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. In such case investment property is recorded at cost.

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

Effect of the accounting policy change to the prior periods

As required by the standard IAS 8 “Accounting policies, changes in accounting estimates and errors” the new accounting policy regarding investment properties was applied retrospectively. Opening balances were adjusted to the earliest period presented as if the new accounting policy had always been applied. The principal effects of the accounting policy change to opening balances are as follow:

- In the December 31, 2016 in the balance sheet the balance of investment properties increased by 106,503 thousand euros and the balance of property, plant and equipment increased by 1,022 thousand euros; 107,476 thousand euros were credited into the retained earnings and 49 thousand euros were credited into the revaluation reserve of properties within equity.

- As of December 31, 2017 in the balance sheet the balance of investment properties increased by 128,821 thousand euros and the balance of property, plant and equipment increased by 1,586 thousand euros. 22,400 thousand euros were credited into the current period profit or loss, while 129,876 thousand euros were credited into the retained earnings and 531 thousand euros were credited into the revaluation reserve of properties within equity.

- The accounting policy change had no material effect on the net balance of operating, investing or financing cash flows.

- Basic (and diluted) earnings per share increased from 0.45 euro to 2.66 euro in the period between January 1, 2017 and December 31, 2017.

Adoption of new or modified standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for accounting policy change relating to investment properties and except for the following amended IFRSs and interpretations which have been adopted by the Group as of 1 January 2018:

A) 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. The adoption of the first phase of IFRS 9 had no effect on the Company.

From January 1, 2018 accounting policies after adopting IFRS 9 look as follow:

- **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.

- **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.

The fair value measurement's hierarchy level of derivative financial instruments is level 2.

- **Hedges**

For the purpose of hedge accounting, hedges are classified as either
- fair value hedges or
- cash-flow hedges.

At the inception of the hedge or the hedge relationship the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting. The documentation also contains the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be effective in achieving offsetting changes in fair value or cash flows. These hedges are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they were designated.

Hedge accounting is accounted as follows:

Fair value hedges

Fair value hedges are hedges of the Company's exposure to changes in fair value of a recognized asset or liability or an unrecognized commitment, or an identified portion of such asset, liability or commitment; which is attributable to a particular risk that could affect the Company's profit or loss.
For fair value hedges, the carrying amount of the hedged item is adjusted for gains or losses attributable to the risk being hedged, while the derivative is re-measured at fair value and gains or losses are credited/debited into the profit or loss. As such gains or losses from both the hedged item and the derivative are accounted for the profit or loss. Fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest rate method is used is amortized to the profit or loss.
The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation.

Cash-flow hedges

Cash-flow hedges are hedges of the exposure to variability in cash flows which is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect the profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in the other comprehensive income, while the ineffective portion is recognized in the profit or loss.
Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects the profit or loss. Where the hedged item is the cost of a non-financial asset or liability, the amounts previously taken to the other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.
If the forecast transaction is no longer expected to occur, amounts previously recognized in other comprehensive income are transferred into the profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked by the Company, amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is accounted into the profit or loss.

- **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. For impairment the Group uses the “12 month expected credit losses” method; and in case of significant increase in credit risk since the initial recognition of a receivable, the Group uses the “full lifetime expected credit loss” method (General approach).

- **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.

- **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.

B) 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. Adoption of IFRS 15 will had no effect on the Company’s financial statements.

From January 1, 2018 accounting policies after adopting IFRS 15 look as follow:

- **Revenue recognition (based on IFRS 15)**

Revenue is recognized at amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. (The Company adopted IFRS 15 using the full retrospective method of adoption which had no impact on the Company's financial position as of January 1, 2018 or in earlier periods.)

Sale of goods:
The Company's contracts with customers generally include one performance obligation. Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer.

Rendering of services:
Revenue from rendering of services is recognized over time.

Other income (expense):
Incomes from agency agreements, where the Company 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) and recognized over time.

- **Revenue recognition (based on IAS 17)**

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

- **Revenue recognition (based on other Standards)**

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 Company's right to receive the payment is established.

C) IFRS 15: Revenue from Contracts with Customers (Clarifications): The Clarifications apply for annual periods beginning on or after January 1, 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The clarification had no effect on the Company.

D) IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments): The Amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These amendments had no effect on the Company.

E) IAS 40: Transfers to Investment Property (Amendments): The Amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments had no effect on the Company.

F) IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration: The Interpretation is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The adoption of the interpretation had no effect on the Company.

G) The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs: The amendments are effective for annual periods beginning on or after January 1, 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures.

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The adoption of the improvements had no effect on the Company.

(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.

On December 14, 2017 Graphisoft Park SE established Graphisoft Park Engineering & Management Kft., which entity will be responsible for the Group's certain property management, engineering and administration activities from January 1, 2018.

The following subsidiaries were consolidated in 2017 and in 2018 (Graphisoft Park SE is the sole owner of all companies):

Subsidiary	**Date of foundation**	**Registered capital 2017**	**Registered capital 2018**
Graphisoft Park Kft.	November, 2005	1,846,108 EUR	1,846,108 EUR
Graphisoft Park Services Kft.	October, 2008	10,000,000 HUF	10,000,000 HUF
Graphisoft Park South I. Kft.	September, 2016	20,000 EUR	22,000 EUR
Graphisoft Park South II. Development Kft.	September, 2016	20,000 EUR	20,000 EUR
Graphisoft Park Engineering & Management Kft.	December, 2017	10,000,000 HUF	10,000,000 HUF

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, 2017	December 31, 2018
Graphisoft Park SE	EUR	EUR
Graphisoft Park Kft.	EUR	EUR
Graphisoft Park Services Kft.	HUF	HUF
Graphisoft Park South I. Kft.	EUR	EUR
Graphisoft Park South II. Development Kft.	EUR	EUR
Graphisoft Park Engineering & Management Kft.	HUF	HUF

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	2017	2018
EUR/HUF opening:	311.02	310.14
EUR/HUF closing:	310.14	321.51
EUR/HUF average:	309.21	318.87

2.5. Tangible assets

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
Machinery and equipment	5-15 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 tangible assets.

2.6. 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.

2.7. 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.

2.8. 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.

2.9. 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.

2.10. 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.

2.11. 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.

2.12. Treasury shares

Treasury stock represents the cost of shares repurchased (recorded individually per purchase) 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.

2.13. 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.

2.14. 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.

2.15. 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.

2.16. 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.

2.17. Operating profit

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

2.18. 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.

2.19. 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.

2.20. 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. 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.

4. Standards and interpretations issued but not yet effective

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

IFRS 16 Leases: The standard will be effective for annual periods beginning on or after January 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases both for lessees and lessors. The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. Adoption of IFRS 16 will have no effect on the Group's financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management anticipates that these amendments will have no effect on the Group.

IFRS 9: Prepayment features with negative compensation (Amendment): The Amendment is effective for annual reporting periods beginning on or after January 1, 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. These Amendments have not yet been endorsed by the EU. Management anticipates that the amendment will have no effect on the Group.

IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments): The Amendments are effective for annual reporting periods beginning on or after January 1, 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These amendments have not yet been endorsed by the EU. Management anticipates that these amendments will have no effect on the Group.

IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments: The Interpretation is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. Management anticipates that the adoption of the interpretation will have no significant effect on the Group.

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after January 1, 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU.

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

Management anticipates that the adoption of the improvements will have no significant effect on the Company.

(all amounts in thousands EUR unless otherwise stated)

5. Cash and cash equivalents

	December 31, 2016	December 31, 2017	December 31, 2018
Cash in hand	1	2	2
Cash at banks	2,620	4,237	5,872
Cash and bank	**2,621**	**4,239**	**5,874**

6. Trade receivables

	December 31, 2016	December 31, 2017	December 31, 2018
Trade receivables	1,083	856	1,450
Provision for doubtful debts	-	-	-
Trade receivables	**1,083**	**856**	**1,450**

Trade receivables are on 8-30 day payment terms.

Trade receivables’ aging is as follows:

	December 31, 2016	December 31, 2017	December 31, 2018
Not overdue	881	700	1,019
Overdue less than 3 months	107	133	403
Overdue between 3 and 12 months	93	21	16
Overdue over 12 months	2	2	12
Trade receivables	**1,083**	**856**	**1,450**

(all amounts in thousands EUR unless otherwise stated)

7. Current tax receivables and liabilities

	December 31, 2016	December 31, 2017	December 31, 2018
Current tax receivables	271	802	217
Current tax liabilities	(279)	(274)	(136)
Current tax (liability) / receivable, net	**(8)**	**528**	**81**

8. Other current assets

	December 31, 2016	December 31, 2017	December 31, 2018
Accrued income	126	189	123
Prepaid expense	19	120	133
Bank security accounts	1,406	1,724	2,109
Construction fund manager accounts	4,121	7,403	83
Other receivables	9	153	56
Other current assets	**5,681**	**9,589**	**2,504**

9. (Owner occupied) Property, Plant and Equipment

	(Owner occupied) Property	Plant and Equipment	**(Owner occupied) Property, Plant and Equipment**
Net value:			
December 31, 2016 modified	1,022	247	**1,269**
Gross value:			
December 31, 2016	1,105	791	**1,896**
Addition	-	161	**161**
Sale	-	(54)	**(54)**
Reclassification from investment property	1,635	-	**1,635**
Reclassification to investment property	(1,105)	-	**(1,105)**
December 31, 2017	1,635	898	**2,533**

(all amounts in thousands EUR unless otherwise stated)

Depreciation:			
December 31, 2016	83	544	**627**
Addition	101	78	**179**
Sale	-	(36)	**(36)**
Reclassification to investment property	(135)	-	**(135)**
December 31, 2017	49	586	**635**
Net value:			
December 31, 2017 modified	1,586	312	**1,898**
Gross value:			
December 31, 2017	1,635	755	**2,390**
Addition	131	305	**436**
Sale	-	(66)	**(66)**
Translation difference	-	(17)	**(17)**
December 31, 2018	1,766	977	**2,743**
Depreciation:			
December 31, 2017	49	443	**492**
Addition	91	99	**190**
Sale	-	(8)	**(8)**
Translation difference	-	(5)	**(5)**
December 31, 2018	140	529	**669**
Net value:			
December 31, 2018	1,626	448	**2,074**

(all amounts in thousands EUR unless otherwise stated)

10. Investment property

	Development Land	Investment property under construction	Completed investment property	**Investment property**
Book value:				
December 31, 2016 modified	11,764	24,810	139,584	**176,158**
Addition	3	18,857	3,632	**22,492**
Reclassification	-	(8,580)	8,580	**-**
Reclassification to property, plant and equipment	-	-	(1,635)	**(1,635)**
Reclassification from property, plant and equipment	-	-	1,452	**1,452**
Change in fair value	-	(11,187)	28,958	**17,771**
December 31, 2017 modified	11,767	23,900	180,571	**216,238**
Addition	-	12,779	5,758	**18,537**
Reclassification	-	(39,260)	39,260	**-**
Change in fair value	-	2,581	2,277	**4,858**
December 31, 2018	11,767	-	227,866	**239,633**

In 2018 additions in construction in progress of 18,537 thousand EUR comprise the following:

- refurbishment of buildings in progress in the core area started in 2017 (3,574 thousand EUR),
- new developments handed over in the southern development area (14,319 thousand EUR) and
- other developments in progress (644 thousand EUR).

The independent valuation was prepared by ESTON International Zrt. with the Income approach applied for all periods presented. Properties with occupancy permits were valued based on the Discounted Cash Flow method, while properties under construction were valued based on the Residual Value method. Present value of cash flows from rental fees was calculated with a market-based discount factor reflecting the expected return from investors and creditors (cost of capital).

In the valuation the appraiser evaluated the asset's potential to generate income, which is the present value of future incoming free cash flows and which represents the value of an asset or an investment. The basis of the calculation is that it counts in the present (at the date of the evaluation) with future benefits of owing and using an asset. Net present value is determined through the 10 years cash-flow method based on revenues less expenses, which include the period covered by rental contracts as well as periods of free market usage.

The comparable approach was used for review technique which fairly supported the results of the yield- and residual value calculations.

(all amounts in thousands EUR unless otherwise stated)

According to IAS 40 development lands are presented on cost.

The key assumptions applied by the independent appraiser for the periods presented were the followings:

		December 31, 2016	December 31, 2017	December 31, 2018
Rental area	• office, laboratory and related service areas	51,500 m^2	59,000 m^2	73,000 m^2
	• education area	6,000 m^2	6,000 m^2	6,000 m^2
	• Dormitory	3,000 m^2 / 85 persons	3,000 m^2 / 85 persons	3,000 m^2 / 85 persons
Buildings under construction	• office area	22,500 m^2	14,000 m^2	-
Development lands	• rentable area which can be developed	62,000 m^2	62,000 m^2	62,000 m^2
Long term occupancy		95%	95%	95%
Growth factor		1%	1%	1%
Average discount factor		6.55%	6.00%	6.02%

Sensitivity analysis of completed investment property and investment property under construction:

	December 31, 2016		December 31, 2017		December 31, 2018	
Long-term occupancy rate						
	100%	173,046	100%	215,233	100%	239,859
	95%	**164,394**	**95%**	**204,471**	**95%**	**227,866**
	90%	155,742	90%	193,709	90%	215,873
Average discount factor						
	6,35%	169,572	5,80%	211,522	5,82%	235,696
	6,55%	**164,394**	**6,00%**	**204,471**	**6,02%**	**227,866**
	6,75%	159,523	6,20%	197,875	6,22%	220,539

(all amounts in thousands EUR unless otherwise stated)

11. Investments

	December 31, 2016	December 31, 2017	December 31, 2018
AIT-Budapest Aquincum Institute of Technology Kft.	100	-	-
Investments	**100**	**-**	**-**

The Company acquired a 10 % ownership share (100 thousand EUR) in AIT-Budapest Aquincum Institute of Technology Kft. in 2009. After the complete realization of the educational function (see details in Note 27), in June 2017 the Company sold its stake to the AIT-Budapest Aquincum Institute of Technology.

12. Trade payables

	December 31, 2016	December 31, 2017	December 31, 2018
Trade payables – domestic	4,190	5,305	1,250
Trade payables	**4,190**	**5,305**	**1,250**

The Group settles trade payables within the payment term and had no overdue payables as of December 31, 2018, 2017 and 2016.

(all amounts in thousands EUR unless otherwise stated)

13. Other short-term liabilities

	December 31, 2016	December 31, 2017	December 31, 2018
Amounts due to employees	48	34	64
Deposits from tenants	612	604	551
Fair value difference of loans*	237	286	752
Advances received from suppliers	-	614	-
Financial liabilities**	-	234	-
Other payables and accruals	764	1,718	3,757
Other short-term liabilities	**1,661**	**3,490**	**5,124**

* Fair value difference of loans with preferential interest rate due within one year. Details are disclosed in Note 14 (Loans).
** Fair value difference of the IRS connected to Loan number 2. provided by Erste Bank Zrt. The valuation was made by Erste Bank Zrt.

14. Loans

14.1. Loan details

	December 31, 2016	December 31, 2017	December 31, 2018
Short-term	3,516	4,520	3,561
Long-term	44,313	59,952	69,111
Loans	**47,829**	**64,472**	**72,672**

Loans provided by Aareal Bank AG (legal successor of Westdeutsche ImmobilienBank AG):

	December 31, 2016	December 31, 2017	December 31, 2018
Short-term	3,516	3,575	-
Long-term	33,181	29,606	-
Loans / Aareal Bank AG	**36,697**	**33,181**	**-**

The total original capital amount of the loans provided by Aareal Bank AG from 2007 was 58 million EUR. The loan contract expiry date was May 2019. Based on the decision of the Board of Directors, mainly in order to refinance the loans provided by Aareal Bank AG, the Company concluded a 10 year maturity euro based loan contract with Erste Bank Hungary Zrt, on November 30, 2017 (refer to Erste loan nr. 2.). The date of the refinancing was June 28, 2018; all the outstanding amounts were settled to Aareal Bank AG. As part of the transaction all collaterals provided for Aareal Bank AG (mortgage on real estate, revenue assignment and bank account pledge) were cancelled.

(all amounts in thousands EUR unless otherwise stated)

Loans provided by Erste Bank Hungary Zrt.:

Loan number 1. (Erste)

	December 31, 2016	December 31, 2017	December 31, 2018
Short-term	-	688	702
Long-term	9,379	13,349	12,263
Loan 1 / Erste Bank Hungary Zrt.	**9,379**	**14,037**	**12,965**

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 (12.4 million EUR) credit facility available to Graphisoft Park within Pillar I of the second phase of the National Bank of Hungary's Funding for Growth Scheme and another 3 million EUR credit facility within Pillar II of the third phase of the Funding for Growth Scheme. Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

As of December 31, 2018 the outstanding capital of the forint based facility amounts to 3.7 billion HUF (11,686 thousand EUR); and the euro based facility amounts to 2,808 million EUR. The fair value of the loans (calculated using market interest rates) is 12,965 thousand EUR (see details under point 14.2 below).

In order to manage exchange rate risks associated with the forint-based loan, we have executed a cash flow hedge (CCIRS) transaction agreement on June 24, 2016 covering the entire loan amount and cash flows from the beginning of the loan repayment period until the expiration of the loan contract (from end of 2017 until end of 2025), by which we have converted the forint-based capital and interest payment obligations onto euro base. In this construction, the initial change of capital took place at the commencement of the cash flow hedge transaction (on December 29, 2017), therefore, we have also executed a related forward exchange rate agreement (forward forint purchase) to provide the forint coverage required to the initial change of capital.

On December 29, 2017, at the commencement of the cash flow hedge transaction, the related forward exchange rate agreement has been closed down. As of December 31, 2018 fair value of the cash flow hedge transaction is presented among long-term financial liabilities in amount of 195 thousand EUR; unrealized gain related to the transaction are presented within the equity (Cash flow hedge reserve) in amount of 229 thousand EUR. (As of December 31, 2017 fair value of the cash flow hedge transaction is presented among long-term financial assets in amount of 695 thousand EUR; unrealized gains related to the transaction are presented within the equity in amount of 665 thousand EUR.) Till the closure of the transaction any gains or losses due to ineffectiveness are not expected.

Details of the hedge	**December 31, 2017**	**December 31, 2018**
Financial asset / (liability) relating to the hedge	695	(195)
Other comprehensive income relating to the hedge	665	229
Hedged outstanding loan liability	12,897	11,686

(all amounts in thousands EUR unless otherwise stated)

Loan number 2. (Erste)

	December 31, 2016	December 31, 2017	December 31, 2018
Short-term	-	257	1,746
Long-term	-	1,743	37,078
Loan 2 / Erste Bank Hungary Zrt.	**-**	**2,000**	**38,824**

On November 30, 2017, based on the decision of the Board of Directors, the Company concluded a new euro-based, 10 years to maturity loan facility with Erste Bank Hungary Zrt., for the refinancing of the previous loan facility before its maturity, concluded with Westdeutsche ImmobilienBank AG in 2007 with expiration in May 2019.
The new facility is worth 40 million EUR, whose bulk is to be used for the repayment of the entire debt to Westdeutsche ImmobilienBank AG, while the remaining smaller part will be used to finance the refurbishment of the older buildings of Graphisoft Park. 2,000 thousand EUR free usage facility was drawn till December 31, 2017. Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

The new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term, thus the interest rate is fixed for the entire term from that time – unlike the facility to be redeemed with partly variable interest rates. From January 1, 2018 the IRS and the related loan are treated as cash-flow hedge by the Company. The effective portion of the loss on the hedging instrument is recognized directly in the other comprehensive income (537 thousand euros as of December 31, 2018), while the ineffective portion is recognized in the profit or loss (13 thousand euros loss as of December 31, 2018). According the Company's current calculations, till the closure of the transaction 20 thousand euros losses per year due to ineffectiveness are expected. The yearend fair value of the IRS deal is 784 thousand euros which is presented among long term financial liabilities.

Details of the hedge	**December 31, 2017**	**December 31, 2018**
Financial (liability) relating to the hedge	-	(784)
Other comprehensive income relating to the hedge	-	(537)
Ineffective portion of the hedge (loss)	-	13
Hedged outstanding loan liability	-	38,824

(all amounts in thousands EUR unless otherwise stated)

Loan provided by UniCredit Bank Hungary Zrt.:

	December 31, 2016	December 31, 2017	December 31, 2018
Short-term	-	-	1,113
Long-term	1,753	15,254	19,770
Loans / UniCredit Bank Hungary Zrt.	**1,753**	**15,254**	**20,883**

The Company executed a 24 million EUR loan facility agreement with UniCredit Bank Hungary Zrt. on December 18, 2016 with 10 years maturity to finance the ongoing development in the southern area. Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

The complete credit facility was drawn until December 31, 2018, whose fair value was 20,883 thousand EUR (calculated using market interest rates) (see details under point 14.2 below).

14.2. Analyses

Maturity profile of the loans:

	December 31, 2016	December 31, 2017	December 31, 2018
Due within 1 year	3,516	4,520	3,561
Due between 1-5 years	35,190	38,301	15,417
Due over 5 years	9,123	21,651	53,694
Loans	**47,829**	**64,472**	**72,672**

(all amounts in thousands EUR unless otherwise stated)

Fair value of the loans:

	December 31, 2016	December 31, 2017	December 31, 2018
Aareal Bank AG*	36,398	33,014	-
Erste Bank Hungary Zrt. Loan nr. 1.**	9,379	14,037	12,965
Erste Bank Hungary Zrt. Loan nr. 2.	-	2,000	38,824
UniCredit Bank Hungary Zrt. **	1,753	15,254	20,883
Loans at fair value*	**47,540**	**64,305**	**72,672**

* Calculated at a 2.5% effective interest rate for the fixed interest period of the loans as of December 31, 2016 and 2017.
** Calculated at a 2.5% market-based interest rate for the loans with preferential interest rate.

The weighted average interest rate of the loans was 1.56% as of December 31, 2018 and as of the date of the approval of these financial statements (2017: 1.02%).

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, 2018:

	Actual loan liability	**Fair value difference	*Fair value
Erste Bank Hungary Zrt.	14,494	1,529	12,965
UniCredit Bank Hungary Zrt.	24,000	3,117	20,883
Loans (FGS)	**38,494**	**4,646**	**33,848**

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

** 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.

(all amounts in thousands EUR unless otherwise stated)

15. Deferred taxes

	December 31, 2016	December 31, 2017	December 31, 2018
Development reserve	757	-	-
Depreciation	(20)	-	-
Loss carried forward	(155)	-	-
Deferred tax liability	**582**	**-**	**-**

Effective from July 31, 2017 the Company became regulated real estate investment pre-company (see the "Other key issues" section in the management report) and as such the Company was subject to corporate income tax and local business tax only till that date. As a result, deferred tax assets and liabilities were released in 2017.

On December 14, 2017 Graphisoft Park Engineering & Management Kft. was established. Based on the business activity, this company does not operate under the "SZIT" regulation and therefore is subject to corporate income tax and local business tax. As such deferred tax assets or liabilities relating to this entity might be created.

16. Other long-term liabilities

	December 31, 2016	December 31, 2017	December 31, 2018
Fair value difference of loans*	1,588	4,231	3,894
Warranty retention	-	100	157
Fair value of derivative instruments (as of Dec 31, 2018) **	-	-	979
Other long-term liabilities	**1,588**	**4,331**	**5,030**

* Fair value differences of loans with preferential interest rate due over one year. Details are disclosed in Note 14 (Loans).
** Fair value of IRSs relating to Erste Bank loans nr. 1. and 2. as of December 31, 2018. The valuation was prepared by Erste Bank.

(all amounts in thousands EUR unless otherwise stated)

17. Revenue

	December 31, 2017	December 31, 2018
Property rental*	10,624	12,411
Other revenue**	-	408
Revenue	**10,624**	**12,819**

*Property rental revenue consists solely of rental fees coming from the lease of real estate of Graphisoft Park.
** Other revenue contains a one-off revenue from engineering service provided in the second quarter of 2018.

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, 2017	December 31, 2018
Within 1 year	10,285	12,688
1– 5 years	28,749	33,328
Over 5 years	16,040	13,504
	55,074	**59,520**

18. Operating expense

	December 31, 2017 modified	December 31, 2018
Property related expense	56	69
Employee related expense	757	888
Other operating expense	532	537
Depreciation and amortization	179	190
Operating expense	**1,524**	**1,684**

(all amounts in thousands EUR unless otherwise stated)

Other operating expense consists of the following items:

	December 31, 2017	December 31, 2018
Office and telecommunication	14	14
Legal and administration	347	330
Marketing	16	-
Other	155	193
Other operating expense	**532**	**537**

19. Other income (expense)

	December 31, 2017	December 31, 2018
Income from recharged construction expenses	1,564	3,217
Recharged construction expenses	(1,435)	(2,907)
Income from recharged operation expenses	4,092	4,635
Recharged operation expenses	(3,733)	(4,241)
Others	(51)	(152)
Other income	**437**	**552**

20. Interest and other financial cost

	December 31, 2017	December 31, 2018
Interest expense on loans	(799)	(967)
Break cost of loan	-	(258)
Other interest expense	(3)	(5)
Interest and other financing cost	**(802)**	**(1,230)**

(all amounts in thousands EUR unless otherwise stated)

21. Other financial result

	December 31, 2017	December 31, 2018
Exchange rate gain / (loss) realized	12	(701)
Exchange rate (loss) / gain not realized	(83)	527
Realized gain on derivative transaction*	205	-
Change in far value on derivative transaction**	(234)	-
Ineffective portion of hedge***	-	(13)
Other financial result	**(100)**	**(187)**

*Realized gain on closed forward transaction, details are disclosed in Note 14 (Loans).
**Change in fair value on IRS agreement relating to the loan Nr. 2. provided by Erste Bank Hungary Zrt. as of December 31, 2017.
***Ineffective portion of the IRS agreement relating to the loan Nr. 2. provided by Erste Bank Hungary Zrt.

22. Income taxes

	December 31, 2017	December 31, 2018
Current income tax	(217)	(45)
Deferred income tax	582	
Income tax (expense) / benefit	**365**	**(45)**

Applicable tax rates are: corporate income tax at 9% and local business at tax 2% both in 2017 and 2018. Details are disclosed in Note 15.

(all amounts in thousands EUR unless otherwise stated)

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

	December 31, 2017 modified	December 31, 2018
Profit before tax	**26,406**	**15,128**
Tax at statutory rate	**2,377**	**1,362**
Non-taxable items*	(2,283)	(1,406)
Release of deferred tax of prior periods*	(582)	-
Others	(23)	62
Corporate income tax	**(531)**	**18**
Local business tax	**166**	**27**
Tax (benefit) expense	**(365)**	**45**
Effective tax rate	**(1.4%)**	**0.3%**

*Effective from July 31, 2017 the Company became regulated real estate investment pre-company and as such the Company was subject to corporate income tax and local business tax only till this date. As a result deferred tax assets and liabilities were released against current year results as of that date (582 thousand euros). This one-off profit on consolidated level does not create basis for dividend (distributable profit). The Group is not subject to corporate income tax after tax base from August 1, 2017 except for Graphisoft Park Engineering & Management Kft.

(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, 2017 modified	December 31, 2018
Net profit attributable to equity holders of the parent	26,771	15,083
Weighted average number of ordinary shares outstanding	10,082,598	10,082,598
Basic earnings per share (EUR)	**2.66**	**1.50**
Weighted average number of ordinary shares outstanding	10,082,598	10,082,598
Diluted earnings per share (EUR)	**2.66**	**1.50**

Treasury shares possessed by the Company and employee shares are excluded when the earnings per share value is determined and described in Note 1.3 to the financial statements.

Share ownerships details are disclosed in Note 1.3.

24. Treasury shares

Graphisoft Park SE treasury share details are as follows:

	December 31, 2016	December 31, 2017	December 31, 2018
Number of ordinary shares	549,076	549,076	549,076
Number of employee shares	-	625,389	625,389
Face value per share (EUR)	0.02	0.02	0.02
Total face value (EUR)	10,982	23,489	23,489
Total value of treasury shares (at historical cost)	962	974	974

(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, 2018:

	Note	Book value Dec 31, 2018	Fair value Dec 31, 2018	*Difference*
Investment property and other tangible assets*	9,10	241,707	264,958	*23,521*
Intangible assets		5	5	-
Current tax assets, net	7,15	81	81	-
Non-financial instruments		**241,793**	**265,044**	***23,521***
Cash and cash equivalents	5	5,874	5,874	-
Trade receivables	6	1,450	1,450	-
Other current assets	8	2,504	2,504	-
Trade payables	12	(1,250)	(1,250)	-
Other short-term liabilities	13	(5,124)	(5,124)	-
Loans	14	(72,672)	(72,672)	-
Other long-term liabilities	16	(5,030)	(5,030)	-
Financial instruments		**(74,248)**	**(74,248)**	**-**
Net asset value		**167,545**	**190,796**	***23,521***

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 264,510 thousand euros as of December 31, 2018.

(all amounts in thousands EUR unless otherwise stated)

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

	Note	Book value Dec 31, 2017 modified	Fair value Dec 31, 2017 modified	*Difference*
Investment property and other tangible assets*	9,10	218,136	243,322	*25,186*
Intangible assets		2	2	-
Current tax assets, net	7,15	528	528	-
Non-financial instruments		**218,666**	**243,852**	***25,186***
Cash and cash equivalents	5	4,239	4,239	-
Trade receivables	6	856	856	-
Other current assets	8	9,589	9,589	-
Other long-term financial assets		695	695	-
Trade payables	12	(5,305)	(5,305)	-
Other short-term liabilities	13	(3,490)	(3,490)	-
Loans	14	(64,472)	(64,305)	*167*
Other long-term liabilities	16	(4,331)	(4,331)	-
Financial instruments		**(62,219)**	**(62,052)**	***167***
Net asset value		**156,447**	**181,800**	***25,353***

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 243,010 thousand euros as of December 31, 2017.

(all amounts in thousands EUR unless otherwise stated)

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

	Note	**Book value Dec 31, 2016 modified**	**Fair value Dec 31, 2016 modified**	***Difference***
Investment property and other tangible assets*	9,10	177,427	200,540	*23,113*
Investments	11	100	100	-
Current and deferred tax liabilities, net	7,15	(590)	(590)	-
Non-financial instruments		**176,937**	**200,050**	***23,113***
Cash and cash equivalents	5	2,621	2,621	-
Trade receivables	6	1,083	1,083	-
Other current assets	8	5,681	5,681	-
Trade payables	12	(4,190)	(4,190)	-
Other short-term liabilities	13	(1,661)	(1,661)	-
Loans	14	(47,829)	(47,540)	*289*
Other long-term liabilities	16	(1,588)	(1,588)	-
Financial instruments		**(45,883)**	**(45,594)**	***289***
Net asset value		**131,054**	**154,456**	***23,402***

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 200,293 thousand euros as of December 31, 2016.

(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 2018 and 2017. After the complete realization of the educational function in 2017 (details are disclosed in Note 27.) the Company sold its stake in the AIT-Budapest Aquincum Institute of Technology.

AIT-Budapest Kft., Graphisoft SE, vintoCON Kft. and B.N.B.A. Holding Zrt. are deemed related parties of the Group in 2018 and 2017 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,
- Member of the Board of Directors of Graphisoft Park SE (Szigeti András) is the Chief Executive Officer of B.N.B.A. Holding Zrt.

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

Item	December 31, 2017	December 31, 2018
Sales to related parties	1,921	2,847
Profit on sale of investments	20	-
Purchases from related parties	5	4
Receivables from related parties	3	-
Liabilities to related parties	614	905

Transactions with the related parties were as follows in 2018 and 2017:

- AIT-Budapest Kft., Graphisoft SE, vintoCON Kft. and B.N.B.A. Holding Zrt. leased a total office space of 8,560 m^2 in Graphisoft Park in 2018 and 6,740 m^2 in 2017,
- Graphisoft Park SE provided financial and administration services for AIT-Budapest Kft. until 31 July, 2017,
- vintoCON Kft. provided software administration services for Graphisoft Park Services Kft. in 2018 and 2017,
- Graphisoft SE provided software administration services for Graphisoft Park Kft. in 2018 and 2017,
- in connection with the renovation of the building rented by Graphisoft SE, Graphisoft Park Kft. has advances in amount of 614 thousand euros at the end of 2017,
- Graphisoft Park Engineering & Management Kft provided engineering services for Graphisoft SE in 2018,
- the profit on sale of 10% share in AIT-Budapest Kft was 20 thousand euros (the selling price was 100 thousand euros) in 2017.

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 2018 and 2017, the Group has not recorded any impairment loss relating to amounts owed by related parties.

(all amounts in thousands EUR unless otherwise stated)

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

	December 31, 2017	December 31, 2018
Remuneration of the Board of Directors	78	78
Compensation of key management personnel	340	236
Total	**418**	**314**

* 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, 2017			December 31, 2018		
Shareholder	**Shares (pc)**	**Share (%)**	**Voting right (%)**	**Shares (pc)**	**Share (%)**	**Voting right (%)**
ORDINARY SHARES:	**3,829,082**	**36.02**	**33.79**	**2,715,082**	**25.54**	**23.96**
Bojár Gábor - Chairman of the BoD*	3,185,125	29.96	28.10	2,485,125	23.37	21.93
Dr. Kálmán János - Member of the BoD	13,500	0.13	0.12	13,500	0.13	0.12
Szigeti András - Member of the BoD	126,000	1.19	1.11	126,000	1.19	1.11
Kocsány János - Member of the BoD, CEO	90,457	0.85	0.80	90,457	0.85	0.80
Hornung Péter – Member of the BoD **	414,000	3.89	3.65	-	-	-
EMPLOYEE SHARES:	**1,250,778**	**-**	**11.03**	**1,250,778**	**-**	**11.03**
Kocsány János - Member of the BoD, CEO	1,250,778	-	11.03	1,250,778	-	11.03
SHARES TOTAL:	**5,079,860**	**36.02**	**44.82**	**3,965,860**	**25.54**	**34.99**

* Bojár Gábor transferred 700,000 shares to B.N.B.A. Holding Zrt. trustee for trust property management.
** Hornung Péter transferred all of his 414,000 shares to HFT Holding Zrt. trustee for trust property management.

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

27. Commitments, contingencies

Realization of the educational function

As we discussed in detail in previous reports in order to realize the full potential of Graphisoft Park's "science park" features with the purchase of land contract concluded with the Municipality of Budapest in 2008 we have undertook the duty to carry out the development for educational purpose by renovating the protected monument parts of the purchased property. The realization of the educational function was in part carried out by the founding of the AIT-Budapest Aquincum Institute of Technology, owned by 10% by the Company; and through the International Business School's (IBS) relocation to Graphisoft Park. After the complete realization of the educational function the Company sold its stake in the AIT-Budapest Aquincum Institute of Technology.

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 fulfilment 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 related primarily to its long-term loans with floating interest rates (8.6 million EUR as of December 31, 2017). The share of loans with floating interest rates was marginal in the total loan portfolio and was fully refinanced on 29 June 2018.

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

(all amounts in thousands EUR unless otherwise stated)

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 2018 and 2017 (separately). Revenue from these 2 tenants represented 46% of the total revenue in 2018 and 38% in 2017.

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, 2018 and 2017.

The two tables below summarize the maturity profile of financial liabilities based on contractual undiscounted payments as of December 31, 2018 and 2017.

December 31, 2018	**Overdue**	**Due within 1 year**	**Due between 1-5 years**	**Due over 5 years**	**Total**
Loans*	-	5,475	22,088	58,044	**85,607**
Trade payables	-	1,250	-	-	**1,250**
Current tax liability	-	136	-	-	**136**
Other liabilities	-	4,372	157	979	**5,508**
Financial liabilities	**-**	**11,233**	**22,245**	**59,023**	**92,501**

(all amounts in thousands EUR unless otherwise stated)

December 31, 2017	**Overdue**	**Due within 1 year**	**Due between 1-5 years**	**Due over 5 years**	**Total**
Loans*	-	5,222	41,977	23,350	**70,549**
Trade payables	-	5,305	-	-	**5,305**
Current tax liability	-	274	-	-	**274**
Other liabilities	-	2,590	100	-	**2,690**
Financial liabilities	**-**	**13,391**	**42,077**	**23,350**	**78,818**

* Capital plus interest calculated for the fixed interest period of the loan.
* Loans and the 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. Legal proceedings

Due to the prior gasification activity the northern development area is still contaminated. The rehabilitation of this area is the duty of the polluter Capital City Gas Works (currently NKM Földgázszolgáltató Zrt.). In the resolution received on October 3, 2018, the competent government body, the Pest County Government Office notified us about the prolongation of the completion deadline of the rehabilitation in the northern development area. We have filed suit for the review of the resolution in administrative court.

31. Approval of financial statements

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

32. Events after the balance sheet date

Proposed dividend by the Board:

The annual financial statements of the Company for the year 2018 prepared in accordance with International Financial Reporting Standards (IFRS) are authorized for issue in accordance with the resolution of the Board of Directors on March 22, 2019. The Board proposes dividend distribution of 126 HUF per ordinary share and 42 HUF per employee share to be approved by the Annual General Meeting of Graphisoft Park SE of April 29, 2019. The Annual General Meeting has the power to amend the annual financial statements.

33. Additional presentations according to the Hungarian Accounting Law

Persons responsible for signing and preparing the financial statements:

The persons authorized and required to sign the Company's financial statements are as follow:

Name: Kocsány János
Position: Chief Executive Officer
Address: H-1038 Budapest, Ékszer utca 4.

The person responsible for supervising transactional accounting and preparation of financial statements according to IFRS:
Name: Goór Ágnes
IFRS registration number: 200443

Statutory auditor and audit fees:

The Company is subject to statutory audit. The Company's auditor is BDO Magyarország Könyvvizsgáló Kft. (address: H-1103 Budapest, Kőér utca 2/A C ép.). The person responsible for signing the audit report:

Name: Kékesi Péter
Registration number: 007128

The audit fee for the Company's stand alone and consolidated financial statements as of December 31, 2018 is 16,000 euro, the interim and final audit fee for the subsidiaries was 13,050 euro. Audit related fees amounted to 3,500 euro for 2018.

34. 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 International Financial Reporting 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.*