

GRAPHISOFT PARK SE
Half-year Report – First Half 2014
August 6, 2014



GRAPHISOFT PARK





Financial highlights

IFRS, consolidated, thousand EUR

	3 months ended		6 months ended	
	June 30,	June 30,	June 30,	June 30,
	2013	2014	2013	2014
Revenue	2,040	1,969	4,055	3,930
Operating expense	(366)	(332)	(562)	(516)
Other income (expense)*	(80)	40	(192)	69
EBITDA	1,594	1,677	3,301	3,483
Depreciation and amortization	(928)	(953)	(1,869)	(1,890)
Operating profit	666	724	1,432	1,593
Net interest expense	(309)	(305)	(640)	(630)
Exchange rate differences	(34)	(3)	(47)	54
Profit before tax	323	416	745	1,017
Income tax expense	(74)	14	(147)	(13)
Profit for the period	249	430	598	1,004

	December 31, 2013	June 30, 2014
Assets total	72,419	69,071
Investment property at cost**	61,171	62,684
Bank loans	47,149	45,744
Net debt	38,428	42,102

* Profit for the year 2013 includes income and expenditures (extraordinary results) relating to the cancellation of the lease contract with AMRI Hungary Zrt. (hereinafter: legal proceedings). On the next page the results of the Company are presented excluding the result of the legal proceedings (results from ordinary activities).

** Investment properties are shown in the financial statements of the Company at historical cost. Investment property fair value estimates are published annually. The latest valuation is disclosed in the Annual Report for 2013 (www.graphisoftpark.com).



Financial highlights

IFRS, consolidated, thousand EUR

Results from ordinary activities*:

	3 months ended		6 months ended	
	June 30,	June 30,	June 30,	June 30,
	2013	2014	2013	2014
Revenue	2,040	1,969	4,055	3,930
Operating expense	(366)	(332)	(562)	(516)
Other income (expense)*	37	40	63	69
EBITDA	1,711	1,677	3,556	3,483
Depreciation and amortization	(928)	(953)	(1,869)	(1,890)
Operating profit	783	724	1,687	1,593
Net interest expense	(309)	(305)	(640)	(630)
Exchange rate differences	(34)	(3)	(47)	54
Profit before tax	440	416	1,000	1,017
Income tax expense	(85)	14	(172)	(13)
Profit for the period	355	430	828	1,004
EBITDA margin (%)	83.9	85.2	87.7	88.6
Operating profit margin (%)	38.4	36.8	41.6	40.5

Extraordinary results (legal proceedings):

	3 months ended		6 months ended	
	June 30,	June 30,	June 30,	June 30,
	2013	2014	2013	2014
Other income (expense)	(117)	-	(255)	-
Income tax expense	11	-	25	-
Loss for the period	(106)	-	(230)	-

* Periodic comparative analyses are prepared using "Results from ordinary activities", which do not include the extraordinary items.



Dear Shareholders,

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

- Financial results for the first half of 2014,
- Utilization, occupancy,
- Development activities,
- Other key issues,
- Forecast for the year 2014.

Financial results for the first half of 2014

Changes in the results for 2014 compared to the 2013 bases (“Results from ordinary activities”, see details in “Financial highlights” on previous page) occurred by the effects of the following main factors:

- **Revenue** (3,930 thousand euros; Q1: 1,961 thousand euros, Q2: 1,969 thousand euros) decreased by 3% compared to the previous year. Loss of rental fees from premises rented by Ustream Hungary Kft. (see details in the “Utilization, occupancy” sections below) decreased revenue by 200 thousand euros, that is 5%, however inflationary adjustments of the rental fees increased it by 2%.
- **Operating expense** (516 thousand euros; Q1: 184 thousand euros, Q2: 332 thousand euros) decreased by 8% compared to the previous year. This is due to the decrease in property related expenses compared to the base last year.
- **Other income** (69 thousand euros; Q1: 29 thousand euros, Q2: 40 thousand euros) net amount corresponds with that of the previous year.
- **Depreciation** (1,890 thousand euros; Q1: 937 thousand euros, Q2: 953 thousand euros) amount remained essentially on the same level as in the previous year.
- **EBITDA** (3,483 thousand euros; Q1: 1,806 thousand euros, Q2: 1,677 thousand euros) decreased by 2% and **operating profit** (1,593 thousand euros; Q1: 869 thousand euros, Q2: 724 thousand euros) decreased by 6% compared to the previous year due to the factors mentioned above.
- **Net interest expense** (630 thousand euros; Q1: 325 thousand euros, Q2: 305 thousand euros) decreased by 2%, by 10 thousand euros compared the previous year due to decreasing interest expenses (by 82 thousand euros) and decreasing interest income (by 72 thousand euros). More favorable exchange rate differences than in 2013 have had a substantial positive effect (101 thousand euros) on the financial results.
- **Income tax expense** (2014: 13 thousand euros, 2013: 172 thousand euros) is significantly lower than in previous year. 2014 corporate income tax was lowered by one tax base decreasing item (monument renovation tax credit) to a larger extent than in 2013 (183 thousand euros in 2014, compared to 33 thousand euros in 2013).
- **Net profit** (1,004 thousand euros; Q1: 574 thousand euros, Q2: 430 thousand euros) grew by 21%, by 176 thousand euros compared to the previous year because of the following factors: (1) operating profit was lower than the base due to the decrease in occupancy rate (by 94 thousand euros, 6%), however, (2) financial results improved significantly (by 111 thousand euros, 16%) due mostly to favorable exchange rate differences, and finally (3) income tax expense was significantly lower (by 159 thousand euros) than the base last year due to a tax-base decreasing item.



Utilization, occupancy

Occupancy rate of Graphisoft Park’s completed 46,850 m2 (46,000 m2 until the fourth quarter of 2013) rentable office and laboratory space developed as follows (at the end of the quarter):

2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2
84%	84%	84%	84%	80%	81%

Ustream Hungary Kft. moved to a downtown location on 1 January 2014, reducing occupancy rate from 84% to 80%.

New contracts in the first half of 2014, concluded with tenants operating in smaller offices raised overall occupancy by 1%, so that Graphisoft Park’s occupancy grew to 81% at the time of writing this report.

After the educational purpose development in the monument area completed in July 2014 (see details in the “Development activities” section below), rentable office, laboratory and educational space will grow by 5,200 m2 to 52,050 m2 while occupancy rate will grow from 81% to 83%, including a 100% rate in the newly developed areas.

With new leases concluded in June 2014 for 3,300 m2 office space, Graphisoft Park’s occupancy rate will reach 90% by the last quarter of 2014 – with the aforementioned educational development included.

After the completion of the 3,000 m2 (gross) floor area, 85 rooms dormitory building in August 2014 (see “Development activities” section below for details) within the housing developments in the southern development area, an occupancy rate of 90% is expected for the 10 months academic year. (In case of housing developments occupancy rate is calculated by the ratio of housing units rented to housing units available, rather than leased area to total leasable area).

Development activities

The total area of Graphisoft Park is nearly 18 hectares. Over the past 15 years 45,000 m2 of office and laboratory space have been developed and occupied on 8.5 hectares, thus the development of the **core area** is completed. Further investments in the core area are carried out to meet the needs of tenants by remodeling and renovation of office space and by infrastructure development. The costs of these activities amounted to 66 thousand euros in the first half of 2014, and are expected at 900 thousand euros in 2014 (with the remodeling costs of the premises newly leased in June included).

In the rest of the area an additional 65,000 m2 office space can be developed. On top of that the monument area holds the potential for the utilization of another 14,000 m2 of gross floor area after renovation, comprising an approximate 10,000 m2 net leasable area.

The renovation works on the buildings of the **monument area** began in 2010. The wholly renovated management headquarters building of the former Gasworks (marked U1 on the map below) with a 1,000 m2 net floor area was completed in 2011. The next building renovated was the old forge of the Gasworks, which was repurposed as an educational facility with an 850 m2 net floor area. At the completion of the works in the third quarter of 2013, the Aquincum Institute of Technology moved into the building marked U3 on the map below (see details in the “Realization of the education function” section).

In March 2013 the International Business School (IBS) contracted us to accommodate its relocated educational operations in Graphisoft Park. For this end, additional three buildings (marked U2, U5 and U6 on the map below) with a total net floor space of 5,200 m2 were repurposed into state of the art educational facilities and were handed over to tenant in July 2014. Remodeling of the building marked U2 has already been completed in the spring of 2014. After the completion of these works, the monument area houses an educational campus of 7,050 m2 net floor area for nearly 1,000 students. The planned total costs of the program including public utilities works



and landscaping are 10.7 million euros, of which 1.2 million was spent during 2010-11, another 1.2 million in 2012 and 2.1 million in 2013. The remaining 6.2 million euros will occur in 2014 (out of which 3.3 million euros occurred in the first half of 2014). As the buildings were renovated to suit lease contracts preceding the works, the monument area's occupancy stands at 100%, which in turn guarantees profitable operation despite the significantly higher costs associated with the high quality renovation and repurposing of industrial monuments, as opposed to the costs of new constructions.

The last building in the monument area is the largest one, marked U4 on the map. The former purifier building will comprise 3,000 m² floor area after renovation, for which planning will start after demand is shown for its utilization.



In relation to the educational development project the construction of a new restaurant and a dormitory building of 3,000 m² for 85 persons (the latter on the southern development area) are planned. Completion is forecasted in the summer of 2014.

In the **development areas**, we obtained permission for and carried out the demolition of those structures that are not protected landmarks. The planned archeological excavations have been completed. If new demand rises, construction of further 30,000 m² office building could begin in the excavated southern development area. No further preparatory work or development will take place in the northern development area until the clean-up projects planned by the Capital City Gas Works are finished. Total land development costs in these areas have been 3.2 million euros.

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

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



Other key issues

Dividend

On April 23, 2014, the Annual General Meeting of Graphisoft Park SE approved dividend distribution of 90 forints per share (totaling 911,034 thousand forints, which is 2,965 thousand euros on the exchange rate of April 23, 2014). The Company pays 45 forints dividend after the results from ordinary activities, and another 45 forints on top of that after the extraordinary results. Starting date for dividend payments was May 29, 2014. The Company paid out the dividends to the shareholders identified by shareholder's registration.

Realization of the educational function

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



The constituents of AIT's student body come from the most excellent Universities of the United States on their study abroad semester. AIT provides high-level education in small classes for selected students from BME as well, for whom tuition is waived. The personal relations developing with the North American students may prove to be invaluable assets for their later careers. AIT's curriculum uniquely blends IT education in line with Graphisoft Park's professional orientation with business studies. This is complemented by courses highlighting the riches of Hungarian culture (language, literature, film, music and architecture) tailored for the needs of the international students.

AIT was launched with a summer pilot program in 2010 concluding three years of preparation. The curriculum was finalized after gathering the feedbacks from students and faculty and drawing the conclusions from the pilot program. 7 semesters have been concluded since the pilot program, with more than 80 students in 2013 already.



To this date a total of 40 North American universities and colleges have sent students to participate in AIT's program and recognized its BME accredited credits. The most well known universities among these are Harvard, Yale, MIT, Princeton, Brown, Cornell, Dartmouth, UPenn, Rochester and Tufts (including almost all of the elite schools of the Ivy League), and some of the famous colleges, such as Williams, Carleton, Harvey Mudd and Pomona. A significant proportion of the students remain in Hungary after the spring semesters for a 1 or 2 months internship with the best Hungarian IT companies (Graphisoft, Prezi, LogMeln, Ustream, etc). These students return home with great impressions and spread the news of the Hungarian IT industry in the world. Some of them are coming back to Hungary after obtaining their diplomas to gain permanent employment with these companies.

At the time of making this report preparations for the 2014 Fall semester are taking place. In 2014, 90 North American and 40 Hungarian students are expected to have completed their studies at AIT. Tuition paid by the North American students will make AIT-Budapest's operation sustainable on long term.

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



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

Creating the Startup ecosystem

The demand for floor space generated by lively evolving Startup companies has already been a driving force behind Graphisoft Park's expansion. To boost this dynamic, Graphisoft Park as a founding member, provided office space to the Aquincum Inkubátor Zrt., which has won the National Innovation Office's "Gazella" tender to support the incubation of startup companies. Graphisoft Park supports the startup companies by leasing office and laboratory space, and by providing pro bono business development advice with the help of Gabor Bojar, founder of Graphisoft and Graphisoft Park.



Management Share Ownership Plan

On July 21, 2014, the General Meeting of Graphisoft Park SE modified the Management Share Ownership Plan of the Company – to prevent legal uncertainty regarding the vote multiplier quality of the newly issued shares, but leaving its stated purpose untouched –, and gave authorization to the Board of Directors at the same time to raise share capital. The purpose of raising share capital is to issue employee shares up to 15% of the raised share capital, with the potential maximum of 1,876,178 employee shares issued at the face value of 2 euro cent each, at a potential maximum value of 37,524 euros. Management Shares bear voting rights equivalent to their face value, but different (reduced) rights to dividend at the proportion of one third of their face value.

The primary purpose of the Management Share Ownership Plan is to enable employees of the Company in management positions through multiple voting shares to meaningfully participate in the decision-making at issues in the sole competence of the General Meeting, thus enabling them to obfuscate takeover attempts hindering the Company’s interests and reasonable operations when needed, while preserving the primacy of interests of the Company and acting within the framework provided by the law. The other purpose of the Management Share Ownership Plan is to provide a long-term roadmap for the compensation and motivation of employees in leadership positions with higher responsibilities, thus contributing to attracting the most talented employees, and to keep those already in position providing further motivation. The Board of Directors of the Company shall award employee shares within the framework of the Management Share Ownership Plan.

Forecast for 2014

Our forecast for 2014 is summarized in the following table, based exclusively on signed, valid lease agreements with the current occupancy rate of 81% (83% from August 2014, 90% from the fourth quarter; see details in caption “Utilization, occupancy”). The first column shows 2013 results without the extraordinary results from the legal proceedings.

(million euros)	2013 actual	2014 forecast
Rental revenue	8.12	8.3
Operating expense	-0.94	-0.9
Other income, net	0.12	0.1
EBITDA	7.30	7.5
Depreciation and amortization	-3.75	-4.0
Operating profit	3.55	3.5
Net interest expense	-1.14	-1.3
Exchange rate difference	-0.09	0.0
Income tax expense	-0.29	-0.1
Net profit	2.03	2.1

Change in results for 2014 compared to 2013 bases (result from ordinary activities) is the impact of the following main factors:

- Rental revenues will drop by 400 thousand euros due to the loss of income from Ustream Hungary Kft, but rental income from the previously executed leases with the IBS International Business School and from newly concluded leases in 2014 (see “Utilization, occupation“ and “Development activities“ sections), along with the inflationary adjustments of the rental fees will result in a 600 thousand euros growth. Therefore, the overall rental income in 2014 is expected to surpass that of 2013 by 200 thousand euros.
- Operating expenses are expected to stay at the same level in 2014 as in 2013. Depreciation and amortization will increase by 250 thousand euros, due to the new developments to be capitalized in 2014 (see caption “Development activities“).



- Interest expense is expected to decrease by 100 thousand euros in 2014 compared to 2013 due to the lower interest level (EURIBOR, in case of bank loans with a floating interest rate) and the capital repayments. Interest income, however, will decrease to a larger extent by an expected 250 thousand euros. This is due in part to decreasing deposit interests and yields, and in part because our former investments with significantly higher yield were sold at a profit in 2013 (increasing base figures). Considering the above-mentioned factors, a 150 thousand euros increase is expected in net interest expense in 2014.
- Income tax expense is expected to decrease by 200 thousand euros. The volume of investment in the renovation of the buildings in the monument area (see “Development activities” section) lowers corporate tax to negative (100 thousand euros tax receivable arises due to tax base decreasing item, monument renovation tax credit), which, together with the local business tax liability (200 thousand euros), results in a total of 100 thousand income tax liability for 2014.

With regards to the above, and as forecasted in the extraordinary announcement of June 12, 2014, 2.1 million euros net profit is forecasted for 2014. Our forecast has been raised by 0.2 million euros compared to 1.9 million euros in the report for the first quarter published on May 7, 2014, in consideration of the newly concluded leases in 2014 (see “Utilization, occupancy” section for details) that raise rental revenues by that amount.

Forecasts published here are based solely on the valid lease contracts in effect at the time of writing this report. At previous times actual revenues were repeatedly higher than forecasted, due to new leases concluded after the publication of reports. Despite this past pattern, it is not in our intention to change the forecasting methods. We will not try to predict the number or value of new lease 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 in case 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. As the current office rental market in Budapest is in the state of oversupply, very low prices can be observed at some places, with which Graphisoft Park has no intention to compete. At the same time, we would like to emphasize that in the 15 year history of Graphisoft Park Ustream Hungary Kft. has been the one and only tenant that did not prolong its contract on expiration, despite its successful business (see “Utilization, occupancy” section). The root cause of this decision was not the rental fee but the fact that the business activity of Ustream is connected to the ecosystem evolved in the center of Budapest.

Other factors significantly affecting results are changes in the EUR/HUF exchange rate, the EURIBOR interest rate and the regulatory environment with special regards to the tax regulations. In this forecast we calculate with a 305 HUF/EUR exchange rate, EURIBOR of 0.25% and an inflation rate of 1.5% and unchanged legal and taxation environment.



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

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

Budapest, August 6, 2014

Hajba Róbert
Chief Financial Officer

Kocsány János
Chief Executive Officer



GRAPHISOFT PARK SE

HALF-YEAR REPORT

for the half-year ended June 30, 2014

in accordance with International Financial Reporting Standards (IFRS)

(unaudited)

Budapest, August 6, 2014

Hajba Róbert
Chief Financial Officer

Kocsány János
Chief Executive Officer

GRAPHISOFT PARK SE
HALF-YEAR REPORT
JUNE 30, 2014

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GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 2014

(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2013	June 30, 2014
Cash and cash equivalents	3	10,160	5,455
Trade receivables	4	453	377
Inventories	5	6	8
Current tax receivable	6	87	52
Other current assets	7	209	143
Current assets		10,915	6,035
Investment property	8	61,171	62,684
Other tangible assets	8	200	227
Investments	9	107	100
Deferred tax asset	10	26	25
Non-current assets		61,504	63,036
TOTAL ASSETS		72,419	69,071
Short-term loans	11	2,836	2,875
Trade payables	12	680	1,039
Current tax liability	6	178	122
Other short-term liabilities	13	1,107	1,115
Current liabilities		4,801	5,151
Long-term loans	11	44,313	42,869
Deferred tax liability	10	255	142
Non-current liabilities		44,568	43,011
TOTAL LIABILITIES		49,369	48,162
Share capital		213	213
Retained earnings		26,552	24,591
Treasury shares	21	(784)	(962)
Accumulated translation difference		(2,931)	(2,933)
Shareholders' equity		23,050	20,909
TOTAL LIABILITIES & EQUITY		72,419	69,071

The accompanying notes form an integral part of the report.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF INCOME
FOR THE HALF-YEAR ENDED JUNE 30, 2014
(all amounts in thousands EUR unless otherwise stated)

	Notes	3 months ended		6 months ended	
		June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Property rental revenue	14	2,040	1,969	4,055	3,930
Revenue		2,040	1,969	4,055	3,930
Property related expense	15	(34)	(18)	(71)	(30)
Employee related expense	15	(254)	(222)	(356)	(330)
Other operating expense	15	(78)	(92)	(135)	(156)
Depreciation and amortization	15, 8	(928)	(953)	(1,869)	(1,890)
Operating expense		(1,294)	(1,285)	(2,431)	(2,406)
Other income	16	(80)	40	(192)	69
OPERATING PROFIT		666	724	1,432	1,593
Interest income	17	63	21	109	37
Interest expense	17	(372)	(326)	(749)	(667)
Exchange rate difference	18	(34)	(3)	(47)	54
Financial expense		(343)	(308)	(687)	(576)
PROFIT BEFORE TAX		323	416	745	1,017
Income tax expense	19	(74)	14	(147)	(13)
PROFIT FOR THE PERIOD		249	430	598	1,004
Attributable to equity holders of the parent		249	430	598	1,004
Basic earnings per share (EUR)	20	0.02	0.04	0.06	0.10
Diluted earnings per share (EUR)	20	0.02	0.04	0.06	0.10

The accompanying notes form an integral part of the report.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE HALF-YEAR ENDED JUNE 30, 2014
 (all amounts in thousands EUR unless otherwise stated)

	Notes	3 months ended		6 months ended	
		June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Profit for the period		249	430	598	1,004
Valuation reserve***		(1)	-	(22)	-
Valuation reserve – tax effect		-	-	2	-
Other comprehensive income – to be reclassified*		(1)	-	(20)	-
Translation difference****		-	2	2	(2)
Other comprehensive income – not to be reclassified**		-	2	2	(2)
Other comprehensive income		(1)	2	(18)	(2)
COMPREHENSIVE INCOME		248	432	580	1,002
Attributable to equity holders of the parent		248	432	580	1,002

* Net other comprehensive income to be reclassified to profit or loss in subsequent periods

** Net other comprehensive income not to be reclassified to profit or loss in subsequent periods

*** Fair value changes of available-for-sale securities

**** Translation difference comprises the translation difference of subsidiaries with functional currency other than EUR

The accompanying notes form an integral part of the report.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE HALF-YEAR ENDED JUNE 30, 2014
(all amounts in thousands EUR unless otherwise stated)

	Share capital	Retained earnings	Valuation reserve	Treasury shares*	Accum. translation difference	Total equity
December 31, 2012	213	23,939	96	(669)	(2,933)	20,646
Profit for the period	-	598	-	-	-	598
Valuation reserve	-	-	(20)	-	-	(20)
Translation difference	-	-	-	-	2	2
Dividend	-	(1,351)	-	-	-	(1,351)
June 30, 2013	213	23,186	76	(669)	(2,931)	19,875
December 31, 2013	213	26,552	-	(784)	(2,931)	23,050
Profit for the period	-	1,004	-	-	-	1,004
Valuation reserve	-	-	-	-	-	-
Translation difference	-	-	-	-	(2)	(2)
Purchase of treasury shares	-	-	-	(178)	-	(178)
Dividend	-	(2,965)	-	-	-	(2,965)
June 30, 2014	213	24,591	-	(962)	(2,933)	20,909

* Treasury share details are disclosed in Note 21

The accompanying notes form an integral part of the report.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED JUNE 30, 2014
(all amounts in thousands EUR unless otherwise stated)

	3 months ended		6 months ended	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
OPERATING ACTIVITIES				
Income before tax	323	416	745	1,017
Depreciation and amortization	928	953	1,869	1,890
Interest expense	372	326	749	667
Interest income	(63)	(21)	(109)	(37)
Unrealized foreign exchange (gains) / losses	9	(18)	4	(42)
Changes in working capital:				
(Increase) / decrease in receivables and other current assets	138	88	83	197
Increase in inventory	-	(7)	-	(2)
Increase in payables and accruals	97	204	241	88
Corporate income tax paid	(5)	(30)	(109)	(128)
Net cash from operating activities	1,799	1,911	3,473	3,650
INVESTING ACTIVITIES				
Purchase of tangible assets and intangibles	(438)	(1,957)	(491)	(3,089)
Interest paid (capitalized)	(21)	(35)	(42)	(62)
Sale of investment	-	-	-	7
Interest received	10	15	17	20
Net cash used in investing activities	(449)	(1,977)	(516)	(3,124)
FINANCING ACTIVITIES				
Loan repayments	(722)	(705)	(1,351)	(1,405)
Interest paid	(368)	(329)	(746)	(691)
Purchase of treasury shares	-	(178)	-	(178)
Dividend paid	(1,385)	(2,994)	(1,385)	(2,994)
Net cash used in financing activities	(2,475)	(4,206)	(3,482)	(5,268)
Decrease in cash and cash equivalents	(1,125)	(4,272)	(525)	(4,742)
Cash and cash equivalents at beginning of period	6,774	9,713	6,186	10,160
Exchange rate loss / (gain) on cash and cash equivalents	11	14	(1)	37
Cash and cash equivalents at end of period	5,660	5,455	5,660	5,455

The accompanying notes form an integral part of the report.

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
FOR THE HALF-YEAR ENDED JUNE 30, 2014
(all amounts in thousands EUR unless otherwise stated)

1. General information

1.1. Business activities

Graphisoft Park SE was established through a demerger from Graphisoft SE on August 21, 2006. The purpose of the restructuring was to spin off a new company, dedicated to real estate development and management. Graphisoft Park SE operates as a holding and provides management, financial and administrative services to its subsidiaries. The real estate development is performed by Graphisoft Park SE's subsidiary, Graphisoft Park Kft. Graphisoft Park Kft's subsidiary, Graphisoft Park Services Kft. is responsible for property operation tasks.

Graphisoft Park SE and subsidiaries are incorporated under the laws of Hungary. Court registration number of Graphisoft Park SE is CG 01-20-000002. Registered address of the Group is H-1031 Budapest, Záhony utca 7., Hungary. Headcount was 15 on June 30, 2014.

1.2. Properties

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

The real estate is categorized as follows:

Area	Property
Core area	modern business park spreading over 8.5 hectares of land, comprising 9 office buildings with over 45,000 m ² office and laboratory space, 1 storage warehouse with supporting office space, 2 restaurants and 1 service building
Monument development area	2.4 hectares of development land comprising 10,000 m ² of total rentable net internal area of the monument buildings, out of which 2,750 m ² has been renovated and the renovation of further 4,300 m ² has begun
Development areas	7.0 hectares of free development land, on which a 3,000 m ² gross floor area dormitory is being constructed

1.3. Governance

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

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

Members of the Graphisoft Park SE Board of Directors (Bojár Gábor, Dr. Kálmán János, Hornung Péter, Gáthy Tibor and Kocsány János) have all resigned from their duties as board members on June 25, 2014 – taking effect on the next general meeting with a quorum –, in order to allow the next general meeting to vote new members into the Board, with regards to the significant changes in the Company’s Articles of Association, and the increased responsibility of the Board members specifically. The general meeting of the Company held on July 21, 2014, elected Dr. Martin-Hajdu György and Szigeti András to the Board and re-elected Bojár Gábor, Dr. Kálmán János and Kocsány János.

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

1.4. Stock information

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

Name	Title	December 31, 2013		June 30, 2014	
		Shares (pcs)	Share (%)	Shares (pcs)	Share (%)
Directors and management*		3,506,493	32.98	3,507,093	32.99
Bojár Gábor	BD Chairman	3,185,125	29.96	3,185,125	29.96
Dr. Kálmán János	BD Member	13,500	0.13	13,500	0.13
Kocsány János	BD Member, CEO	180,913	1.70	180,913	1.70
Szigeti András	BD Member	121,555	1.14	121,555	1.14
Hajba Róbert	CFO	5,400	0.05	6,000	0.06
Shareholders over 5% share		2,705,843	25.45	2,730,558	25.68
Tari István Gábor		1,074,329	10.10	1,074,329	10.10
Concorde Alapkezelő Zrt.		1,631,514	15.35	1,656,229	15.58
Other shareholders		3,910,262	36.78	3,844,947	36.17
Treasury shares**		509,076	4.79	549,076	5.16
Total		10,631,674	100.00	10,631,674	100.00

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* Former members of the Board (membership ended on July 21, 2014) possessed the following number of shares on June 30, 2014: Hornung Péter – 530,426 shares (5.00%), Gáthy Tibor - 60,000 shares (0.56%).

** Treasury share details are disclosed in Note 21.

2. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year (see in Notes to the Consolidated Financial Statements 2013), with the following differences:

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

Exchange rates used were as follows:

	3 months ended		6 months ended	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
EUR/HUF opening:	304.30	307.06	291.29	296.91
EUR/HUF closing:	295.16	310.19	295.16	310.19
EUR/HUF average:	295.75	307.69	296.08	306.94

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3. Cash and cash equivalents

	December 31, 2013	June 30, 2014
Cash in hand	1	1
Cash at banks	10,159	5,454
Cash and bank	10,160	5,455

4. Trade receivables

	December 31, 2013	June 30, 2014
Trade receivables	453	377
Provision for doubtful debts	-	-
Trade receivables	453	377

Trade receivables are on 8-30 day payment terms.

5. Inventories

	December 31, 2013	June 30, 2014
Expenses to be recharged	6	8
Inventories	6	8

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6. Current tax receivables and liabilities

	December 31, 2013	June 30, 2014
Current tax receivables	87	52
Current tax liabilities	(178)	(122)
Current tax receivable – net	(91)	(70)

7. Other current assets

	December 31, 2013	June 30, 2014
Accrued income	166	114
Prepaid expense	17	21
Other receivables	26	8
Other current assets	209	143

8. Tangible and intangible assets – book values

	December 31, 2013	June 30, 2014
Investment property	61,171	62,684
Other tangible assets	200	227
Tangible and intangible assets (net)	61,371	62,911

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The table shows movements of investment property during the period:

	Land and buildings	Construction in progress	Investment property
Net value:			
December 31, 2013	57,263	3,908	61,171
Gross value:			
December 31, 2013	84,953	3,908	88,861
Additions	-	3,376	3,376
Capitalizations	1,108	(1,108)	-
Translation difference	-	-	-
June 30, 2014	86,061	6,176	92,237
Depreciation:			
December 31, 2013	27,690	-	27,690
Additions	1,863	-	1,863
Translation difference	-	-	-
June 30, 2014	29,553	-	29,553
Net value:			
June 30, 2014	56,508	6,176	62,684

Additions in construction in progress at 3,376 thousand EUR comprise the following:

- development activities in the buildings of the Monument development area (1,893 thousand EUR),
- development activities in the dormitory building in the Southern development area (1,417 thousand EUR),
- development activities in the buildings of the Core area (66 thousand EUR).

Capitalizations in the value of 1,108 thousand EUR comprise the following:

- development activities in the buildings of the Monument area (building U2 and its surroundings, 1,041 thousand EUR),
- development activities completed in the buildings of the Core area (67 thousand EUR).

Construction in progress totaling 6,176 thousand EUR comprises the cost of the Monument development area's buildings to be renovated or under renovation and the cost of the dormitory building under construction in the Southern development area.

In the first half of 2014 the Company capitalized 62 thousand euros interest expense on construction in progress (42 thousand euros in the first half of 2013).

Estimates on investment property **fair values** are disclosed annually, in the Annual Report.

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9. Investments

	December 31, 2013	June 30, 2014
AIT-Budapest Aquincum Institute of Technology Kft.	100	100
Aquincum Technológiai Inkubátor Zrt.	7	-
Investments	107	100

The Company acquired a 10 % ownership share (100 thousand EUR) in AIT-Budapest Aquincum Institute of Technology Kft. in 2009. In 2013 the Company acquired a 20% ownership share (7 thousand euros) in Aquincum Technológiai Inkubátor Zrt. and consequently sold the shares at face value in the first quarter of 2014.

10. Deferred tax

	December 31, 2013	June 30, 2014
Development reserve	(488)	(471)
Depreciation	22	22
Loss carried forward	237	332
Deferred tax asset	(229)	(117)

11. Loans

	December 31, 2013	June 30, 2014
Short-term	2,836	2,875
Long-term	44,313	42,869
Loans	47,149	45,744

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

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12. Trade payables

	December 31, 2013	June 30, 2014
Trade payables - domestic	680	1,039
Trade payables	680	1,039

13. Other short-term liabilities

	December 31, 2013	June 30, 2014
Amounts due to employees	30	32
Deposits from tenants	688	597
Other payables and accruals	389	486
Other short-term liabilities	1,107	1,115

14. Revenue

	3 months ended		6 months ended	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Property rental	2,040	1,969	4,055	3,930
Revenue	2,040	1,969	4,055	3,930

Revenue solely consist of rental fees coming from the lease of investment properties.

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15. Operating expense

	3 months ended		6 months ended	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Property related expense	34	18	71	30
Employee related expense	254	222	356	330
Other operating expense*	78	92	135	156
Depreciation and amortization	928	953	1,869	1,890
Operating expense	1,294	1,285	2,431	2,406

Other operating expense consists of the following items:

	3 months ended		6 months ended	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Office and telecommunication	3	2	6	6
Legal and administration*	41	51	63	78
Marketing	12	9	26	18
Other	22	30	40	54
Other operating expense	78	92	135	156

* "Other income (expense)" includes expenditures relating to the legal proceedings (Note 22).

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16. Other income (expense)

	3 months ended		6 months ended	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Income from recharged construction expenses	26	22	48	35
Recharged construction expenses	(23)	(9)	(44)	(18)
Income from recharged operation expenses	771	661	1,585	1,353
Recharged operation expenses	(738)	(638)	(1,527)	(1,307)
Others	(116)	4	(254)	6
Other income (expense)	(80)	40	(192)	69

* "Other income (expense)" includes income and expenditures relating to the legal proceedings (Note 22): 255 thousand euros expenditures in the first half of 2013 (117 thousand euros expenditures in the second quarter of 2013).

17. Interest

	3 months ended		6 months ended	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Interest received	63	21	109	37
Interest income	63	21	109	37
Interest paid on loans	(387)	(359)	(781)	(724)
Other interest paid	(6)	(2)	(10)	(5)
Borrowing cost capitalized	21	35	42	62
Interest expense	(372)	(326)	(749)	(667)
Net interest expense	(309)	(305)	(640)	(630)

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18. Exchange rate difference

	3 months ended		6 months ended	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Exchange rate gain (loss) realized	9	21	(11)	(25)
Exchange rate gain (loss) not realized	(43)	(18)	(36)	79
Exchange rate gain	(34)	(3)	(47)	54

19. Income tax

	3 months ended		6 months ended	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Current income tax	(52)	(71)	(107)	(126)
Deferred income tax	(22)	85	(40)	113
Income tax expense	(74)	14	(147)	(13)

Applicable tax rates are: corporate income tax 10%, local business tax 2%.

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20. Earnings per share

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

	3 months ended		6 months ended	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Net profit attributable to equity holders	249	430	598	1,004
Weighted average number of ordinary shares	10,152,598	10,101,060	10,152,598	10,111,769
Basic earnings per share (EUR)	0.02	0.04	0.06	0.10
Weighted average number of ordinary shares	10,152,598	10,101,060	10,152,598	10,111,769
Diluted earnings per share (EUR)	0.02	0.04	0.06	0.10

The weighted average number of ordinary shares does not take into account treasury shares. There are no share option schemes in place.

21. Treasury shares

Graphisoft Park SE treasury share details are as follows:

	December 31, 2013	June 30, 2014
Number of shares	509,076	549,076
Face value per share (EUR)	0.02	0.02
Total face value (EUR)	10,182	10,982
Treasury shares (at historical cost)	784	962

The Company acquired 40,000 Graphisoft Park SE shares on May 12, 2014, from Gáthy Tibor, then member of the Board of Directors at a price of 1,360 HUF per share in an over the counter transaction.

22. Commitments, contingencies

Legal proceedings

Graphisoft Park's tenant AMRI Hungary Zrt. went under voluntary winding up on July 23, 2012, which led to the termination of the lease on August 31, 2012 in accordance with its terms. After this both parties initiated legal proceedings at different forums in Hungary and in the United States. The parties reached an out-of-court settlement agreement terminating all ongoing procedures on August 27, 2013. "Other income (expense)" includes income and expenditures relating to the legal procedures (Note 16).

Development for education purposes

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

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

23. Approval of financial statements, dividend

Following the recommendation of the Board of Directors, the Annual General Meeting on April 23, 2014 approved the 2013 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 72,419 thousand EUR and a profit for the year of 3,964 thousand EUR. Together with the approval of the consolidated financial statements for issue, the Annual General Meeting approved dividend distribution of 90 HUF per share, 911,034 thousand HUF in total (2,965 thousand EUR on the exchange rate of April 23, 2014).

The starting date for dividend payments was May 29, 2014. The Company paid out the dividends to the shareholders identified by shareholder's registration.

24. Declaration

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