GRAPHISOFT PARK SE

Interim Management Report – First Half 2017

August 7, 2017

GRAPHISOFT PARK – ENTRANCE

VISUALIZATION

Dear Shareholders,

In the framework of the developments that began in 2015 and 2016 there will be 20,000 m2 office space and underground parking for 750 cars constructed by 2018. The developments were in part prompted by the Park's largest tenant, SAP Hungary's remarkable expansion; and in part by the growing demand for office space that could only be satisfied at the current 100% occupancy rates through constructing new office buildings.

The new developments are carried out in 3 phases:

1. The new SAP wing

The original 8,000 m2 SAP office building housing its cafeteria and the 400 cars, 3 levels underground parking beneath it was extended by 5,500 m2 net office space and parking for 300 more cars in a similar 3 levels underground parking garage in a new building wing. This development ended in February, 2017, and SAP moved into the building in March.

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

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

3. New office complex on the southern development area

Since the new wing completed in phase 1 is fully leased, the reception building to be completed in phase 2 is largely booked and SAP signaled its intent to lease more space, we have started the construction in 2016 of an office complex consisting of 4 blocks with total of 12,500 m2 net office space complete with underground parking for 450 cars. The buildings are expected to be delivered in the middle of 2018. Blocks A and B at a total of 7,000 m2 of the four blocks new complex will be leased by SAP.

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

Net asset value

Partly due to the new developments, partly to the tax advantages owing to the Company's registration as a regulated real estate investment company (see the "Other key issues" section in the management report), the Company's properties' fair value has increased 10% compared to the 228 million euros at the end of the first quarter of 2017 to 252 million euros by the end of the second quarter of 2017 by the Company's own valuation. Based on this, the net asset value increased to 198 million euros, which translates to the increase to 19.7 euros per share.

Financing

For the financing of phase 1 and 2 developments described above Erste Bank has made available a 16 million euros credit facility within the framework of the Hungarian National Bank's Funding for Growth Scheme at 10 years maturity, of which 15.3 million euros have been drawn until the end of the second quarter of 2017. The facility contract has been complemented by hedge agreements against exchange rate and interest rate risks. To finance phase 3 developments, we have executed a 24 million euros credit facility agreement with UniCredit Bank at 10 years maturity, also within the framework of the Hungarian National Bank's Funding for Growth Scheme. Until the end of the second quarter of 2017 9.4 million euros have been drawn from this facility.

Financial results

Financial results have progressed as expected. In the first half of 2017 revenues exceeded those of one year earlier by more than 300 thousand euros at 5.1 million euros while the operating expenses rose by a 100 thousand euros, therefore EBITDA came out 200 thousand euros higher than the previous year's base figure. The operating profit rose by a lesser proportion by 150 thousand euros due to the higher depreciation. Financial results improved by 100 thousand euros due to the decreasing interest expenses resulting in a 250 thousand euros higher profit before taxes compared to the previous year. Income tax expense grew by nearly 50 thousand euros compared to the base of the previous year because of the higher revenue and profit before tax figures. For all the above, we have achieved a profit of 1.7 million euros in the first half of 2017, exceeding that of the previous year by 200 thousand euros.

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

- Revenue increase from new developments: 1.1 million euros
- Temporary drop in existing buildings' occupancy: (100 thousand euros)
- Increasing operating expenses: (300 thousand euros)
- Depreciation ending for older assets: 600 thousand euros
- Depreciation of new developments: (900 thousand euros)
- Interest expense decrease for older loans: 200 thousand euros
- Interest on new loans: (200 thousand euros)
- Income tax decrease: 100 thousand euros

For all the reasons above, for the year 2017 we are expecting revenues totaling at 10.5 million euros, 1 million euros higher than those in 2016; and net profit surpassing the figure at 3.2 million euros in 2016 by 500 thousand euros at 3.7 million euros.

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

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

Financial highlights

IFRS, consolidated, thousand EUR

Results*:

	3 months ended		6 months ended	
	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017
A) Results from ordinary activities:				
Revenue	**2,385**	**2,653**	**4,780**	**5,124**
Operating expense	(386)	(507)	(589)	(752)
Other income (expense)	74	75	155	201
EBITDA	**2,073**	**2,221**	**4,346**	**4,573**
Depreciation and amortization	(1,048)	(1,155)	(2,086)	(2,159)
Operating profit	**1,025**	**1,066**	**2,260**	**2,414**
Net interest expense	(200)	(218)	(463)	(376)
Exchange rate differences	9	(26)	(23)	(20)
Profit before tax	**834**	**822**	**1,774**	**2,018**
Income tax expense	(151)	(153)	(303)	(332)
Profit for the period	**683**	**669**	**1,471**	**1,686**
B) Other results (one-time write-off):				
Other income (expense)	-	-	(123)	-
Income tax expense	-	-	12	-
Loss for the period	**-**	**-**	**(111)**	**-**
A+B) Profit for the period	**683**	**669**	**1,360**	**1,686**

* New developments began in Graphisoft Park in 2015, which resulted in the construction of 8,000 m2 new office space in 2017. The construction of the new buildings required the demolition of some older buildings. Most of the demolition works were carried out in 2015 and accordingly the net book value of buildings demolished were written off. The last building for demolition was demolished in the first quarter of 2016, and accordingly its net book value (123 thousand euros) was written off in the first quarter of 2016. On this page results of the Company are presented in “Results from ordinary activities” / “Other results” breakdown. The “Other results” section solely includes the net result of one-time write-off due to demolition of the building (111 thousand euros with its decreasing effect on income tax for the first quarter of 2016 included). Periodic comparative analyses in this business report are prepared using “Results from ordinary activities”, which do not include the one-time items.

Financial highlights

IFRS, consolidated, thousand EUR

Asset value:

	December 31, 2016	June 30, 2017
Investment property at book value	**69,655**	**76,185**
Investment property at fair value*	**188,919**	**251,512**
Net asset value at book value	**23,529**	**22,703**
Net asset value at fair value**	**143,082**	**198,263**
Number of ordinary shares outstanding (thousands)***	10,083	10,083
Net asset value at fair value per share (euro)	**14.2**	**19.7**

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

Our current estimate of June 30, 2017 for the fair value of investment property significantly exceeds, by 10%, the last one published for the end of the first quarter of 2017. This is partly due to the advancement of the new developments and partly to the Company's registration as a regulated real estate investment company (pre-company) and the consequent tax advantages (exemption from corporate income and local business tax – see the "Other key issues" section for details).

Investment property fair value estimates are disclosed in Note 8 of the attached Half-year Report.

** Net asset value at book value and net asset value at fair value (equity) are disclosed in Note 23 of the attached Half-year Report.

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

Management Report

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

- Financial results for the first half of 2017,
- Utilization, occupancy,
- Development activities,
- Future development potential,
- Financing,
- Other key issues,
- Forecast for the year 2017.

Financial results for the first half of 2017

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

- **Revenue** (2017: 5,124 thousand euros; 2016: 4,780 thousand euros) rose by 344 thousand euros, or 7% compared to the previous year due to the rental revenues derived from the new development (SAP new wing) delivered in the first quarter of 2017 (see details in the „Development activities" section).

- **Operating expense** (2017: 752 thousand euros; 2016: 589 thousand euros) grew by 163 thousand euros, or 28% compared to the previous year due to the increase in employee related and other expenses (the development programs required additional staff, and the ongoing organizational development projects required additional expenditures). Property related expense stayed at the level of last year.

- **Other income** (2017: 201 thousand euros; 2016: 155 thousand euros) net amount was 46 thousand euros higher than the base last year.

- **Depreciation** (2017: 2,159 thousand euros; 2016: 2,086 thousand euros) increased by 73 thousand euros, or 4% compared to the previous year because depreciation amount (1) increased by 14% due to the depreciation of the new development (SAP new wing; see "Development activities" section for details) delivered in the first quarter of 2017, and (2) decreased by 10% due to depreciation ending for older assets.

- **EBITDA** (2017: 4,573 thousand euros; 2016: 4,346 thousand euros) grew by 227 thousand euros, or 5%, while **operating profit** (2017: 2,414 thousand euros; 2016: 2,260 thousand euros) rose by 154 thousand euros, or 7% compared to the previous year due to the factors mentioned above.

- **Net interest expense** (2017: 376 thousand euros; 2016: 463 thousand euros) decreased by 87 thousand euros, or 19% due to the following factors: (1) interest expense fell by 152 thousand euros as a result of lower loan interest rates and lower principal amounts of earlier loans, (2) interest on loans borrowed to finance the new developments (see details in the "Financing" section) increased interest expense by 63 thousand euros, and (3) interest income dropped by 2 thousand euros due to the lower interest rates on deposits.

- **Exchange rate differences** (2017: 20 thousand euros loss; 2016: 23 thousand euros loss) worked out similarly in the two years.

- **Income tax expense** (2017: 332 thousand euros; 2016: 303 thousand euros) increased by 29 thousand euros, or 10% compared to the base period due to the rise in revenues and profit before tax.

- **Net profit** (2017: 1,686 thousand euros; 2016: 1,471 thousand euros) grew by 215 thousand euros, that is 15% in 2017 compared to 2016 because of the following factors: (1) operating profit increased by 154 thousand euros, or 7% due to the higher rise in revenues than in operating expenses, (2) financial results improved by 90 thousand euros, or 19% due to the significant fall in net interest expense, and finally (3) income tax expense was higher by 29 thousand euros, or 10% than the base last year due to the growth in revenues and profit before tax.

Utilization, occupancy

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

Period:	**2016 Q1**	**2016 Q2**	**2016 Q3**	**2016 Q4**	**2017 Q1**	**2017 Q2**
Occupancy (%):	**100%**	**100%**	**100%**	**100%**	**100%**	**99%**
Area (m2):	53,000	53,000	53,000	53,000	58,500	58.500

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

With the completion of the new SAP wing in February 2017 within the first phase of developments on the core area, rentable office, laboratory and educational space grew by 5,500 m2 to a total of 58,500 m2. The new wing's entire floor space was rented by SAP from March 2017. The completion of the start-up building in the second phase of developments in July 2017 increased the rentable office, laboratory and educational space by a further 2,500 m2 to a total of 61,000 m2. By the time of its delivery, 80% of the floor space in the start-up building was leased. Until the completion of the developments on the southern area in 2018 (see details in the "Development activities" section below), effectively there is no rentable area available in Graphisoft Park, unless one of the current tenants decides not to extend their lease after expiration.

Development activities

The total area of Graphisoft Park is nearly 18 hectares covering the office park located in the core area, the campus formed in the monument area, and development areas north and south of these as well. On the core 8.5 hectares of Graphisoft Park 45,000 m2 of office and laboratory space have been developed and delivered until the end of 2014. In the 2.4 hectares monument area directly adjacent to the core area from the west we have completed the renovation and repurposing of 7,000 m2 historical buildings into a state-of-the-art university campus since 2010. The 3,000 m2 dormitory building with 76 rooms constructed on the northeastern corner of the southern development area connects to and serves the same higher education function of the Park.

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

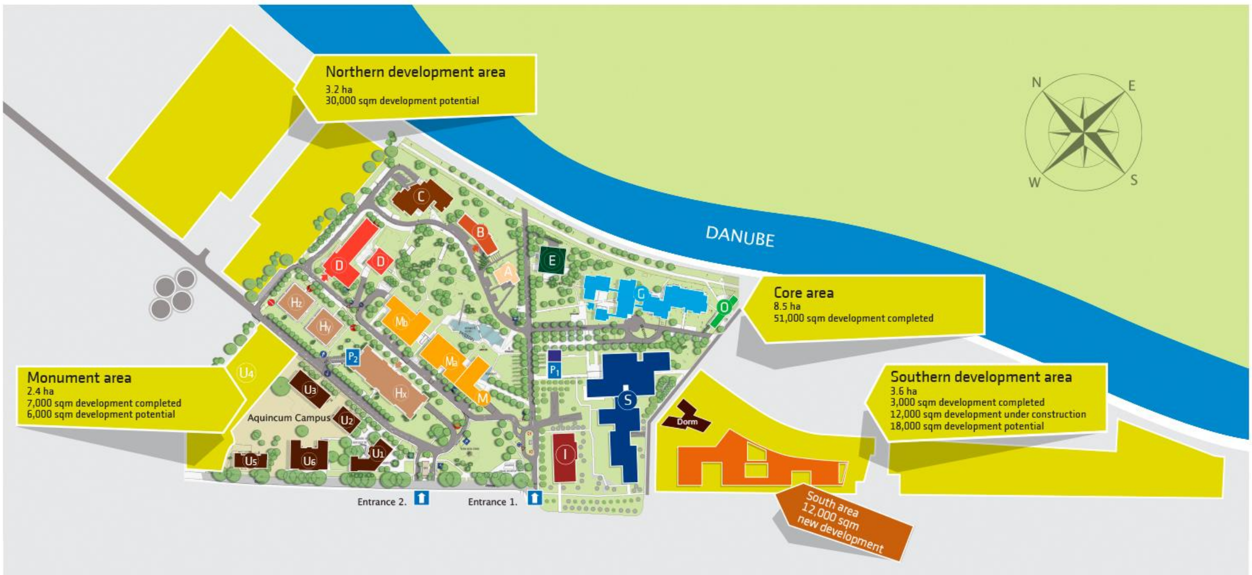
New development in the core area

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

The new wing adjacent to the SAP building was delivered at the end of February, 2017, and the start-up building was delivered at the end of July, 2017.

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

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



The planned total cost of these two development phases - including the construction of about 8,000 m2 new office space and a three level underground parking facility for 300 vehicles, and in addition the upgrading of the existing S building, with the necessary works for public utilities and landscaping - is approximately 18 million euros, out of which 16.5 million euros occurred until the end of the second quarter of 2017.

New development in the southern development area

With regards to the recent expansion needs articulated by the tenants in 2016 and to the occupancy levels in the Park near their effective cap, we have started the construction of a new string of office building blocks with 12,500 m2 floor space and of an underground parking facility for 450 cars on the part of the southern development area that is already prepared for construction. The buildings are expected to be delivered in the middle of 2018. Blocks A and B at a total of 7,000 m2 of the four blocks new complex will be leased by SAP.

The planned total cost of this development phase is 25 million euros, out of which 5.8 million euros occurred until the end of the second quarter of 2017.

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

Other developments

In 2017 we have started the systematic modernization and refurbishing of the buildings of the nearly 20 years old office park. The cost for this is estimated at 2 million euros in 2017.

Future development potential

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

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

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

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

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

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

Financing

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

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

Other key issues

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

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

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

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

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

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

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

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

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

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

Association proposed to the General Meeting. The Company's General Meeting convened on July 14, 2017 and approved the proposals of the Board.

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

- The Company has already fulfilled the requirements to be registered under the SZIE designation, and by its own request the national tax authority registered the Company as a regulated real estate investment pre-company (SZIE) under the Act 102 of 2011 by the date of July 31, 2017. The effects of the tax benefits prescribed by the law are kicking in from the day of registration.
- Application for the SZIT designation will be submitted after all the legal requirements are fulfilled, no later than the end of 2018.

Realization of the educational function

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

Creating the start-up ecosystem

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

Approval of financial statements, dividend

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.

Forecast for the year 2017

Our forecast has been raised by 200 thousand euros compared to our latest net profit forecast of 3.5 million euros disclosed in our Quarterly Report published on May 8, 2017 due to the following factors: (1) rental revenue forecast has been raised by 100 thousand euros because revenue drop coming from internal tenant moving and remodeling works is expected to be lower than forecasted earlier, (2) operating expenses are expected by 100 thousand euros higher than forecasted earlier due to additional costs related to ongoing organizational development projects, (3) depreciation forecast has been updated and raised by 100 thousand euros after delivery and capitalization of the new developments, (4) the registration as a regulated real estate investment pre-company (see details in "Other key issues" section above) happened on July 31, 2017, and consequently the company has no corporate income tax and local business tax payment liability for the last 5 months of the year, which decreases income tax expense by 300 thousand euros.

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

(million euros)	**2016 actual**	**2017 forecast**
Rental revenue	**9.52**	**10.5**
Operating expense	-1.13	-1.4
Other income, net	0.35	0.3
EBITDA	**8.74**	**9.4**
Depreciation	-4.18	-4.5
Operating profit	**4.56**	**4.9**
Net interest expense	-0.83	-0.8
Profit before tax	**3.73**	**4.1**
Income tax expense	-0.56	-0.4
Net profit	**3.17**	**3.7**

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

- Revenue is expected to rise by 1 million euros in 2017 compared to 2016 due to the following factors: (1) rental revenue from the new buildings in the core area to be delivered in 2017 (see "Development activities" section for details) will increase revenue by 1.1 million euros (calculated at 10 months and 100% occupancy in the new SAP wing, and at 5 months and initial 80% occupancy in the start-up building); (2) internal tenant moving and significant remodeling works will temporarily reduce the current 100% occupancy in the existing buildings throughout 2017, which will result in a 100 thousand euros revenue dip.

- Cost of operation is expected to rise by 300 thousand euros in 2017 compared to 2016. Employee related and other expenses will grow at that rate due to the costs associated with the ongoing developments in the core area and the southern development area (see "Development activities" section for details), due to the operating expenses associated with the buildings delivered in 2017 in the core area, and due to additional costs related to ongoing organizational development projects.

- Depreciation is expected to increase by 300 thousand euros in 2017 compared to 2016 due to the following factors: (1) depreciation for the new buildings to be delivered in the core area in 2017 (see "Development activities" section for details) will be 900 thousand euros (calculated at 10 months for the new SAP wing and at 5 months for the start-up building); and (2) depreciation for the existing buildings will decrease by 600 thousand euros due to depreciation ending for older assets.

- Net interest expense is not expected to change in 2017 compared to 2016 due to the following factors: (1) interest expense on the loan borrowed to finance the development of the new buildings to be delivered in the core area in 2017 is expected to be approximately 200 thousand euros in 2017 (interest expense accounted for in the income statement after the delivery of the buildings; calculated at 10 months for the new SAP wing and at 5 months for the start-up building); and (2) interest expense decrease over loans connected to the existing buildings and the diminishing principal result in a 200 thousand euros drop in net interest expense.

- Income tax is expected to decrease by 100 thousand euros in 2017 compared to 2016 due to the following factors: (1) calculated income tax is expected to rise by nearly 200 thousand euros due to higher revenue and profit before tax, however, (2) the registration as a regulated real estate investment pre-company (see details in “Other key issues” section above) happened on July 31, 2017, and consequently the company has no corporate income tax and local business tax payment liability for the last 5 months of the year, which decreases income tax expense by 300 thousand euros

Due to all the above, for 2017 we are expecting a net profit of 3.7 million euros, 500 thousand euros higher than in 2016; 90% of which amount will have to be distributed among the shareholders in the form of dividend in accordance with the regulations governing regulated real estate investment companies (see the “Other key issues” section for details), should the company’s liquid funds be sufficient to allow the payment, unless a loan agreement concluded with a credit institution restricts such payments.

Forecasts published here are based on the valid lease contracts in effect at the time of writing this report. We will not try to predict the number or value of new lease contracts on one hand, as we will not account for the scenario of current tenants not prolonging their leases after expiration on the other, only if they have given notice by the closing date of our business report. It is our intention to maintain the price structure designed to match the high value services provided by Graphisoft Park in order to be able to preserve the level of service provided in the long run.

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

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

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

Budapest, August 7, 2017

Hajba Róbert	Kocsány János
Hajba Róbert	Kocsány János
Chief Financial Officer	Chief Executive Officer

GRAPHISOFT PARK SE

HALF-YEAR REPORT

for the half-year ended June 30, 2017

in accordance with International Financial Reporting Standards (IFRS)

(consolidated, unaudited)

Budapest, August 7, 2017

Hajba Róbert
Chief Financial Officer

Kocsány János
Chief Executive Officer

GRAPHISOFT PARK SE
HALF-YEAR REPORT
JUNE 30, 2017

CONTENTS:

GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET
JUNE 30, 2017
(all amounts in thousands of euros unless otherwise stated)

	Notes	December 31, 2016	June 30, 2017
Cash and cash equivalents	3	2,621	3,192
Trade receivables	4	1,083	707
Current tax receivable	5	271	253
Other current assets	6	5,681	7,896
Current assets		**9,656**	**12,048**
Investment property	7,8	69,655	76,185
Other tangible assets	7	247	239
Intangible assets	7	-	1
Investments	9	100	-
Deferred tax asset	13	11	19
Non-current assets		**70,013**	**76,444**
TOTAL ASSETS		**79,669**	**88,492**
Short-term loans	12	3,516	3,733
Trade payables	10	4,190	3,753
Current tax liability	5	279	59
Other short-term liabilities	11	1,661	1,991
Current liabilities		**9,646**	**9,536**
Long-term loans	12	44,313	52,533
Deferred tax liability	13	593	748
Long-term financial liability	14	1,588	2,972
Non-current liabilities		**46,494**	**56,253**
TOTAL LIABILITIES		**56,140**	**65,789**
Share capital	1.3	250	250
Retained earnings		27,174	26,348
Treasury shares	22	(962)	(962)
Accumulated translation difference		(2,933)	(2,933)
Shareholders' equity		**23,529**	**22,703**
TOTAL LIABILITIES & EQUITY		**79,669**	**88,492**

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF INCOME
JUNE 30, 2017
(all amounts in thousands of euros unless otherwise stated)

	Notes	3 months ended		6 months ended	
		June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017
Property rental revenue	15	2,385	2,653	4,780	5,124
Revenue		**2,385**	**2,653**	**4,780**	**5,124**
Property related expense	16	(11)	(15)	(26)	(27)
Employee related expense	16	(293)	(362)	(421)	(511)
Other operating expense	16	(82)	(130)	(142)	(214)
Depreciation and amortization	16, 7	(1,048)	(1,155)	(2,086)	(2,159)
Operating expense		**(1,434)**	**(1,662)**	**(2,675)**	**(2,911)**
Other income	17	74	75	32	201
OPERATING PROFIT		**1,025**	**1,066**	**2,137**	**2,414**
Interest income	18	-	-	2	-
Interest expense	18	(200)	(218)	(465)	(376)
Exchange rate difference	19	9	(26)	(23)	(20)
Financial expense		**(191)**	**(244)**	**(486)**	**(396)**
PROFIT BEFORE TAX		**834**	**822**	**1,651**	**2,018**
Income tax expense	20	(151)	(153)	(291)	(332)
PROFIT FOR THE PERIOD		**683**	**669**	**1,360**	**1,686**
Attributable to equity holders of the parent		683	669	1,360	1,686
Basic earnings per share (EUR)	21	0.07	0.07	0.13	0.17
Diluted earnings per share (EUR)	21	0.07	0.07	0.13	0.17

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
JUNE 30, 2017
(all amounts in thousands of euros unless otherwise stated)

	Notes	3 months ended		6 months ended	
		June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017
Profit for the period		**683**	**669**	**1,360**	**1,686**
Translation difference*		-	-	(1)	-
Other comprehensive income**		-	-	**(1)**	-
COMPREHENSIVE INCOME		**683**	**669**	**1,359**	**1,686**
Attributable to equity holders of the parent		683	669	1,359	1,686

* Translation difference of subsidiaries with functional currency other than the EUR.
** Net other comprehensive income to be reclassified to profit or loss in subsequent periods.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
JUNE 30, 2017
(all amounts in thousands of euros unless otherwise stated)

	Share capital	Retained earnings	Treasury shares*	Accum. translation difference	Total equity
December 31, 2015	**250**	**26,446**	**(962)**	**(2,933)**	**22,801**
Profit for the period	-	1,360	-	-	**1,360**
Translation difference	-	-	-	(1)	**(1)**
Dividend	-	(2,333)	-	-	**(2,333)**
June 30, 2016	**250**	**25,473**	**(962)**	**(2,934)**	**21,827**
December 31, 2016	**250**	**27,174**	**(962)**	**(2,933)**	**23,529**
Profit for the period	-	1,686	-	-	**1,686**
Dividend	-	(2,512)	-	-	**(2,512)**
June 30, 2017	**250**	**26,348**	**(962)**	**(2,933)**	**22,703**

* Treasury share details are disclosed in Note 22.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CASH FLOWS
JUNE 30, 2017
(all amounts in thousands of euros unless otherwise stated)

	3 months ended		6 months ended	
	June 30, 2016	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**
OPERATING ACTIVITIES				
Income before tax	834	822	1,651	2,018
Depreciation and amortization	1,048	1,155	2,086	2,159
Disposal of tangible assets	-	-	123	-
Interest expense	200	218	465	376
Interest income	-	-	(2)	-
Unrealized foreign exchange (gains) / losses	8	16	(14)	17
Changes in working capital:				
(Increase) / decrease in receivables and other current assets	(1,152)	328	(1,910)	(1,769)
Increase / (decrease) in liabilities	(281)	(756)	127	(21)
Corporate income tax paid	-	(9)	(113)	(137)
Net cash from operating activities	**657**	**1,774**	**2,413**	**2,643**
INVESTING ACTIVITIES				
Purchase of tangible assets and intangibles	(1,679)	(5.524)	(3,419)	(9,157)
Interest paid - capitalized	(11)	(63)	(14)	(63)
Interest received	1	-	2	-
Net cash used in investing activities	**(1,689)**	**(5.587)**	**(3,431)**	**(9,220)**
FINANCING ACTIVITIES				
Proceeds from receipt of loans	2,620	6.867	3,868	11,803
Loan repayments	(831)	(877)	(1,588)	(1,751)
Interest paid	(204)	(227)	(478)	(393)
Dividend paid	(2,305)	(2,512)	(2,305)	(2,512)
Net cash from (used in) financing activities	**(720)**	**3,251**	**(503)**	**7,147**
Decrease in cash and cash equivalents	(1,752)	(562)	(1,521)	570
Cash and cash equivalents at beginning of period	4,976	3,754	4,794	2,621
Exchange rate gain / (loss) on cash and cash equivalents	48	-	(1)	1
Cash and cash equivalents at end of period	**3,272**	**3,192**	**3,272**	**3,192**

(all amounts in thousands of euros unless otherwise stated)

1. General information

1.1. Business activities

Graphisoft Park SE was established through a demerger from Graphisoft SE on August 21, 2006. The purpose of the restructuring was to spin off a new company, dedicated to real estate development and management. Graphisoft Park SE operates as a holding and provides management, financial and administrative services to its subsidiaries. The real estate development is performed by Graphisoft Park SE's subsidiaries, Graphisoft Park Kft., Graphisoft Park South I. Kft. and Graphisoft Park South II. Development Kft. Graphisoft Park SE'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 26 on June 30, 2017.

1.2. Properties

The total area of Graphisoft Park is nearly 18 hectares. Over the past 19 years, 61,000 m2 of office, laboratory and educational space have been developed and occupied by tenants, and further 12,500 m2 office space is under construction. The remaining area provides the opportunity to develop an additional 54,000 m2 of office space.

The real estate is categorized as follows:

Area	Property
Core area	modern office park spreading over 8.5 hectares of land, comprising 51,000 m2 completed office and laboratory space, out of which 2,500 m2 office space was completed in July 2017
Monument area	2.4 hectares of land comprising 13,000 m2 of total rentable net internal area of the monument buildings, out of which 7,000 m2 has been renovated
Development areas	6.8 hectares of development land, on which a 3,000 m2 floor area dormitory has been constructed, and further 12,500 m2 office space is under construction

(all amounts in thousands of euros unless otherwise stated)

1.3. Stock information

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

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

	December 31, 2016		June 30, 2017	
Shareholder	**Shares (pcs)**	**Share (%)**	**Shares (pcs)**	**Share (%)**
ORDINARY SHARES:	**10,631,674**	**85.00**	**10,631,674**	**85.00**
Directors and management	**3,890,272**	**31.11**	**3,838,082**	**30.69**
Bojár Gábor - Chairman of the BoD	3,185,125	25.47	3,185,125	25.47
Dr. Kálmán János - Member of the BoD	13,500	0.11	13,500	0.11
Szigeti András - Member of the BoD	126,000	1.01	126,000	1.01
Hornung Péter – Member of the BoD	466,190	3.73	414,000	3.31
Kocsány János - Member of the BoD, CEO	90,457	0.72	90,457	0.72
Hajba Róbert - CFO	9,000	0.07	9,000	0.07
Shareholders over 5% share	**2,608,406**	**20.86**	**2,619,548**	**20.94**
Concorde Alapkezelő Zrt.	1,602,963	12.82	1,614,105	12.90
AEGON Magyarország Befektetési Alapkezelő Zrt.	1,005,443	8.04	1,005,443	8.04
Other shareholders	**3,583,920**	**28.64**	**3,624,968**	**28.98**
Treasury shares*	**549,076**	**4.39**	**549,076**	**4.39**
EMPLOYEE SHARES:**	**1,876,167**	**15.00**	**1,876,167**	**15.00**
Kocsány János - Member of the BoD, CEO	1,250,778	10.00	1,250,778	10.00
Hajba Róbert - CFO	625,389	5.00	625,389	5.00
SHARES TOTAL:	**12,507,841**	**100.00**	**12,507,841**	**100.00**

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

(all amounts in thousands of euros unless otherwise stated)

1.4. Governance

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

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

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

2. Accounting policies

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

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

Exchange rates used are as follows:

	3 months ended		6 months ended	
	June 30, 2016	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**
EUR/HUF opening:	314.16	308.70	313.12	311.02
EUR/HUF closing:	316.16	308.87	316.16	308.87
EUR/HUF average:	313.32	309.82	312.68	309.46

(all amounts in thousands of euros unless otherwise stated)

3. Cash and cash equivalents

	December 31, 2016	June 30, 2017
Cash in hand	1	1
Cash at banks	2,620	3,191
Cash and bank	**2,621**	**3,192**

4. Trade receivables

	December 31, 2016	June 30, 2017
Trade receivables	1,083	707
Provision for doubtful debts	-	-
Trade receivables	**1,083**	**707**

Trade receivables are on 8-30 day payment terms.

5. Current tax receivables and liabilities

	December 31, 2016	June 30, 2017
Current tax receivables	271	253
Current tax liabilities	(279)	(59)
Current tax receivable (liability), net	**(8)**	**194**

(all amounts in thousands of euros unless otherwise stated)

6. Other current assets

	December 31, 2016	June 30, 2017
Accrued income	126	31
Prepaid expense	19	93
Bank security accounts	1,406	1,573
Construction fund manager accounts	4,121	5,996
Other receivables	9	203
Other current assets	**5,681**	**7,896**

7. Tangible and intangible assets – book values

	December 31, 2016	June 30, 2017
Investment property	69,655	76,185
Other tangible assets	247	239
Intangible assets	-	1
Tangible and intangible assets (net)	**69,902**	**76,425**

(all amounts in thousands of euros unless otherwise stated)

The table shows movements of investment property during the period:

	Land and buildings	Construction in progress	**Investment property**
Net value:			
December 31, 2016	53,939	15,716	**69,655**
Gross value:			
December 31, 2016	92,789	15,716	**108,505**
Additions	-	8,652	**8,652**
Capitalizations	12,603	(12,603)	**-**
June 30, 2017	105,392	11,765	**117,157**
Depreciation:			
December 31, 2016	38,850	-	**38,850**
Additions	2,122	-	**2,122**
June 30, 2017	40,972	-	**40,972**
Net value:			
June 30, 2017	64,420	11,765	**76,185**

Additions in construction in progress of 8,652 thousand EUR comprise the following:

- new developments in progress in the core area (4,223 thousand EUR),
- new developments in progress in the southern development area (3,555 thousand EUR), and
- other property developments and procurements (874 thousand EUR).

Capitalizations in the value of 12,603 thousand EUR comprise the following:

- new development (Building S new wing) finalized in the core area (12,456 thousand EUR),
- other developments finalized (147 thousand EUR).

Construction in progress totaling 11,765 thousand EUR comprises the following:

- historical buildings to be renovated in the monument area and the northern development area (1,145 thousand EUR),
- new developments in progress in the core area (4,037 thousand EUR),
- new developments in progress in the southern development area (5,841 thousand EUR), and
- other developments in progress (742 thousand EUR).

The Company capitalized 63 thousand EUR interest expense on construction in progress in the first half of 2017.

Investment property **fair value** estimates are disclosed in Note 8.

(all amounts in thousands of euros unless otherwise stated)

8. Fair value of investment property

The table below presents investment property fair value estimates:

	December 31, 2016	June 30, 2017
Office park	127,230	153,896
Office park - under construction	52,784	61,793
Campus	15,530	17,526
Buildings	**195,544**	**233,215**
Development areas	**20,324**	**36,468**
Fair value*	**215,868**	**269,684**
Cost to completion of buildings under construction	(26,949)	(18,171)
Fair value for financial reporting purposes	**188,919**	**251,512**

* The valuation as of June 30, 2017 was calculated with the assumed capital cost of 6.50% for the buildings and 7.50% for the development areas, at 100% long-term occupancy rate in the campus and 95% in the office park. The valuation as of December 31, 2016 was calculated with the assumed capital cost of 6.75% for the buildings and 7.75% for the development areas, at 100% long-term occupancy rate in the campus and 90% in the office park.

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

Our current estimate of June 30, 2017 for the fair value of investment property significantly exceeds, by nearly 33%, the one that was published in the latest Consolidated Financial Statements containing the estimates for property values by the end of 2016. The reasons for this are as follows:

- we have taken into consideration the continuing yield decrease experienced on the Budapest office market since 2016 (we calculated with a capital cost of 6.5% instead of 6.75% with the buildings and 7.5% instead of 7.75% with the development areas),
- we have considered the increasing rental fees on the office market, that is fundamentally determined by the raising construction costs,
- considering the prevailing trend of effective full occupancy of the Park, the forecast for the long term occupancy rate for the buildings was modified upwards (95% from 90%),
- with regards to the higher demand experienced among the tenants we have employed less conservative estimates for the utilization of the new developments, and finally
- we have considered the Company's registration as a regulated real estate investment company (pre-company) and the consequent tax advantages (exemption from corporate income and local business tax).

(all amounts in thousands of euros unless otherwise stated)

9. Investments

	December 31, 2016	June 30, 2017
AIT-Budapest Aquincum Institute of Technology Kft.	100	-
Investments	**100**	**-**

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

10. Trade payables

	December 31, 2016	June 30, 2017
Trade payables - domestic	4,190	3,753
Trade payables	**4,190**	**3,753**

11. Other short-term liabilities

	December 31, 2016	June 30, 2017
Amounts due to employees	48	58
Deposits from tenants	612	592
Initial fair value difference of loans*	237	468
Other payables and accruals	764	873
Other short-term liabilities	**1,661**	**1,991**

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

(all amounts in thousands of euros unless otherwise stated)

12. Loans

12.1. Loan details

	December 31, 2016	June 30, 2017
Short-term	3,516	3,733
Long-term	44,313	52,533
Loans	**47,829**	**56,266**

Loans provided by Westdeutsche ImmobilienBank AG:

	December 31, 2016	June 30, 2017
Short-term	3,516	3,545
Long-term	33,181	31,402
Loans / Westdeutsche ImmobilienBank AG	**36,697**	**34,947**

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

Loans provided by Erste Bank Hungary Zrt.:

	December 31, 2016	June 30, 2017
Short-term	-	188
Long-term	9,379	13,209
Loans / Erste Bank Hungary Zrt.	**9,379**	**13,397**

(all amounts in thousands of euros unless otherwise stated)

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 credit facility available to Graphisoft Park within Pillar I of the second phase of the National Bank of Hungary's Funding for Growth Scheme and another 3 million EUR credit facility within Pillar II of the third phase of the Funding for Growth Scheme. Main collaterals provided for the bank are: mortgage on real estate (up to 33 million EUR), revenue assignment and bank account pledge.

The forint-based credit facility (4 billion HUF, 12.950 thousand EUR at the exchange rate of June 30, 2017) was drawn, and 2,382 thousand EUR was drawn from the euro-based credit facility until June 30, 2017, which is 13,397 thousand EUR at amortized initial fair value (see 12.2 for details below). Borrowing costs of the loans will be capitalized on construction in progress until the completion of the new developments.

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

Loans provided by UniCredit Bank Hungary Zrt.:

	December 31, 2016	**June 30, 2017**
Short-term	-	-
Long-term	1,753	7,922
Loans / UniCredit Bank Hungary Zrt.	**1,753**	**7,922**

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

9,427 thousand EUR was drawn from the credit facility until June 30, 2017, which is 7,922 thousand euros at amortized initial fair value (see 12.2 for details below). Borrowing costs of the loan will be capitalized on construction in progress until the completion of the new developments in 2018.

(all amounts in thousands of euros unless otherwise stated)

12.2. Analyses

Fair value of the loans:

	December 31, 2016	June 30, 2017
Westdeutsche ImmobilienBank AG	36,398	34,714
Erste Bank Hungary Zrt.	9,379	13,397
UniCredit Bank Hungary Zrt.	1,753	7,922
Loans at fair value*	**47,540**	**56,033**

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

Loans with preferential interest rate:

As part of its monetary policy instruments, National Bank of Hungary (NBH) launched its Funding for Growth Scheme (FGS) in 2013. Under FGS, the central bank provides refinancing loans at a preferential fixed interest rate of 0% with a maximum maturity of 10 years to credit institutions which the credit institutions lend further to small and medium sized enterprises with a capped interest margin. The following table shows loan liability for the loans borrowed by the Group within FGS broken down by amortized initial fair value (market rate loan liability) and amortized initial fair value difference (interest rate grant) elements as of June 30, 2017:

	Actual loan liability	**Initial fair value difference	*Initial fair value
Erste Bank Hungary Zrt.	15,332	1,935	13,397
UniCredit Bank Hungary Zrt.	9,427	1,505	7,922
Loans (FGS)	**24,759**	**3,440**	**21,319**

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

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

(all amounts in thousands of euros unless otherwise stated)

13. Deferred taxes

	December 31, 2016	June 30, 2017
Development reserve	757	864
Depreciation	(20)	(20)
Loss carried forward	(155)	(115)
Deferred tax liability, net	**582**	**729**

14. Other long-term liabilities

	December 31, 2016	June 30, 2017
Initial fair value difference of loans*	1,588	2,972
Other long-term liabilities	**1,588**	**2,972**

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

15. Revenue

	3 months ended		6 months ended	
	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017
Property rental	2,385	2,653	4,780	5,124
Revenue	**2,385**	**2,653**	**4,780**	**5,124**

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

(all amounts in thousands of euros unless otherwise stated)

16. Operating expense

	3 months ended		6 months ended	
	June 30, 2016	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**
Property related expense	11	15	26	27
Employee related expense	293	362	421	511
Other operating expense	82	130	142	214
Depreciation and amortization	1,048	1,155	2,086	2,159
Operating expense	**1,434**	**1,662**	**2,675**	**2,911**

Other operating expense consists of the following items:

	3 months ended		6 months ended	
	June 30, 2016	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**
Office and telecommunication	3	4	6	7
Legal and administration	39	82	65	126
Marketing	8	8	17	16
Other	32	36	54	65
Other operating expense	**82**	**130**	**142**	**214**

17. Other income (expense)

	3 months ended		6 months ended	
	June 30, 2016	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**
Income from recharged construction expenses	99	66	170	1,319
Recharged construction expenses	(82)	(62)	(144)	(1,255)
Income from recharged operation expenses	866	915	1,740	1,858
Recharged operation expenses	(806)	(844)	(1,613)	(1,721)
Disposal of tangible assets*	-	-	(123)	-
Others	(3)	-	2	-
Other income (expense)	**74**	**75**	**32**	**201**

(all amounts in thousands of euros unless otherwise stated)

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

18. Interest

	3 months ended		6 months ended	
	June 30, 2016	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**
Interest received	-	-	2	-
Interest income	**-**		**2**	**-**
Interest paid on loans	(210)	(221)	(477)	(436)
Other interest paid	(1)	(2)	(2)	(3)
Borrowing cost capitalized	11	5	14	63
Interest expense	**(200)**	**(218)**	**(465)**	**(376)**
Net interest expense	**(200)**	**(218)**	**(463)**	**(376)**

19. Exchange rate difference

	3 months ended		6 months ended	
	June 30, 2016	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**
Exchange rate gain (loss) realized	(12)	(10)	(5)	(4)
Exchange rate gain (loss) not realized	40	(9)	13	(98)
Exchange rate gain (loss) not realized capitalized	(19)	(7)	(31)	82
Exchange rate gain (loss)	**9**	**(26)**	**(23)**	**(20)**

(all amounts in thousands of euros unless otherwise stated)

20. Income taxes

	3 months ended		6 months ended	
	June 30, 2016	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**
Current income tax	(86)	(88)	(171)	(186)
Deferred income tax	(65)	(65)	(120)	(146)
Income tax expense	**(151)**	**(153)**	**(291)**	**(332)**

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

21. Earnings per share

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

	3 months ended		6 months ended	
	June 30, 2016	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**
Net profit attributable to equity holders	683	669	1,360	1,686
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Basic earnings per share (EUR)	**0.07**	**0.07**	**0.13**	**0.17**
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Diluted earnings per share (EUR)	**0.07**	**0.07**	**0.13**	**0.17**

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

Share ownerships details are disclosed in Note 1.3.

(all amounts in thousands of euros unless otherwise stated)

22. Treasury shares

Graphisoft Park SE treasury share details are as follows:

	December 31, 2016	**June 30, 2017**
Number of shares	549,076	549,076
Face value per share (EUR)	0.02	0.02
Total face value (EUR)	10,982	10,982
Treasury shares (at historical cost)	**962**	**962**

23. Net asset value

Book value and fair value of assets and liabilities as of June 30, 2017:

	Note	**Book value June 30, 2017**	**Fair value June 30, 2017**	***Difference***
Investment property	7, 8	76,185	251,512	*175,327*
Other tangible assets	7	239	239	-
Intangible assets	7	1	1	-
Non-financial instruments		**76,425**	**251,752**	***175,327***
Cash and cash equivalents	3	3,192	3,192	-
Trade receivables	4	707	707	-
Other current assets	6	7,896	7,896	-
Current tax liability, net	5	194	194	-
Trade payables	10	(3,753)	(3,753)	-
Other short-term liabilities	11	(1,991)	(1,991)	-
Loans	12	(56,266)	(56,033)	*233*
Deferred tax liability, net	13	(729)	(729)	-
Other long-term liabilities	14	(2,972)	(2,972)	-
Financial instruments		**(53,722)**	**(53,489)**	***233***
Net asset value		**22,703**	**198,263**	***175,560***

(all amounts in thousands of euros unless otherwise stated)

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

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

24. Commitments, contingencies

Realization of the educational function

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

25. Events after the balance sheet date

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

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

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

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

(i) 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),
(j) the company is not under voluntary or court ordered winding-up, termination or bankruptcy proceedings;
(k) pays dividend at least at the amount of 90% of its results, or if the company's liquid funds are less than that, then the company shall pay 90% of its liquid funds in dividends, unless a loan agreement concluded with a credit institution restricts such payments,
(l) 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,
(m) the direct and combined voting rights of credit institutions and insurance companies are limited to 10% of all voting rights within the company,
(n) it has at least 5 billion HUF (consolidated) initial capital,
(o) it is publicly listed and issues only ordinary and employee shares,
(p) at least 25% of the total number of shares is owned by shareholders, of whom no individual shareholder owns – directly or indirectly – more than 5% of the total number of shares.

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

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

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

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

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

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

- The Company has already fulfilled the requirements to be registered under the SZIE designation, and by its own request the national tax authority registered the Company as a regulated real estate investment pre-company (SZIE) under the Act 102 of 2011 by the date of July 31, 2017. The effects of the tax benefits prescribed by the law are kicking in from the day of registration.
- Application for the SZIT designation will be submitted after all the legal requirements are fulfilled, no later than the end of 2018.

26. Approval of financial statements, dividend

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

27. Declaration

Statement of responsibility - *We declare that the 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.*