

**GRAPHISOFT PARK SE**  
**Interim Management Report – First Quarter 2014**  
**May 7, 2014**



GRAPHISOFTPARK





## Financial highlights

IFRS, consolidated, thousand EUR

	3 months ended	3 months ended
	March 31, 2013	March 31, 2014
<b>Revenue</b>	<b>2,015</b>	<b>1,961</b>
Operating expense	(196)	(184)
Other income (expense)*	(112)	29
<b>EBITDA</b>	<b>1,707</b>	<b>1,806</b>
Depreciation and amortization	(941)	(937)
<b>Operating profit</b>	<b>766</b>	<b>869</b>
Net interest expense	(331)	(325)
Exchange rate difference	(13)	57
<b>Profit before tax</b>	<b>422</b>	<b>601</b>
Income tax expense	(73)	(27)
<b>Profit for the period</b>	<b>349</b>	<b>574</b>

	December 31, 2013	March 31, 2014
<b>Assets total</b>	<b>72,419</b>	<b>72,123</b>
<b>Investment property at historical cost**</b>	<b>61,171</b>	<b>61,406</b>
<b>Bank loans</b>	<b>47,149</b>	<b>46,449</b>
<b>Net debt</b>	<b>38,428</b>	<b>38,073</b>

\* 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](http://www.graphisoftpark.com)).



## Financial highlights

IFRS, consolidated, thousand EUR

### Results from ordinary activities\*:

	3 months ended	3 months ended
	March 31, 2013	March 31, 2014
<b>Revenue</b>	<b>2,015</b>	<b>1,961</b>
Operating expense	(196)	(184)
Other income (expense)	26	29
<b>EBITDA</b>	<b>1,845</b>	<b>1,806</b>
Depreciation and amortization	(941)	(937)
<b>Operating profit</b>	<b>904</b>	<b>869</b>
Net interest expense	(331)	(325)
Exchange rate differences	(13)	57
<b>Profit before tax</b>	<b>560</b>	<b>601</b>
Income taxes	(87)	(27)
<b>Profit for the period</b>	<b>473</b>	<b>574</b>
<b>EBITDA margin (%)</b>	<b>91.6</b>	<b>92.1</b>
<b>Operating profit margin (%)</b>	<b>44.9</b>	<b>44.3</b>

### Extraordinary results (legal proceedings):

	3 months ended	3 months ended
	March 31, 2013	March 31, 2014
Other income (expense)	(138)	-
Income tax expense	14	-
<b>Loss for the period</b>	<b>(124)</b>	<b>-</b>

\* 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 quarter of 2014,
- Utilization, occupancy,
- Development activities,
- Other key issues,
- Forecast for the year 2014.

### Financial results for the first quarter 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** decreased by 3% to 1,961 thousand euros 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 100 thousand euros, that is 5%, however inflationary adjustments of the rental fees increased it by 2%.
- Operating expense decreased by 6% to 184 thousand euros compared to the previous year. This is due to the decrease in property related expenses compared to the base last year.
- **Other income** net amount of 29 thousand euros corresponds with that of the previous year.
- **Depreciation** amount of 937 thousand euros remained essentially on the same level as in the previous year.
- **EBITDA** decreased by 2% to 1,806 thousand euros and **operating profit** decreased by 4% to 869 thousand euros compared to the previous year due to the factors mentioned above.
- **Net interest expense** decreased by 2% to 325 thousand euros compared the previous year due to decreasing interest expenses (by 36 thousand euros) and decreasing interest income (by 30 thousand euros). More favorable exchange rate differences than in 2013 have had a substantial positive effect (70 thousand euros) on the financial results.
- **Income tax expense** (2014: 27 thousand euros, 2013: 87 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 (79 thousand euros in 2014, compared to 12 thousand euros in 2013).
- **Net profit** grew by 21%, by 101 thousand euros to 574 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 35 thousand euros, 4%), however, (2) financial results improved significantly (by 76 thousand euros, 22%) due to favorable exchange rate differences, and finally (3) income tax expense was significantly lower (by 60 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
84%	84%	84%	84%	80%

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

After the educational purpose development in the monument area will have been completed in July 2014 (see details in the “Development activities” section below), rentable office, laboratory and educational space will have grown by 5,200 m2 to 52,050 m2 while Graphisoft Park’s occupancy rate will grow from 80% to 82%, including a rate of 100% in the newly developed areas.

After the completion of the 3,000 m2 (gross) floor area, 85 rooms dormitory building in July 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 this area are carried out to meet the needs of tenants by remodeling and renovation of office space and infrastructure development. The costs of these activities amounted to 36 thousand euros in the first quarter of 2014, and are expected at 400 thousand euros in 2014.

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 will be repurposed into state of the art educational facilities by 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 will house 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 1.1 million euros occurred in the first quarter of 2014). As the buildings were renovated to suit lease contracts preceding the works, the monument area’s occupancy will stand 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 m<sup>2</sup> 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 m<sup>2</sup> 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 m<sup>2</sup> 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 is May 29, 2014.



*Management Share Ownership Plan*

On April 23, 2014, the Annual General Meeting of Graphisoft Park SE approved the Management Share Ownership Plan of the Company, and gave authorization to the Board of Directors at the same time to raise capital stock by issuing employee shares, with the potential maximum of 600,000 employee shares issued at the face value of 2 euro cent each, at a potential maximum combined value of 12,000 euros.

The primary purpose of the Management Share Ownership Plan is to enable employees of the Company in management positions through multiple voting shares (by a multiplier of five) 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.

*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. 6 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 the 2014 Spring semester is going on, preparations for the 5 week summer course have begun, and the application period for the 2014 Fall semester ended. Based on all this 90 North American and 40 Hungarian students will have completed their studies at AIT. Tuition paid by the North American students will make AIT-Budapest’s operation sustainable on the long run.

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.



After the completed renovation of another three buildings in the monument area in the summer of 2014, the International Business School’s (IBS) moving in will complete the university campus in the former Gasworks with over 1,000 students pursuing their studies there.





*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.

**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 80% (82% from August 2014, see details in caption "Utilization, occupancy"). The first column shows 2013 results without the extraordinary results from the legal proceedings.

<b>(million euros)</b>	<b>2013 actual</b>	<b>2014 forecast</b>
Rental revenue	8.12	8.1
Operating expense	-0.94	-0.9
Other income, net	0.12	0.1
<b>EBITDA</b>	<b>7.30</b>	<b>7.3</b>
Depreciation and amortization	-3.75	-4.0
<b>Operating profit</b>	<b>3.55</b>	<b>3.3</b>
Net interest expense	-1.14	-1.3
Exchange rate difference	-0.09	0.0
Income tax expense	-0.29	-0.1
<b>Net profit</b>	<b>2.03</b>	<b>1.9</b>

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 new leases by IBS International Business School (see "Utilization, occupation" and "Development activities" sections) and the inflationary adjustments of the rental fees will offset this effect by a 400 thousand euros growth. Therefore, the same total rental income is expected for 2014 as in 2013.
- Employee related expenses are expected to stay at the same level in 2014 as in 2013 while property related and other operating expenses are calculated with an average (inflationary) 1.5% increase.
- 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 1.9 million euros net profit is forecasted for 2014. Our forecast has been raised by 0.1 million euros compared to 1.8 million euros in our previous quarterly report and the annual report published on March 21, 2014, considering that our forecast for income tax has been updated and lowered by 0.1 million euros.

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 300 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 Quarterly 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, May 7, 2014

Hajba Róbert  
Chief Financial Officer

Kocsány János  
Chief Executive Officer



# GRAPHISOFT PARK SE

## QUARTERLY REPORT

**for the quarter ended March 31, 2014**

in accordance with International Financial Reporting Standards (IFRS)

(unaudited)

Budapest, May 7, 2014

Handwritten signature of Hajba Róbert in purple ink, written over a horizontal line.

Hajba Róbert  
Chief Financial Officer

Handwritten signature of Kocsány János in purple ink, written over a horizontal line.

Kocsány János  
Chief Executive Officer

**GRAPHISOFT PARK SE**  
**QUARTERLY REPORT**  
MARCH 31, 2014

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**GRAPHISOFT PARK SE**  
**CONSOLIDATED BALANCE SHEET**

AS OF MARCH 31, 2014

(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2013	March 31, 2014
Cash and cash equivalents	3	10,160	9,713
Trade receivables	4	453	432
Inventories	5	6	1
Current tax receivable	6	87	119
Other current assets	7	209	144
<b>Current assets</b>		<b>10,915</b>	<b>10,409</b>
Investment property	8	61,171	61,406
Other tangible assets	8	200	187
Investments	9	107	100
Deferred tax asset	10	26	21
<b>Non-current assets</b>		<b>61,504</b>	<b>61,174</b>
<b>TOTAL ASSETS</b>		<b>72,419</b>	<b>72,123</b>
Short-term loans	11	2,836	2,856
Trade payables	12	680	656
Current tax liability	6	178	194
Other short-term liabilities	13	1,107	981
<b>Current liabilities</b>		<b>4,801</b>	<b>4,687</b>
Long-term loans	11	44,313	43,593
Deferred tax liability	10	255	223
<b>Non-current liabilities</b>		<b>44,568</b>	<b>43,816</b>
<b>TOTAL LIABILITIES</b>		<b>49,369</b>	<b>48,503</b>
Share capital		213	213
Retained earnings		26,552	27,126
Treasury shares	21	(784)	(784)
Accumulated translation difference		(2,931)	(2,935)
<b>Shareholders' equity</b>		<b>23,050</b>	<b>23,620</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>72,419</b>	<b>72,123</b>

The accompanying notes form an integral part of the quarterly report.

**GRAPHISOFT PARK SE**  
**CONSOLIDATED STATEMENT OF INCOME**  
 FOR THE QUARTER ENDED MARCH 31, 2014  
 (all amounts in thousands EUR unless otherwise stated)

	Notes	3 months ended March 31, 2013	3 months ended March 31, 2014
Property rental revenue	14	2,015	1,961
<b>Revenue</b>		<b>2,015</b>	<b>1,961</b>
Property related expense	15	(37)	(12)
Employee related expense	15	(102)	(108)
Other operating expense	15	(57)	(64)
Depreciation and amortization	15, 8	(941)	(937)
<b>Operating expense</b>		<b>(1,137)</b>	<b>(1,121)</b>
Other income (expense)	16	(112)	29
<b>OPERATING PROFIT</b>		<b>766</b>	<b>869</b>
Interest income	17	46	16
Interest expense	17	(377)	(341)
Exchange rate difference	18	(13)	57
<b>Financial expense</b>		<b>(344)</b>	<b>(268)</b>
<b>PROFIT BEFORE TAX</b>		<b>422</b>	<b>601</b>
Income tax expense	19	(73)	(27)
<b>PROFIT FOR THE PERIOD</b>		<b>349</b>	<b>574</b>
Attributable to equity holders of the parent		349	574
Basic earnings per share (EUR)	20	0.03	0.06
Diluted earnings per share (EUR)	20	0.03	0.06

*The accompanying notes form an integral part of the quarterly report.*

**GRAPHISOFT PARK SE**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE QUARTER ENDED MARCH 31, 2014  
(all amounts in thousands EUR unless otherwise stated)

	Notes	3 months ended March 31, 2013	3 months ended March 31, 2014
<b>Profit for the period</b>		<b>349</b>	<b>574</b>
Valuation reserve***		(21)	-
Valuation reserve – tax effect		2	-
Other comprehensive income – to be reclassified*		(19)	-
Translation difference****		2	(4)
Other comprehensive income – not to be reclassified**		2	(4)
<b>Other comprehensive income</b>		<b>(17)</b>	<b>(4)</b>
<b>COMPREHENSIVE INCOME</b>		<b>332</b>	<b>570</b>
Attributable to equity holders of the parent		332	570

\* 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 quarterly report.*

**GRAPHISOFT PARK SE**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
FOR THE QUARTER ENDED MARCH 31, 2014  
(all amounts in thousands EUR unless otherwise stated)

	Share capital	Retained earnings	Valuation reserve	Treasury shares*	Accum. translation difference	Total equity
<b>December 31, 2012</b>	<u>213</u>	<u>23,939</u>	<u>96</u>	<u>(669)</u>	<u>(2,933)</u>	<u>20,646</u>
Profit for the period	-	349	-	-	-	349
Valuation reserve	-	-	(19)	-	-	(19)
Translation difference	-	-	-	-	2	2
<b>March 31, 2013</b>	<u>213</u>	<u>24,288</u>	<u>77</u>	<u>(669)</u>	<u>(2,931)</u>	<u>20,978</u>
<b>December 31, 2013</b>	<u>213</u>	<u>26,552</u>	<u>-</u>	<u>(784)</u>	<u>(2,931)</u>	<u>23,050</u>
Profit for the period	-	574	-	-	-	574
Translation difference	-	-	-	-	(4)	(4)
<b>March 31, 2014</b>	<u>213</u>	<u>27,126</u>	<u>-</u>	<u>(784)</u>	<u>(2,935)</u>	<u>23,620</u>

\* Treasury share details are disclosed in Note 21

*The accompanying notes form an integral part of the quarterly report.*



**GRAPHISOFT PARK SE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
 FOR THE QUARTER ENDED MARCH 31, 2014  
 (all amounts in thousands EUR unless otherwise stated)

	<b>3 months ended</b>	<b>3 months ended</b>
	<b>March 31, 2013</b>	<b>March 31, 2014</b>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	422	601
Depreciation and amortization	941	937
Interest expense	377	341
Interest income	(46)	(16)
Unrealized foreign exchange gains	(5)	(38)
Changes in working capital:		
Decrease / (increase) in receivables and other current assets	(55)	109
Decrease in inventories	-	5
Increase / (decrease) in payables and accruals	144	(102)
Corporate income tax paid	(104)	(98)
<b>Net cash from operating activities</b>	<b>1,674</b>	<b>1,739</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investment property, other tangible assets and intangibles	(53)	(1,132)
Interest paid (capitalized)	(21)	(27)
Sale of securities	-	7
Interest received	7	5
<b>Net cash from / (used in) investing activities</b>	<b>(67)</b>	<b>(1,147)</b>
<b>FINANCING ACTIVITIES</b>		
Loan repayments	(629)	(700)
Interest paid	(378)	(362)
<b>Net cash used in financing activities</b>	<b>(1,007)</b>	<b>(1,062)</b>
Increase / (decrease) in cash and cash equivalents	600	(470)
Cash and cash equivalents at beginning of period	6,186	10,160
Exchange gains / (losses) on cash and cash equivalents	(12)	23
<b>Cash and cash equivalents at end of period</b>	<b>6,774</b>	<b>9,713</b>

*The accompanying notes form an integral part of the quarterly report.*

**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
FOR THE QUARTER ENDED MARCH 31, 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 Company is H-1031 Budapest, Záhony utca 7., Hungary. Headcount was 15 on March 31, 2014.

**1.2. Properties**

The total area of Graphisoft Park is nearly 18 hectares. Over the past 15 years, 45,000 m<sup>2</sup> 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 m<sup>2</sup> of office space and utilize further 10,000 m<sup>2</sup> of rentable net internal area comprising the monument area, after renovation.

The real estate is categorized as follows:

<b>Area</b>	<b>Property</b>
Core area	modern business park spreading over 8.5 hectares of land, comprising 9 office buildings with over 45,000 m <sup>2</sup> 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 <sup>2</sup> of total rentable net internal area of the monument buildings, out of which 2,750 m <sup>2</sup> has been renovated and the renovation of further 4,300 m <sup>2</sup> has begun
Development areas	7.0 hectares of free development land

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**1.3. Governance**

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

<b>Name</b>	<b>Position</b>	<b>From</b>	<b>Until</b>
Bojár Gábor	Chairman	August 21, 2006	May 31, 2015
Hornung Péter	Member	August 21, 2006	May 31, 2015
Gáthy Tibor	Member	April 26, 2012	May 31, 2015
Dr. Kálmán János	Member	August 21, 2006	May 31, 2015
Kocsány János	Member	April 28, 2011	May 31, 2015

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

**1.4. Stock information**

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

<b>Name</b>	<b>Title</b>	<b>December 31, 2013</b>		<b>March 31, 2014</b>	
		<b>Shares (pcs)</b>	<b>Share (%)</b>	<b>Shares (pcs)</b>	<b>Share (%)</b>
<b>Directors and management</b>		<b>4,015,364</b>	<b>37.77</b>	<b>4,015,364</b>	<b>37.77</b>
Bojár Gábor	BD Chairman	3,185,125	29.96	3,185,125	29.96
Hornung Péter	BD Member	530,426	4.99	530,426	4.99
Gáthy Tibor	BD Member	100,000	0.94	100,000	0.94
Dr. Kálmán János	BD Member	13,500	0.13	13,500	0.13
Kocsány János	BD Member, CEO	180,913	1.70	180,913	1.70
Hajba Róbert	CFO	5,400	0.05	5,400	0.05
<b>Shareholders over 5% share</b>		<b>2,679,584</b>	<b>25.45</b>	<b>2,742,320</b>	<b>25.79</b>
Tari István Gábor		1,074,329	10.10	1,074,329	10.10
Concorde Alapkezelő Zrt.		1,605,255	15.35	1,667,991	15.69
<b>Other shareholders</b>		<b>3,427,650</b>	<b>31.99</b>	<b>3,364,914</b>	<b>31.65</b>
<b>Treasury shares*</b>		<b>509,076</b>	<b>4.79</b>	<b>509,076</b>	<b>4.79</b>
<b>Total</b>		<b>10,631,674</b>	<b>100.00</b>	<b>10,631,674</b>	<b>100.00</b>

\* Treasury share details are disclosed in Note 21.

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**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:

	<b>3 months ended</b>	<b>3 months ended</b>
	<b>March 31, 2013</b>	<b>March 31, 2014</b>
EUR/HUF opening:	291.29	296.91
EUR/HUF closing:	304.30	307.06
EUR/HUF average:	296.42	307.90

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**3. Cash and cash equivalents**

	December 31, 2013	March 31, 2014
Cash in hand	1	1
Cash at banks	10,159	9,712
<b>Cash and bank</b>	<b>10,160</b>	<b>9,713</b>

**4. Trade receivables**

	December 31, 2013	March 31, 2014
Trade receivables	453	432
Provision for doubtful debts	-	-
<b>Trade receivables</b>	<b>453</b>	<b>432</b>

Trade receivables are on 8-30 day payment terms.

**5. Inventories**

	December 31, 2013	March 31, 2014
Expenses to be recharged	6	1
<b>Inventories</b>	<b>6</b>	<b>1</b>

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**6. Current tax receivables and liabilities**

	December 31, 2013	March 31, 2014
Current tax receivables	87	119
Current tax liabilities	(178)	(194)
<b>Current tax liability (net)</b>	<b>(91)</b>	<b>(75)</b>

**7. Other current assets**

	December 31, 2013	March 31, 2014
Accrued income	166	114
Prepaid expense	17	17
Other receivables	26	13
<b>Other current assets</b>	<b>209</b>	<b>144</b>

**8. Tangible and intangible assets – book values**

	December 31, 2013	March 31, 2014
Investment property	61,171	61,406
Other tangible assets	200	187
<b>Tangible and intangible assets (net)</b>	<b>61,371</b>	<b>61,593</b>

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The table shows movements of investment property during the period:

	Land and buildings	Construction in progress	Investment property
<b>Net value:</b>			
<b>December 31, 2013</b>	57,263	3,908	<b>61,171</b>
<b>Gross value:</b>			
December 31, 2013	84,953	3,908	<b>88,861</b>
Additions	-	1,158	<b>1,158</b>
Capitalizations	1,059	(1,059)	-
Translation difference	-	-	-
<b>March 31, 2014</b>	<b>86,012</b>	<b>4,007</b>	<b>90,019</b>
<b>Depreciation:</b>			
December 31, 2013	27,690	-	<b>27,690</b>
Additions	923	-	<b>923</b>
Translation difference	-	-	-
<b>March 31, 2014</b>	<b>28,613</b>	<b>-</b>	<b>28,613</b>
<b>Net value:</b>			
<b>March 31, 2014</b>	<b>57,399</b>	<b>4,007</b>	<b>61,406</b>

Additions in construction in progress at 1,158 thousand EUR comprise the following:

- development activities in the buildings of the Monument development area (818 thousand EUR),
- development activities in the dormitory building in the Southern development area (304 thousand EUR),
- development activities in the buildings of the Core area (36 thousand EUR),

Capitalizations in the value of 1,059 thousand EUR comprise the following:

- development activities in the buildings of the Monument area (building U2 and its surroundings, 1,030 thousand EUR),
- development activities completed in the buildings of the Core area (29 thousand EUR), and

Construction in progress totaling 4,007 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 quarter of 2014 the Company capitalized 27 thousand euros interest expense on construction in progress (21 thousand euros in the first quarter of 2013).

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

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**9. Investments**

	December 31, 2013	March 31, 2014
AIT-Budapest Aquincum Institute of Technology Kft.	100	100
Aquincum Technológiai Inkubátor Zrt.	7	-
<b>Investments</b>	<b>107</b>	<b>100</b>

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 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	March 31, 2014
Development reserve	(488)	(500)
Depreciation	22	22
Loss carried forward	237	276
<b>Deferred tax liability (net)</b>	<b>(229)</b>	<b>(202)</b>

**11. Loans**

	December 31, 2013	March 31, 2014
Short-term	2,836	2,856
Long-term	44,313	43,593
<b>Loans</b>	<b>47,149</b>	<b>46,449</b>

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	March 31, 2014
Trade payables - domestic	680	656
<b>Trade payables</b>	<b>680</b>	<b>656</b>

**13. Other short-term liabilities**

	December 31, 2013	March 31, 2014
Amounts due to employees	30	32
Deposits from tenants	688	583
Other payables and accruals	389	366
<b>Other short-term liabilities</b>	<b>1,107</b>	<b>981</b>

**14. Revenue**

	March 31, 2013	March 31, 2014
Property rental	2,015	1,961
<b>Revenue</b>	<b>2,015</b>	<b>1,961</b>

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

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**15. Operating expense**

	March 31, 2013	March 31, 2014
Property related expense	37	12
Employee related expense	102	108
Other operating expense*	57	64
Depreciation and amortization	941	937
<b>Operating expense</b>	<b>1,137</b>	<b>1,121</b>

Other operating expense consists of the following items:

	March 31, 2013	March 31, 2014
Office and telecommunication	3	4
Legal and administration*	22	27
Marketing	14	9
Other	18	24
<b>Other operating expense</b>	<b>57</b>	<b>64</b>

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

**16. Other income (expense)**

	March 31, 2013	March 31, 2014
Income from recharged construction expenses	22	12
Recharged construction expenses	(21)	(8)
Income from recharged operation expenses	814	692
Recharged operation expenses	(789)	(669)
Others*	(138)	2
<b>Other income (expense)</b>	<b>(112)</b>	<b>29</b>

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\* "Other income (expense)" includes income and expenditures relating to the legal proceedings (Note 22): 138 thousand euros expenditures in the first quarter of 2013.

**17. Interest**

	March 31, 2013	March 31, 2014
Interest received	46	16
<b>Interest income</b>	<b>46</b>	<b>16</b>
Interest paid on loans	(394)	(365)
Other interest paid	(4)	(3)
Borrowing cost capitalized	21	27
<b>Interest expense</b>	<b>(377)</b>	<b>(341)</b>
<b>Net interest expense</b>	<b>(331)</b>	<b>(325)</b>

**18. Exchange rate difference**

	March 31, 2013	March 31, 2014
Exchange rate loss realized	(20)	(4)
Exchange rate gain not realized	7	61
<b>Exchange rate gain (loss)</b>	<b>(13)</b>	<b>57</b>

**19. Income tax**

	March 31, 2013	March 31, 2014
Current income tax	(55)	(54)
Deferred income tax	(18)	27
<b>Income tax expense</b>	<b>(73)</b>	<b>(27)</b>

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

**20. Earnings per share**

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

	<b>March 31, 2013</b>	<b>March 31, 2014</b>
Net profit attributable to equity holders of the parent	349	574
Weighted average number of ordinary shares	10,152,598	10,122,598
<b>Basic earnings per share (EUR)</b>	<b>0.03</b>	<b>0.06</b>
Weighted average number of ordinary shares	10,152,598	10,122,598
<b>Diluted earnings per share (EUR)</b>	<b>0.03</b>	<b>0.06</b>

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

**21. Treasury shares**

Graphisoft Park SE treasury share details are as follows:

	<b>December 31, 2013</b>	<b>March 31, 2014</b>
Number of shares	509,076	509,076
Face value per share (EUR)	0.02	0.02
Total face value (EUR)	10,182	10,182
<b>Treasury shares (at historical cost)</b>	<b>784</b>	<b>784</b>

## **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. Events after the balance sheet date**

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).

## **24. Declaration**

**Statement of responsibility** - *We declare that the Quarterly 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.*