

GRAPHISOFT PARK SE

Interim Management Report – Fourth Quarter 2016

February 20, 2017



GRAPHISOFT PARK – START-UP AND SERVICE BUILDING – JUNE 2017

VISUALIZATION

GRAPHISOFT PARK





Dear Shareholders,

At present 20,000 m² office space and a 750 car underground parking facility is being constructed in Graphisoft Park. As a result of these developments, after the completion of all construction phases starting from the second quarter of 2018 the Park's current 53,000 m² leasable office, laboratory and educational space will expand to 73,000 m² and 2,000 underground parking spaces will be available to the tenants instead of the current 1,250.

In detail:

1. The renewal of Graphisoft Park's largest tenant's, SAP's lease contract in 2015 warranted the continued expansion of the existing office, laboratory and educational space with the current occupancy level standing at an effective 100%. To this end we have started the construction of additional 8,000 m² of office space and an underground parking facility for more than 300 vehicles in 2015, with the first phase to be delivered by the beginning of 2017. The primary aim of the new development is to provide SAP after its significant expansion with the most optimal and economical home in the Park, while respecting its green and sustainable values equally important for SAP and Graphisoft Park. In order to minimize moving costs and to achieve optimal utilization for the SAP building delivered in 2006, the new development will be taking place in the integrally connecting new wing of 5,500 m². The new wing will be delivered at the beginning of 2017, the whole building will be leased by SAP starting from March 2017.



2. Another building with a net 2,500 m² floor space optimized for the needs of smaller companies and start-ups will be erected by the main entrance of the Park, with a coffee shop and other services on its ground floor. The building is expected to be delivered at the end of the second quarter in 2017. This in turn necessitated the demolition of the adjacent smaller buildings and storage facilities (roughly 2,000 m² altogether), which at the current occupancy levels of the Park may be deemed less economical uses of land. All of these will allow the creation of a much more imposing façade towards Ángel Sanz-Briz (former Jégtörő) Street, which has developed into a busy artery in the past years.



We have executed a loan agreement with Erste Bank at the end of 2015 with 10 years maturity to finance the new developments. In accordance with the loan agreement and its modification in December 2016 Erste Bank makes a nearly 16 million euros credit facility available to Graphisoft Park within the National Bank of Hungary's Funding for Growth Scheme. The loan agreement is complemented by hedging agreements to cover exchange and interest rate risks.

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





We have executed a loan agreement with UniCredit Bank in November 2016 for a 24 million euros credit facility with 10 years maturity within the National Bank of Hungary's Funding for Growth Scheme to finance the new development.



Financial results have progressed as forecasted. Revenue figures in 2016 and 2015 stood equally at 7.1 million euros, as the occupancy levels growing to 100% compensated for the missing revenues from the buildings demolished. Operating expenses rose by more than 100 thousand euros due to the increased staff numbers needed to complete the new developments. Net interest expense fell by more than 500 thousand euros due to the falling loan interest rates; the exchange rate difference account balance however, is nearly 200 thousand euros lower because in 2015 we have made significant exchange rate gains on the appreciating USD cash reserves, whereas in 2016 slight exchange rate losses occurred. For the reasons above, we have realized a net profit of 3.2 million euros in 2016, nearly 200 thousand euros higher compared to 2015, with writing-off of approximately 100 thousand euros for the demolition of the last building in connection with the new developments.

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

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

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



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

Bojár Gábor
Chairman of Board of Directors

Kocsány János
Chief Executive Officer



Financial highlights

IFRS, consolidated, thousand EUR

Results*:

	3 months ended		12 months ended	
	December 31,	December 31,	December 31,	December 31,
	2015	2016	2015	2016
A) Results from ordinary activities:				
Revenue	2,339	2,382	9,484	9,525
Operating expense	(202)	(315)	(912)	(1,131)
Other income (expense)	106	112	283	349
EBITDA	2,243	2,179	8,855	8,743
Depreciation and amortization	(1,053)	(1,041)	(4,194)	(4,183)
Operating profit	1,190	1,138	4,661	4,560
Net interest expense	(319)	(166)	(1,306)	(825)
Exchange rate differences	49	(5)	216	(4)
Profit before tax	920	967	3,571	3,731
Income tax expense	(178)	(87)	(592)	(559)
Profit for the period	742	880	2,979	3,172
B) Other results (one-time write-off):				
Other income (expense)	-	-	(535)	(123)
Income tax expense	-	-	53	12
Loss for the period	-	-	(482)	(111)
A+B) Profit for the period	742	880	2,497	3,061

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



Financial highlights

IFRS, consolidated, thousand EUR

Asset value:

	December 31, 2015	December 31, 2016
Investment property at book value	60,254	69,655
Investment property at fair value*	153,606	188,282
Net asset value at book value	22,801	23,551
Net asset value at fair value*	116,477	142,178
Number of ordinary shares outstanding (thousands)**	10,083	10,083
Net asset value at fair value per share (euro)	11.6	14.1

* 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 Consolidated Financial Statements for 2015, Note 10. In determining property fair values at the reporting date the effects of the material changes that took place throughout the previous year since the making of the last valuation were considered. The current estimate contains fair values for the new developments that started in 2016, with the leases executed already or expected to be concluded; and the effect of the lower available market yields are factored in as well. Detailed valuation will be published in the Consolidated Financial Statements for 2016, which is expected to be released on March 20, 2017. It is important to note that in the current changing real estate market environment different valuations may feature significantly varying figures.

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



Management Report

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

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

Financial results for the year 2016

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

- **Revenue** (2016: 9,525 thousand euros; 2015: 9,484 thousand euros) rose by 41 thousand euros compared to the previous year. The growth in occupancy rate increased revenue by 2%, while drop in rental revenues due to demolitions and remodeling in connection with the new developments that began in 2015 in the core area reduced it by almost the same rate (see details in the „Utilization, occupancy” and „Development activities” sections).
- **Operating expense** (2016: 1,131 thousand euros; 2015: 912 thousand euros) grew by 219 thousand euros, or 24% compared to the previous year due to the increase in employee related and other expenses (the development programs started in 2015 and 2016 required expanding staff). Property related expense stayed at the level of last year.
- **Other income** (2016: 349 thousand euros; 2015: 283 thousand euros) net amount was 66 thousand euros higher than the base last year.
- **Depreciation** (2016: 4,183 thousand euros; 2015: 4,194 thousand euros) did not change substantially compared to the previous year.
- **EBITDA** (2016: 8,743 thousand euros; 2015: 8,855 thousand euros) decreased by 112 thousand euros, or 1%, while **operating profit** (2016: 4,560 thousand euros; 2015: 4,661 thousand euros) fell by 101 thousand euros, or 2% compared to the previous year due to the factors mentioned above.
- **Net interest expense** (2016: 825 thousand euros; 2015: 1.306 thousand euros) decreased by 481 thousand euros, or 37% due to the following factors. Interest expense fell by 499 thousand euros as a result of lower loan interest rates and loan liability. Interest income dropped by 18 thousand euros due to the lower interest rates on deposits.
- **Exchange rate differences** (2016: 4 thousand euros loss; 2015: 216 thousand euros gain) worked out less favorably by 220 thousand euros compared to the previous year, attributable mostly to the fact that revaluation of cash reserves denominated in US dollars resulted in a gain in 2015 (135 thousand euros) and a loss in 2016 (38 thousand euros).
- **Income tax expense** (2016: 559 thousand euros; 2015: 592 thousand euros) decreased by 33 thousand euros, or 6% compared to the base period. Local business tax liability rose by 6 thousand euros due to the slight increase in revenues (2016: 258 thousand euros; 2015: 252 thousand euros), while corporate income tax fell by 39 thousand euros (2016: 301 thousand euros; 2015: 340 thousand euros) due to the following factors: higher profit before tax figure increased current tax by 26 thousand euros, and tax rate reduction (from 10% to 9%) effective from 2017 decreased deferred tax liability by 65 thousand euros.



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

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

Utilization, occupancy

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

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

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

Development activities

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

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

New development in the core area

Graphisoft Park’s largest tenant renting over 10,000 m2 office space currently, SAP Hungary Kft. renewed its lease in April 2015, which was to expire in the end of 2016 originally. In relation to the extension of the lease period new developments began in 2015, which will result in the construction of 8,000 m2 new office space and underground parking for 300 cars until 2017 in several phases. Construction of a new wing of 5,500 m2 directly adjacent to SAP’s main building (marked S on the map below) has begun. In addition to this another building with 2,500 m2 floor space is under construction optimized for the needs of smaller companies and start-ups. 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 will be delivered at the end of February, 2017, while the start-up building is expected to be delivered at the end of the second quarter in 2017.

The new developments required the demolition of the N, L and K buildings with less economical uses of space under the current conditions. Buildings N and L were demolished through 2015 and building K has been 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 will be 6,000 m².

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



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

New development in the southern development area

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

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

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



Other developments

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

Development potential

The 7 hectares of development areas in Graphisoft Park (the southern development area, the northern development area and parts of the monument area) allow for the development of a combined total of 70,000 m² leasable office space.

In the southern development area we have begun the construction of 12,000 m² office space (see “New development in the southern development area” section above). The other parts of the area offer room for another 22,000 m² potential development.

No further preparatory work or development is planned on the northern development area and the monument area, which together provide room for 36,000 m² potential development, 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 has started the procurement process with a call for proposals on December 9, 2016, and the ending of the tendering is expected after this report is finalized. According to Capital city Gas Works the clean-up operations will begin in the second quarter of 2017 and real estate development may already be started in the second half of 2019 in the area affected.

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.) Kormány határozat).

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

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

Financing

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

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



Other key issues

Realization of the educational function

In order to further strengthen Graphisoft Park’s “science park” features we have concluded an agreement with the Aquincum Institute of Technology (AIT) in 2009 to create and run international higher education functions in the Park. AIT does this in close cooperation with the Faculty of Electrical Engineering and Informatics of the Budapest University of Technology and Economics (BME) operating as an independent contractor, running a specialized program of that institution.



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





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

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



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

AIT-Budapest reached the income level needed for long term operation in 2014 from the tuition collected from North American students, and in 2015 it achieved a profit of 123 million forints after taxes. At the time of making this report the 2017 spring semester is in progress, which saw approximately 50% more applications over AIT's maximum capacity. This supports the long term sustainability of the educational venture (of which Graphisoft Park owns a 10% share), making the Park an even more attractive destination.

Creating the start-up ecosystem

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



Legal proceedings

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

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

Forecast for the year 2017

Our forecast 2017 results (from ordinary activities) is summarized in the following table, based on signed and valid lease agreements with the current occupancy rate at an effective 100% (see details in section “Utilization, occupancy”; the first two columns show 2016 forecast as disclosed in our last quarterly report and 2016 actual results):

(million euros)	2016 forecast	2016 actual	2017 forecast
Rental revenue	9.5	9.52	10.4
Operating expense	-1.1	-1.13	-1.3
Other income, net	0.3	0.35	0.3
EBITDA	8.7	8.74	9.4
Depreciation	-4.2	-4.18	-4.4
Operating profit	4.5	4.56	5.0
Net interest expense	-0.8	-0.83	-0.8
Exchange rate difference	-	-	-
Profit before tax	3.7	3.73	4.2
Income tax expense	-0.6	-0.56	-0.7
Net profit	3.1	3.17	3.5

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

- Revenue is expected to rise by 900 thousand euros in 2017 compared to 2016 due to the following factors: (1) rental revenue from the new buildings in the core area to be delivered in 2017 (see “Development activities” section for details) will increase revenue by 1.1 million euros (calculated at 10 months and 100% occupancy in the new SAP wing, and at 6 months and initial 60% occupancy in the start-up building); (2) internal tenant moving and significant remodeling works will temporarily reduce the current 100% occupancy in the existing buildings throughout 2017, which will result in a 200 thousand euros revenue dip.
- Cost of operation is expected to rise by 200 thousand euros in 2017 compared to 2016. Employee related and other expenses will grow at that rate due to the costs associated with the ongoing developments in the core area and the southern development area (see “Development activities” section for details), and due to the operating expenses associated with the buildings to be delivered in 2017 in the core area.



- Depreciation is expected to increase by 200 thousand euros in 2017 compared to 2016 due to the following factors: (1) depreciation for the new buildings to be delivered in the core area in 2017 (see “Development activities” section for details) will be 800 thousand euros (calculated at 10 months for the new SAP wing and at 6 months for the start-up building); and (2) depreciation for the existing buildings will decrease by 600 thousand euros due to depreciation ending for older assets.
- Net interest expense is not expected to change in 2017 compared to 2016 due to the following factors: (1) interest expense on the loan borrowed to finance the development of the new buildings to be delivered in the core area in 2017 is expected to be approximately 200 thousand euros in 2017 (interest expense accounted for in the income statement after the delivery of the buildings; calculated at 10 months for the new SAP wing and at 6 months for the start-up building); and (2) interest expense decrease over loans connected to the existing buildings and the diminishing principal result in a 200 thousand euros drop in net interest expense.
- Income tax is expected to increase by nearly 200 thousand euros in 2017 compared to 2016 due to higher revenue and profit before tax.

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

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

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

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

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, February 20, 2017

Hajba Róbert
Chief Financial Officer

Kocsány János
Chief Executive Officer



GRAPHISOFT PARK SE

QUARTERLY REPORT

for the quarter ended December 31, 2016

in accordance with International Financial Reporting Standards (IFRS)

(consolidated, unaudited)

Budapest, February 20, 2017

A handwritten signature in blue ink that reads "Hajba Róbert".

Hajba Róbert
Chief Financial Officer

A handwritten signature in blue ink that reads "Kocsány János".

Kocsány János
Chief Executive Officer

GRAPHISOFT PARK SE
QUARTERLY REPORT
DECEMBER 31, 2016

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GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2016

(all amounts in thousands of euros unless otherwise stated)

	Notes	December 31, 2015	December 31, 2016
Cash and cash equivalents	3	4,794	2,621
Trade receivables	4	178	1,083
Current tax receivable	5	131	271
Other current assets	6	125	5,681
Current assets		5,228	9,656
Investment property	7	60,254	69,655
Other tangible assets	7	273	247
Investments	8	100	100
Long-term financial assets	12	-	24
Deferred tax asset	13	19	11
Non-current assets		60,646	70,037
TOTAL ASSETS		65,874	79,693
Short-term loans	11	3,243	3,516
Trade payables	9	961	4,190
Current tax liability	5	123	279
Other short-term liabilities	10	1,601	1,424
Current liabilities		5,928	9,409
Long-term loans	11	36,737	46,138
Deferred tax liability	13	408	595
Non-current liabilities		37,145	46,733
TOTAL LIABILITIES		43,073	56,142
Share capital	1.3	250	250
Retained earnings		26,446	27,174
Valuation reserve		-	22
Treasury shares	21	(962)	(962)
Accumulated translation difference		(2,933)	(2,933)
Shareholders' equity		22,801	23,551
TOTAL LIABILITIES & EQUITY		65,874	79,693

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF INCOME

DECEMBER 31, 2016

(all amounts in thousands of euros unless otherwise stated)

	Notes	3 months ended		12 months ended	
		Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016
Property rental revenue	14	2,339	2,382	9,484	9,525
Revenue		2,339	2,382	9,484	9,525
Property related expense	15	(1)	(10)	(49)	(49)
Employee related expense	15	(145)	(209)	(594)	(759)
Other operating expense	15	(56)	(96)	(269)	(323)
Depreciation and amortization	15, 7	(1,053)	(1,041)	(4,194)	(4,183)
Operating expense		(1,255)	(1,356)	(5,106)	(5,314)
Other income	16	106	112	(252)	226
OPERATING PROFIT		1,190	1,138	4,126	4,437
Interest income	17	3	-	21	3
Interest expense	17	(322)	(166)	(1,327)	(828)
Exchange rate difference	18	49	(5)	216	(4)
Financial expense		(270)	(171)	(1,090)	(829)
PROFIT BEFORE TAX		920	967	3,036	3,608
Income tax expense	19	(178)	(87)	(539)	(547)
PROFIT FOR THE PERIOD		742	880	2,497	3,061
Attributable to equity holders of the parent		742	880	2,497	3,061
Basic earnings per share (EUR)	20	0.07	0.09	0.25	0.30
Diluted earnings per share (EUR)	20	0.07	0.09	0.25	0.30

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
DECEMBER 31, 2016
(all amounts in thousands of euros unless otherwise stated)

	Notes	3 months ended		12 months ended	
		Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016
Profit for the period		742	880	2,497	3,061
Cash flow hedge reserve**	11, 12	-	118	-	24
Cash flow hedge reserve – deferred tax effect	11, 13	-	(11)	-	(2)
Other comprehensive income – to be reclassified*		-	107	-	22
Other comprehensive income		-	107	-	22
COMPREHENSIVE INCOME		742	987	2,497	3,083
Attributable to equity holders of the parent		742	987	2,497	3,083

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

** Reserve provided for the settlement (market) value of a cash flow hedge (CCIRS) transaction and the complementary forward exchange rate agreement related to HUF-based loan.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 DECEMBER 31, 2016
 (all amounts in thousands of euros unless otherwise stated)

	Share capital	Retained earnings	Valuation reserve	Treasury shares*	Accum. translation difference	Total equity
December 31, 2014	250	25,953	-	(962)	(2,933)	22,308
Profit for the period	-	2,497	-	-	-	2,497
Dividend	-	(2,004)	-	-	-	(2,004)
December 31, 2015	250	26,446	-	(962)	(2,933)	22,801
Profit for the period	-	3,061	-	-	-	3,061
Cash flow hedge reserve**	-	-	22	-	-	22
Dividend	-	(2,333)	-	-	-	(2,333)
December 31, 2016	250	27,174	22	(962)	(2,933)	23,551

* Treasury share details are disclosed in Note 21.

** Cash flow hedge (CCIRS) transaction details are disclosed in Note 11 (Loans).

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CASH FLOWS

DECEMBER 31, 2016

(all amounts in thousands of euros unless otherwise stated)

	3 months ended		12 months ended	
	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016
OPERATING ACTIVITIES				
Income before tax	920	967	3,036	3,608
Depreciation and amortization	1,053	1,041	4,194	4,183
(Gain) / loss on sale of tangible assets	(11)	-	(16)	3
Disposal of tangible assets	-	-	535	123
Interest expense	322	166	1,327	828
Interest income	(3)	-	(21)	(3)
Provision for bad debts	12	-	12	-
Unrealized foreign exchange (gains) / losses	(8)	15	29	(13)
Changes in working capital:				
(Increase) / decrease in receivables and other current assets	282	(4,691)	85	(6,547)
Increase / (decrease) in liabilities	(483)	175	(157)	950
Corporate income tax paid	(91)	(149)	(339)	(406)
Net cash from operating activities	1,993	(2,476)	8,685	2,726
INVESTING ACTIVITIES				
Purchase of tangible assets and intangibles	(482)	(4,903)	(1,239)	(11,382)
Sale of tangible assets	10	-	29	-
Interest paid (capitalized)	-	(39)	-	(76)
Interest received	3	-	36	3
Net cash used in investing activities	(469)	(4,942)	(1,174)	(11,455)
FINANCING ACTIVITIES				
Proceeds from receipt of loans	-	6,711	-	12,956
Loan repayments	(2,134)	(859)	(4,332)	(3,282)
Interest paid	(357)	(137)	(1,335)	(810)
Dividend paid	-	-	(2,002)	(2,305)
Net cash from / (used in) financing activities	(2,491)	(5,715)	(7,669)	6,559
Decrease in cash and cash equivalents	(967)	(1,703)	(158)	(2,170)
Cash and cash equivalents at beginning of period	5,763	4,329	4,822	4,794
Exchange rate gain / (loss) on cash and cash equivalents	(2)	(5)	130	(3)
Cash and cash equivalents at end of period	4,794	2,621	4,794	2,621

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2016
(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 Kft's subsidiary, Graphisoft Park Services Kft. is responsible for property operation tasks.

Graphisoft Park SE and subsidiaries are incorporated under the laws of Hungary. Court registration number of Graphisoft Park SE is CG 01-20-000002. Registered address of the Group is H-1031 Budapest, Záhony utca 7., Hungary. Headcount was 21 on December 31, 2016.

1.2. Properties

The total area of Graphisoft Park is nearly 18 hectares. Over the past 18 years, 53,000 m² of office, laboratory and educational space have been developed and occupied by tenants. The remaining area provides the opportunity to develop an additional 70,000 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 43,000 m ² completed office and laboratory space, and further 8,000 m ² office space under construction
Monument area	2.4 hectares of land comprising 10,000 m ² of total rentable net internal area of the monument buildings, out of which 7,000 m ² has been renovated
Development areas	6.8 hectares of development land, on which a 3,000 m ² floor area dormitory has been constructed, and further 12,000 m ² office space is under construction

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2016
(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:

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

* Treasury shares possessed by the Company do not pay dividend and bear no voting rights. For details, see Note 21.

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

*** Share ownership of Kocsány János decreased in the first quarter of 2016 due to division of assets between family members.

**** AEGON Magyarország Befektetési Alapkezelő Zrt. has acquired 500,000 Graphisoft Park SE ordinary shares on February 24, 2016 through its managed funds in an over the counter transaction. Altogether with the completed recent transaction AEGON Magyarország Befektetési Alapkezelő Zrt. increased its Graphisoft Park SE stock to 995,643 shares with 7.96% of the voting rights.

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
 FOR THE QUARTER ENDED DECEMBER 31, 2016
 (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

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 2015), 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		12 months ended	
	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016
EUR/HUF opening:	313.32	309.15	314.89	313.12
EUR/HUF closing:	313.12	311.02	313.12	311.02
EUR/HUF average:	312.56	309.34	309.90	311.46

Group companies:

In order to obtain more flexible financing for its real estate development activities, the Company decided on August 12, 2016 to realize the planned real estate developments, which are not covered under previous loan agreements and are planned in the southern development area, in the framework of separate project companies. To this end two project companies, Graphisoft Park South I. Kft. and Graphisoft Park South II. Development Kft. demerged from Graphisoft Park Kft. in a transaction within the Group on September 30, 2016. The transaction left the ownership structure of the companies unchanged as all companies remained in Graphisoft Park SE's sole ownership after the demerger as well. Graphisoft Park SE is the 100% owner of Graphisoft Park Kft., Graphisoft Park South I. Kft. and Graphisoft Park South II. Development Kft., while Graphisoft Park Kft. is the 100% owner of Graphisoft Park Services Kft.

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2016
(all amounts in thousands of euros unless otherwise stated)

3. Cash and cash equivalents

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

4. Trade receivables

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

Trade receivables are on 8-30 day payment terms.

5. Current tax receivables and liabilities

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

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
 FOR THE QUARTER ENDED DECEMBER 31, 2016
 (all amounts in thousands of euros unless otherwise stated)

6. Other current assets

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

7. Tangible assets – book values

	December 31, 2015	December 31, 2016
Investment property	60,254	69,655
Other tangible assets	273	247
Tangible assets, net	60,527	69,902

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2016
(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, 2015	58,009	2,245	60,254
Gross value:			
December 31, 2015	92,911	2,245	95,156
Addition		13,843	13,843
Capitalization	372	(372)	-
Sale	(220)	-	(220)
Disposal	(274)	-	(274)
December 31, 2016	92,789	15,716	108,505
Depreciation:			
December 31, 2015	34,902	-	34,902
Addition	4,101	-	4,101
Sale	(2)	-	(2)
Disposal	(151)	-	(151)
December 31, 2016	38,850	-	38,850
Net value:			
December 31, 2016	53,939	15,716	69,655

Addition in construction in progress of 13,843 thousand EUR comprise the value of the following:

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

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

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

The Company capitalized 76 thousand EUR interest expense on construction in progress in 2016.

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

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
 FOR THE QUARTER ENDED DECEMBER 31, 2016
 (all amounts in thousands of euros unless otherwise stated)

Investment property **fair value** estimates are disclosed annually, in the Annual Report.

8. Investments

	December 31, 2015	December 31, 2016
AIT-Budapest Aquincum Institute of Technology Kft.	100	100
Investments	100	100

The Company acquired a 10 % ownership share (100 thousand EUR) in AIT-Budapest Aquincum Institute of Technology Kft. in 2009.

9. Trade payables

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

10. Other short-term liabilities

	December 31, 2015	December 31, 2016
Amounts due to employees	41	48
Deposits from tenants	608	612
Other payables and accruals	952	764
Other short-term liabilities	1,601	1,424

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2016
(all amounts in thousands of euros unless otherwise stated)

11. Loans

	December 31, 2015	December 31, 2016
Short-term	3,243	3,516
Long-term	36,737	46,138
Loans	39,980	49,654

Loans provided by Westdeutsche ImmobilienBank AG:

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

The total original capital amount of the loans provided by Westdeutsche ImmobilienBank AG from 2007 is 58 million EUR. The loan contract expires in 2019. The loans are denominated and due in EUR. Part of the loans is subject to fixed interest rate and part to a floating rate. Main collateral 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, 2015	December 31, 2016
Short-term	-	-
Long-term	-	10,846
Loans / Erste Bank Hungary Zrt.	-	10,846

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

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
 FOR THE QUARTER ENDED DECEMBER 31, 2016
 (all amounts in thousands of euros unless otherwise stated)

10,846 thousand EUR (3,373 million HUF) was drawn from the credit facility until December 31, 2016. Borrowing costs of the loan will be capitalized on construction in progress until the completion of the new developments in 2017.

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

The management expects the forint-based loan and the related cash flow hedge (CCRIS) transaction agreement to remain in place until the end of their terms, therefore the settlement value (the cost of premature closing based on the bank's statement as of the reporting date) of the cash flow hedge (CCIRS) transaction agreement and the complementary forward exchange rate agreement is stated in the equity (Valuation reserve) and among long term liabilities/assets (Long-term financial liabilities/assets).

Loans provided by UniCredit Bank Hungary Zrt.:

	December 31, 2015	December 31, 2016
Short-term	-	-
Long-term	-	2,111
Loans / UniCredit Bank Hungary Zrt.	-	2,111

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, revenue assignment and bank account pledge.

2.111 thousand EUR was drawn from the credit facility until December 31, 2016. Borrowing costs of the loan will be capitalized on construction in progress until the completion of the new developments in 2018.

12. Long-term financial liabilities (assets)

	December 31, 2015	December 31, 2016
Settlement value of cash flow hedge transaction	-	364
Settlement value of forward exchange rate agreement	-	(388)
Long-term financial liabilities (assets), net	-	(24)

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
 FOR THE QUARTER ENDED DECEMBER 31, 2016
 (all amounts in thousands of euros unless otherwise stated)

Long-term financial assets contain the settlement (market) value of the cash flow hedge (CCIRS) transaction and the complementary forward exchange rate agreement related to the forint-based loan facility made available by Erste Bank Hungary Zrt. as of the reporting date. Transaction details are disclosed in Note 11 (Loans).

13. Deferred taxes

	December 31, 2015	December 31, 2016
Development reserve	675	757
Depreciation	(22)	(20)
Loss carried forward	(264)	(155)
Cash flow hedge*	-	2
Deferred tax liability, net	389	584

* Deferred tax impact of the settlement (market) value of the cash flow hedge (CCIRS) transaction and the complementary forward exchange rate agreement related to the forint-based loan facility made available by Erste Bank Hungary Zrt. as of the reporting date. Transaction details are disclosed in note 11 (Loans).

14. Revenue

	3 months ended		12 months ended	
	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016
Property rental	2,339	2,382	9,484	9,525
Revenue	2,339	2,382	9,484	9,525

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

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2016
(all amounts in thousands of euros unless otherwise stated)

15. Operating expense

	3 months ended		12 months ended	
	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016
Property related expense	1	10	49	49
Employee related expense	145	209	594	759
Other operating expense	56	96	269	323
Depreciation and amortization	1,053	1,041	4,194	4,183
Operating expense	1,255	1,356	5,106	5,314

Other operating expense consists of the following items:

	3 months ended		12 months ended	
	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016
Office and telecommunication	4	4	14	13
Legal and administration	18	49	127	162
Marketing	9	8	33	33
Other	25	35	95	115
Other operating expense	56	96	269	323

16. Other income (expense)

	3 months ended		12 months ended	
	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016
Income from recharged construction expenses	67	594	192	812
Recharged construction expenses	(60)	(612)	(161)	(786)
Income from recharged operation expenses	975	1,022	3,514	3,578
Recharged operation expenses	(842)	(898)	(3,233)	(3,264)
Disposal of tangible assets*	-	-	(535)	(123)
Others	(34)	6	(29)	9
Other income (expense)	106	112	(252)	226

GRAPHISOFT PARK SE**NOTES TO THE QUARTERLY REPORT**

FOR THE QUARTER ENDED DECEMBER 31, 2016

(all amounts in thousands of euros unless otherwise stated)

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

17. Interest

	3 months ended		12 months ended	
	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016
Interest received	3	-	21	3
Interest income	3	-	21	3
Interest paid on loans	(320)	(204)	(1,321)	(900)
Other interest paid	(2)	(1)	(6)	(4)
Borrowing cost capitalized	-	39	-	76
Interest expense	(322)	(166)	(1,327)	(828)
Net interest expense	(319)	(166)	(1,306)	(825)

18. Exchange rate difference

	3 months ended		12 months ended	
	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016
Exchange rate gain (loss) realized	2	15	115	(14)
Exchange rate gain not realized	50	38	101	10
Exchange rate loss not realized capitalized	-	(58)	-	-
Exchange rate gain (loss)	52	(5)	216	(4)

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
 FOR THE QUARTER ENDED DECEMBER 31, 2016
 (all amounts in thousands of euros unless otherwise stated)

19. Income taxes

	3 months ended		12 months ended	
	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016
Current income tax	(119)	(94)	(329)	(355)
Deferred income tax	(59)	7	(210)	(192)
Income tax expense	(178)	(87)	(539)	(547)

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

20. Earnings per share

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

	3 months ended		12 months ended	
	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016
Net profit attributable to equity holders	742	880	2,497	3,061
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	0.09	0.25	0.30
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	0.09	0.25	0.30

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

Share ownerships details are disclosed in Note 1.3.

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
 FOR THE QUARTER ENDED DECEMBER 31, 2016
 (all amounts in thousands of euros unless otherwise stated)

21. Treasury shares

Graphisoft Park SE treasury share details are as follows:

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

22. Commitments, contingencies

Development for education purposes

The Group has a contractual commitment to develop for education purposes, which shall result in the set-up of an educational campus on a portion of the area purchased in 2008 (the monument development area) and the start-up of a program of higher education within 5 years from the approval of the zoning plan for the area and the execution of the plot division. The zoning plan has been approved, the plot division may take several years to be carried out. The university campus was completed and handed over in September 2014. The educational program started in 2010 extended further with the International Business School (IBS) moving in.

In accordance with the project to develop a part of the property for educational purposes, the 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 responsibilities of AIT. AIT pays a market-rate rent for its use of the real estate. The cooperation also covers the issue of the parties' coordinated appearance on the market and joint marketing activities.

Legal proceedings

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

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

23. Approval of financial statements

Following the recommendation of the Board of Directors, the Annual General Meeting on April 28, 2016 approved the 2015 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 65,874 thousand EUR and a profit for the year of 2,497 thousand EUR. Together with the approval of the consolidated financial statements for issue, the Annual General Meeting approved dividend distribution of 72 HUF per ordinary share, 24 HUF per employee share, 770,975 thousand HUF in total (2,478 thousand EUR on the exchange rate of April 28, 2016). The starting date for dividend payments was May 31, 2016. The Company paid out the dividends to the shareholders identified by shareholder's registration.

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.*