

# GRAPHISOFT PARK SE

## Interim Management Report – First Quarter 2017

May 8, 2017



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

VISUALIZATION

GRAPHISOFTPARK





## Dear Shareholders,

In the framework of the developments that began in 2015 and 2016 there are currently 20,000 m<sup>2</sup> office space and underground parking for 750 cars being constructed. These developments will result in the Park's original 53,000 m<sup>2</sup> office, educational and laboratory space growing to 73,000 m<sup>2</sup> by the second quarter of 2018 after the new buildings will have been delivered in several phases, and the number of underground parking available to tenants will be 2,000 instead of the earlier figure of 1,250. The developments were in part prompted by the Park's largest tenant, SAP Hungary's remarkable expansion; and in part by the growing demand for office space that could only be satisfied at the current 100% occupancy rates through constructing new office buildings.

The new developments are carried out in 3 phases:

### 1. The new SAP wing

The original 8,000 m<sup>2</sup> SAP office building housing its cafeteria and the 400 cars, 3 levels underground parking beneath it was extended by 5,500 m<sup>2</sup> net office space and parking for 300 more cars in a similar 3 levels underground parking garage in a new building wing. This development ended in February, 2017, and SAP moved into the building in March.



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

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



All of this necessitated the demolition of the neighboring smaller offices and warehouses (total 2,000 m<sup>2</sup>), which were considered less effective use of space at the current built-up of the Park.

### **3. New office complex on the southern development area**

Since the new wing completed in phase 1 is fully leased, the building to be completed in phase 2 is largely booked and SAP signaled its intent to lease more space, we have started the construction in 2016 of an office complex consisting of 4 blocks with total of 12,000 m<sup>2</sup> floor space complete with underground parking for 450 cars. The buildings are expected to be delivered in the second quarter of 2018. One 3,300 m<sup>2</sup> block of the four in the new complex will be leased by SAP, and it has an option to lease another block with additional 3,300 m<sup>2</sup> office space.





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

### **Net asset value**

Partly due to the new developments, partly to the decreasing yields on the Budapest office market, the Company's properties' fair value has increased 48% compared to the 154 million euros at the end of 2015 to 228 million euros by the end of the first quarter of 2017 by the Company's own valuation. Based on this the net asset value per share increased from 11.6 euros to 17.8 euros.

### **Financing**

For the financing of phase 1 and 2 developments described above Erste Bank has made available a 16 million euros credit facility within the framework of the Hungarian National Bank's Funding for Growth Scheme at 10 years maturity, of which 13 million euros have been drawn until the end of the first quarter of 2017. The facility contract has been complemented by hedge agreements against exchange rate and interest rate risks. To finance phase 3 developments, we have executed a 24 million euros credit facility agreement with UniCredit Bank at 10 years maturity, also within the framework of the Hungarian National Bank's Funding for Growth Scheme. Until the end of the first quarter of 2017 nearly 5 million euros have been drawn from this facility.



## Financial results

Financial results have progressed as expected in the first quarter of 2017. Revenues exceeded those of one year earlier by 100 thousand euros at 2.5 million euros, EBITDA and operating profit rose in similar proportions. Financial results improved by 150 thousand euros due to the decreasing interest expenses coupled with the better outcome of exchange rate differences. Income tax expense grew compared to the base of the previous year because of the higher revenue and profit before tax figures. For all the above, we have achieved a profit of 1 million euros in the first quarter of 2017, exceeding that of the previous year by 200 thousand euros.

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

- |  |                      |
|--|----------------------|
| • Revenue increase from new developments:          | 1.1 million euros    |
| • 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 | 3 months ended |
|---|----------------|----------------|
|   | March 31, 2016 | March 31, 2017 |
| <b>A) Results from ordinary activities:</b>   |                |                |
| <b>Revenue</b>                                | <b>2,395</b>   | <b>2,471</b>   |
| Operating expense                             | (203)          | (245)          |
| Other income (expense)                        | 81             | 126            |
| <b>EBITDA</b>                                 | <b>2,273</b>   | <b>2,352</b>   |
| Depreciation and amortization                 | (1,038)        | (1,004)        |
| <b>Operating profit</b>                       | <b>1,235</b>   | <b>1,348</b>   |
| Net interest expense                          | (263)          | (158)          |
| Exchange rate differences                     | (32)           | 6              |
| <b>Profit before tax</b>                      | <b>940</b>     | <b>1,196</b>   |
| Income tax expense                            | (152)          | (179)          |
| <b>Profit for the period</b>                  | <b>788</b>     | <b>1,017</b>   |
| <b>B) Other results (one-time write-off):</b> |                |                |
| Other income (expense)                        | (123)          | -              |
| Income tax expense                            | 12             | -              |
| <b>Loss for the period</b>                    | <b>(111)</b>   | <b>-</b>       |
| <b>A+B) Profit for the period</b>             | <b>677</b>     | <b>1,017</b>   |

\* New developments began in Graphisoft Park in 2015, which results in the construction of 8,000 m<sup>2</sup> new office space in 2017. The construction of the new buildings required the demolition of some older buildings. Most of the demolition works were carried out in 2015 and accordingly the net book value of buildings demolished were written off. The last building for demolition was demolished in the first quarter of 2016, and accordingly its net book value (123 thousand euros) was written off in the first quarter of 2016. On this page results of the Company are presented in "Results from ordinary activities" / "Other results" breakdown. The "Other results" section solely includes the net result of one-time write-off due to demolition of the building (111 thousand euros with its decreasing effect on income tax for the first quarter of 2016 included). Periodic comparative analyses in this business report are prepared using "Results from ordinary activities", which do not include the one-time items.



## Financial highlights

IFRS, consolidated, thousand EUR

### Asset value:

|   | December 31, 2016 | March 31, 2017 |
|---|-------------------|----------------|
| <b>Investment property at book value</b>              | <b>69,655</b>     | <b>73,075</b>  |
| <b>Investment property at fair value*</b>             | <b>188,919</b>    | <b>227,676</b> |
| <b>Net asset value at book value</b>                  | <b>23,529</b>     | <b>24,546</b>  |
| <b>Net asset value at fair value**</b>                | <b>143,082</b>    | <b>179,413</b> |
| Number of ordinary shares outstanding (thousands)***  | 10,083            | 10,083         |
| <b>Net asset value at fair value per share (euro)</b> | <b>14.2</b>       | <b>17.8</b>    |

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

Our current estimate for the fair value of investment property significantly exceeds, by nearly 21%, the one that was published in the latest Consolidated Financial Statements containing the estimates for property values by the end of 2016. The reasons for this as follows:

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

Investment property fair value estimates are disclosed in Note 8 of the attached Quarterly Report.

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

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



## Management Report

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

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

### Financial results for the first quarter of 2017

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

- **Revenue** (2017: 2,471 thousand euros; 2016: 2,395 thousand euros) rose by 76 thousand euros, or 3% compared to the previous year due to revenues coming from the new development (SAP new wing) delivered in the first quarter of 2017 (see details in the „Development activities” section).
- **Operating expense** (2017: 245 thousand euros; 2016: 203 thousand euros) grew by 42 thousand euros, or 21% 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** (2017: 126 thousand euros; 2016: 81 thousand euros) net amount was 45 thousand euros higher than the base last year.
- **Depreciation** (2017: 1,004 thousand euros; 2016: 1,038 thousand euros) decreased by 34 thousand euros, or 3% compared to the previous year because depreciation amount (1) increased by 7% due to the depreciation of the new development (SAP new wing; see “Development activities” section for details) delivered in the first quarter of 2017, and (2) decreased by 10% due to depreciation ending for older assets.
- **EBITDA** (2017: 2,352 thousand euros; 2016: 2,273 thousand euros) grew by 79 thousand euros, or 3%, while **operating profit** (2017: 1,348 thousand euros; 2016: 1,235 thousand euros) rose by 113 thousand euros, or 9% compared to the previous year due to the factors mentioned above.
- **Net interest expense** (2017: 158 thousand euros; 2016: 263 thousand euros) decreased by 105 thousand euros, or 40% due to the following factors: (1) interest expense fell by 107 thousand euros as a result of lower loan interest rates and lower principal amounts of earlier loans, and (2) interest income dropped by 2 thousand euros due to the lower interest rates on deposits.
- **Exchange rate differences** (2017: 6 thousand euros gain; 2016: 32 thousand euros loss) worked out more favorably by 38 thousand euros compared to the previous year.
- **Income tax expense** (2017: 179 thousand euros; 2016: 152 thousand euros) increased by 27 thousand euros, or 18% compared to the base period due to the rise in revenues and profit before tax.





- **Net profit** (2017: 1.017 thousand euros; 2016: 788 thousand euros) grew by 229 thousand euros, that is 29% in 2017 compared to 2016 because of the following factors: (1) operating profit increased by 113 thousand euros, or 9% due to the rise in revenues, (2) financial results improved by 143 thousand euros, or 48% due to the significant fall in net interest expense and more favorable exchange rate differences, and finally (3) income tax expense was higher by 27 thousand euros, or 18% than the base last year due to the growth in revenues and profit before tax.

**Utilization, occupancy**

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

| Period:               | 2016 Q1     | 2016 Q2     | 2016 Q3     | 2016 Q4     | 2017 Q1     |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Occupancy (%):</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |
| Area (m2):            | 53,000      | 53,000      | 53,000      | 53,000      | 58,500      |

Occupancy of Graphisoft Park’s rentable office, laboratory and educational space reached an effective 100% from the beginning of 2016.

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

Because of the significant remodeling and refurbishment works starting from the second quarter of 2017, and the temporary unavailability of the buildings being remodeled (see details under “Other developments” below) the now effectively 100% occupancy is expected to be 2% lower for the remainder of 2017.

**Development activities**

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

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

*New development in the core area*

Graphisoft Park’s largest tenant renting over 10,000 m2 office space by the end of 2016, SAP Hungary Kft. renewed its lease in April 2015, which was to expire in the end of 2016 originally. In relation to the extension of the lease period new developments began in 2015, which will result in the construction of 8,000 m2 new office space and underground parking for 300 cars until 2017 in two phases. Construction of a new wing of 5,500 m2 directly adjacent to SAP’s main building (marked S on the map below) has been completed. In addition to this another building with 2,500 m2 floor space 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 was 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 a few smaller office and warehouse buildings with less economical uses of space under the current conditions. Most were demolished through 2015 while the last one was demolished in the first quarter of 2016. Demolition and remodeling works temporarily reduced rentable space by 2,000 m<sup>2</sup> in the office park, therefore the net expansion is 6,000 m<sup>2</sup>.

**By the completion of the first two phases of the new developments in the middle of 2017, Graphisoft Park will have 61,000 m<sup>2</sup> office, laboratory and educational space as well as underground parking for 1,550 cars available for its tenants coupled with 4 restaurants and 6 snack and coffee shops in the Park.**



The planned total cost of these two development phases - including the construction of about 8,000 m<sup>2</sup> 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 14.5 million euros occurred until the end of the first quarter of 2017.

#### *New development in the southern development area*

With regards to the recent expansion needs articulated by the tenants in 2016 and to the occupancy levels in the Park near their effective cap, we have started the construction of a new string of office building blocks with 12,000 m<sup>2</sup> 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 second quarter of 2018. One 3,300 m<sup>2</sup> 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 m<sup>2</sup> block.

The planned total cost of this development phase is 25 million euros, out of which 4.4 million euros occurred until the end of March, 2017.

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



### *Other developments*

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

### **Future development potential**

After completing the development phases outlined above, other parts of the southern development area offer room for another 18,000 m<sup>2</sup> potential development, while the monument and northern development areas provide room for another 36,000 m<sup>2</sup> of potential office and educational space development. In the latter area no further preparatory work or development is planned until the clean-up projects planned by the Capital City Gas Works are finished.

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

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

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

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

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

### **Financing**

We have executed a loan agreement with Erste Bank Hungary Zrt. in December 2015 with 10 years maturity to finance the ongoing development in the core area (see “Development activities” section for details). In accordance with the loan agreement and its modification in December 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 hedge exchange rate and interest rate risks associated with the forint-based loan, we have executed a cash flow hedge (CCIRS) agreement in June 2016 covering the entire loan amount and cash flows from the beginning of the loan repayment period until the expiration of the loan contract, by which we have converted the forint-based capital and interest payment obligations onto euro base.

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



## Other key issues

### *Approval of financial statements*

Following the recommendation of the Board of Directors, the Annual General Meeting on April 20, 2017 approved the 2016 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 79,669 thousand EUR and a profit for the year of 3,061 thousand EUR. Together with the approval of the consolidated financial statements for issue, the Annual General Meeting approved dividend distribution of 78 HUF per ordinary share, 786,443 thousand HUF in total (2,512 thousand EUR on the exchange rate of April 20, 2017), and 26 HUF per employee share, 48,780 thousand HUF in total (156 thousand EUR on the exchange rate of March 31, 2017).

### *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.



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 a group of Hungarian students as well, for whom tuition is waived. The personal relations developing with the international 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 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 it sustains profitable operation since. 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 evolving companies has already been a driving force behind Graphisoft Park's expansion. Graphisoft Park supports the start-up companies by leasing office and laboratory space, and by providing pro bono business development advice from Gábor Bojár, founder of Graphisoft, Graphisoft Park and AIT-Budapest.

#### *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. Even though we have met and exceeded our duties (see details in the „Realization of the educational function” section above), the Municipality refused our request to remove the pledge over property. We have challenged this in a petition and the lower court ruled in our favor, then the Debrecen Regional Court of Appeal, the appeal court responding to the Municipality's appeal against the previous ruling decided for Graphisoft Park again on March 30, 2017, ordering the removal of the pledge with immediate effect.



### Forecast for the year 2017

The forecast below is identical to the latest one published within the Consolidated Financial Statements for 2016 on March 20, 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 column shows 2016 actual results):

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

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

Budapest, May 8, 2017

Hajba Róbert  
Chief Financial Officer

Kocsány János  
Chief Executive Officer





# GRAPHISOFT PARK SE

## QUARTERLY REPORT

**for the quarter ended March 31, 2017**

in accordance with International Financial Reporting Standards (IFRS)

(consolidated, unaudited)

Budapest, May 8, 2017

Handwritten signature of Hajba Róbert in blue ink.

Hajba Róbert  
Chief Financial Officer

Handwritten signature of Kocsány János in blue ink.

Kocsány János  
Chief Executive Officer

**GRAPHISOFT PARK SE**  
**QUARTERLY REPORT**  
MARCH 31, 2017

**CONTENTS:**

|  | <b>Page(s)</b> |
|--|----------------|
| <b>Consolidated Balance Sheet</b>                                | <b>3</b>       |
| <b>Consolidated Statement of Income</b>                          | <b>4</b>       |
| <b>Consolidated Statement of Comprehensive Income</b>            | <b>5</b>       |
| <b>Consolidated Statement of Changes in Shareholders' Equity</b> | <b>6</b>       |
| <b>Consolidated Statement of Cash Flows</b>                      | <b>7</b>       |
| <b>Notes to the Quarterly Report</b>                             | <b>8-25</b>    |

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

AS OF MARCH 31, 2017

(all amounts in thousands of euros unless otherwise stated)

|                                       | Notes | December 31, 2016 | March 31, 2017 |
|---------------------------------------|-------|-------------------|----------------|
| Cash and cash equivalents             | 3     | 2,621             | 3,754          |
| Trade receivables                     | 4     | 1,083             | 2,294          |
| Current tax receivable                | 5     | 271               | 333            |
| Other current assets                  | 6     | 5,681             | 6,535          |
| <b>Current assets</b>                 |       | <b>9,656</b>      | <b>12,916</b>  |
| Investment property                   | 7, 8  | 69,655            | 73,075         |
| Other tangible assets                 | 7     | 247               | 232            |
| Investments                           | 9     | 100               | 100            |
| Deferred tax asset                    | 13    | 11                | 10             |
| <b>Non-current assets</b>             |       | <b>70,013</b>     | <b>73,417</b>  |
| <b>TOTAL ASSETS</b>                   |       | <b>79,669</b>     | <b>86,333</b>  |
| Short-term loans                      | 12    | 3,516             | 3,531          |
| Trade payables                        | 10    | 4,190             | 5,279          |
| Current tax liability                 | 5     | 279               | 484            |
| Other short-term liabilities          | 11    | 1,661             | 1,968          |
| <b>Current liabilities</b>            |       | <b>9,646</b>      | <b>11,262</b>  |
| Long-term loans                       | 12    | 44,313            | 47,688         |
| Deferred tax liability                | 13    | 593               | 2,164          |
| Other long-term liabilities           | 14    | 1,588             | 673            |
| <b>Non-current liabilities</b>        |       | <b>46,494</b>     | <b>50,525</b>  |
| <b>TOTAL LIABILITIES</b>              |       | <b>56,140</b>     | <b>61,787</b>  |
| Share capital                         | 1.3   | 250               | 250            |
| Retained earnings                     |       | 27,174            | 28,191         |
| Treasury shares                       | 22    | (962)             | (962)          |
| Accumulated translation difference    |       | (2,933)           | (2,933)        |
| <b>Shareholders' equity</b>           |       | <b>23,529</b>     | <b>24,546</b>  |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> |       | <b>79,669</b>     | <b>86,333</b>  |

**GRAPHISOFT PARK SE**  
**CONSOLIDATED STATEMENT OF INCOME**  
FOR THE QUARTER ENDED MARCH 31, 2017  
(all amounts in thousands of euros unless otherwise stated)

|  | Notes | 3 months ended<br>March 31, 2016 | 3 months ended<br>March 31, 2017 |
|--|-------|----------------------------------|----------------------------------|
| Property rental revenue                      | 15    | 2,395                            | 2,471                            |
| <b>Revenue</b>                               |       | <b>2,395</b>                     | <b>2,471</b>                     |
| Property related expense                     | 16    | (15)                             | (12)                             |
| Employee related expense                     | 16    | (128)                            | (149)                            |
| Other operating expense                      | 16    | (60)                             | (84)                             |
| Depreciation and amortization                | 7, 16 | (1,038)                          | (1,004)                          |
| <b>Operating expense</b>                     |       | <b>(1,241)</b>                   | <b>(1,249)</b>                   |
| Other income (expense)                       | 17    | (42)                             | 126                              |
| <b>OPERATING PROFIT</b>                      |       | <b>1,112</b>                     | <b>1,348</b>                     |
| Interest income                              | 18    | 2                                | -                                |
| Interest expense                             | 18    | (265)                            | (158)                            |
| Exchange rate difference                     | 19    | (32)                             | 6                                |
| <b>Financial expense</b>                     |       | <b>(295)</b>                     | <b>(152)</b>                     |
| <b>PROFIT BEFORE TAX</b>                     |       | <b>817</b>                       | <b>1,196</b>                     |
| Income tax expense                           | 20    | (140)                            | (179)                            |
| <b>PROFIT FOR THE PERIOD</b>                 |       | <b>677</b>                       | <b>1,017</b>                     |
| Attributable to equity holders of the parent |       | 677                              | 1,017                            |
| Basic earnings per share (EUR)               | 21    | 0.07                             | 0.10                             |
| Diluted earnings per share (EUR)             | 21    | 0.07                             | 0.10                             |

**GRAPHISOFT PARK SE**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE QUARTER ENDED MARCH 31, 2017  
 (all amounts in thousands of euros unless otherwise stated)

|  | Notes | 3 months ended<br>March 31, 2016 | 3 months ended<br>March 31, 2017 |
|--|-------|----------------------------------|----------------------------------|
| <b>Profit for the period</b>                 |       | <b>677</b>                       | <b>1,017</b>                     |
| Translation difference*                      |       | (1)                              | -                                |
| <b>Other comprehensive income**</b>          |       | <b>(1)</b>                       | <b>-</b>                         |
| <b>COMPREHENSIVE INCOME</b>                  |       | <b>676</b>                       | <b>1,017</b>                     |
| Attributable to equity holders of the parent |       | 676                              | 1,017                            |

\* Translation difference of subsidiaries with functional currency other than euro.

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

**GRAPHISOFT PARK SE**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
 FOR THE QUARTER ENDED MARCH 31, 2017  
 (all amounts in thousands of euros unless otherwise stated)

|                          | Share<br>capital | Retained<br>earnings | Treasury<br>shares* | Accum.<br>translation<br>difference | Total<br>equity |
|--------------------------|------------------|----------------------|---------------------|-------------------------------------|-----------------|
| <b>December 31, 2015</b> | <u>250</u>       | <u>26,446</u>        | <u>(962)</u>        | <u>(2,933)</u>                      | <u>22,801</u>   |
| Profit for the period    | -                | 677                  | -                   | -                                   | 677             |
| Translation difference   | -                | -                    | -                   | (1)                                 | (1)             |
| <b>March 31, 2016</b>    | <u>250</u>       | <u>27,123</u>        | <u>(962)</u>        | <u>(2,934)</u>                      | <u>23,477</u>   |
| <b>December 31, 2016</b> | <u>250</u>       | <u>27,174</u>        | <u>(962)</u>        | <u>(2,933)</u>                      | <u>23,529</u>   |
| Profit for the period    | -                | 1,017                | -                   | -                                   | 1,017           |
| <b>March 31, 2017</b>    | <u>250</u>       | <u>28,191</u>        | <u>(962)</u>        | <u>(2,933)</u>                      | <u>24,546</u>   |

\* Treasury share details are disclosed in Note 22.

**GRAPHISOFT PARK SE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE QUARTER ENDED MARCH 31, 2017  
(all amounts in thousands of euros unless otherwise stated)

|  | <b>3 months ended</b> | <b>3 months ended</b> |
|--|-----------------------|-----------------------|
|  | <b>March 31, 2016</b> | <b>March 31, 2017</b> |
| <b>OPERATING ACTIVITIES</b>                              |                       |                       |
| Profit before tax  | 817                   | 1,196                 |
| Depreciation and amortization                            | 1,038                 | 1,004                 |
| Disposal of tangible assets                              | 123                   | -                     |
| Interest expense   | 265                   | 158                   |
| Interest income  | (2)                   | -                     |
| Unrealized foreign exchange (gains) / losses             | (22)                  | 1                     |
| Changes in working capital:                              |                       |                       |
| Increase in receivables and other current assets         | (758)                 | (2,097)               |
| Increase in payables and accruals                        | 408                   | 735                   |
| Corporate income tax paid                                | (113)                 | (128)                 |
| <b>Net cash from operating activities</b>                | <b>1,756</b>          | <b>869</b>            |
| <b>INVESTING ACTIVITIES</b>                              |                       |                       |
| Purchase of investment property                          | (1,707)               | (3,573)               |
| Purchase of other tangible assets and intangibles        | (33)                  | (2)                   |
| Interest paid - capitalized                              | (3)                   | (58)                  |
| Interest received  | 1                     | -                     |
| <b>Net cash used in investing activities</b>             | <b>(1,742)</b>        | <b>(3,633)</b>        |
| <b>FINANCING ACTIVITIES</b>                              |                       |                       |
| Proceeds from receipt of loans                           | 1,248                 | 4,936                 |
| Loan repayments  | (757)                 | (874)                 |
| Interest paid  | (274)                 | (166)                 |
| <b>Net cash from financing activities</b>                | <b>217</b>            | <b>3,896</b>          |
| Increase in cash and cash equivalents                    | 231                   | 1,132                 |
| Cash and cash equivalents at beginning of year           | 4,794                 | 2,621                 |
| Exchange rate gain / (loss) on cash and cash equivalents | (49)                  | 1                     |
| <b>Cash and cash equivalents at end of period</b>        | <b>4,976</b>          | <b>3,754</b>          |

**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
FOR THE QUARTER ENDED MARCH 31, 2017  
(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 24 on March 31, 2017.

**1.2. Properties**

The total area of Graphisoft Park is nearly 18 hectares. Over the past 18 years, 58,500 m<sup>2</sup> of office, laboratory and educational space have been developed and occupied by tenants, and further 14,500 m<sup>2</sup> office space is under construction. The remaining area provides the opportunity to develop an additional 54,000 m<sup>2</sup> of office space.

The real estate is categorized as follows:

| <b>Area</b>       | <b>Property</b>  |
|-------------------|--|
| Core area         | modern office park spreading over 8.5 hectares of land, comprising 48,500 m <sup>2</sup> completed office and laboratory space, and further 2,500 m <sup>2</sup> office space under construction |
| Monument area     | 2.4 hectares of land comprising 13,000 m <sup>2</sup> of total rentable net internal area of the monument buildings, out of which 7,000 m <sup>2</sup> has been renovated                        |
| Development areas | 6.8 hectares of development land, on which a 3,000 m <sup>2</sup> floor area dormitory has been constructed, and further 12,000 m <sup>2</sup> office space is under construction                |



**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
FOR THE QUARTER ENDED MARCH 31, 2017  
(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, 2016 |               | March 31, 2017    |               |
|---|-------------------|---------------|-------------------|---------------|
|   | Shares<br>(pcs)   | Share<br>(%)  | Shares<br>(pcs)   | Share<br>(%)  |
| <b>ORDINARY SHARES:</b>                           | <b>10,631,674</b> | <b>85.00</b>  | <b>10,631,674</b> | <b>85.00</b>  |
| <b>Directors and management</b>                   | <b>3,890,272</b>  | <b>31.11</b>  | <b>3,838,082</b>  | <b>30.69</b>  |
| Bojár Gábor - Chairman of the BoD                 | 3,185,125         | 25.47         | 3,185,125         | 25.47         |
| Dr. Kálmán János - Member of the BoD              | 13,500            | 0.11          | 13,500            | 0.11          |
| Szigeti András - Member of the BoD                | 126,000           | 1.01          | 126,000           | 1.01          |
| Hornung Péter - Member of the BoD                 | 466,190           | 3.73          | 414,000           | 3.31          |
| Kocsány János - Member of the BoD,<br>CEO         | 90,457            | 0.72          | 90,457            | 0.72          |
| Hajba Róbert - CFO                                | 9,000             | 0.07          | 9,000             | 0.07          |
| <b>Shareholders over 5% share</b>                 | <b>2,608,406</b>  | <b>20.86</b>  | <b>2,605,156</b>  | <b>20.83</b>  |
| Concorde Alapkezelő Zrt.                          | 1,602,963         | 12.82         | 1,599,713         | 12.79         |
| AEGON Magyarország Befektetési<br>Alapkezelő Zrt. | 1,005,443         | 8.04          | 1,005,443         | 8.04          |
| <b>Other shareholders</b>                         | <b>3,583,920</b>  | <b>28.64</b>  | <b>3,639,360</b>  | <b>29.09</b>  |
| <b>Treasury shares*</b>                           | <b>549,076</b>    | <b>4.39</b>   | <b>549,076</b>    | <b>4.39</b>   |
| <b>EMPLOYEE SHARES**:</b>                         | <b>1,876,167</b>  | <b>15.00</b>  | <b>1,876,167</b>  | <b>15.00</b>  |
| Kocsány János - Member of the BoD,<br>CEO         | 1,250,778         | 10.00         | 1,250,778         | 10.00         |
| Hajba Róbert - CFO                                | 625,389           | 5.00          | 625,389           | 5.00          |
| <b>SHARES TOTAL:</b>                              | <b>12,507,841</b> | <b>100.00</b> | <b>12,507,841</b> | <b>100.00</b> |

\* Treasury shares possessed by the Company do not pay dividend and bear no voting rights. For details, see Note 22.

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

**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
 FOR THE QUARTER ENDED MARCH 31, 2017  
 (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:

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

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

**2. Accounting policies**

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

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

Exchange rates used are as follows:

|                  | <b>3 months ended<br/>March 31, 2016</b> | <b>3 months ended<br/>March 31, 2017</b> |
|------------------|--|--|
| EUR/HUF opening: | 313.12                                   | 311.02                                   |
| EUR/HUF closing: | 314.16                                   | 308.70                                   |
| EUR/HUF average: | 312.02                                   | 309.11                                   |

**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
 FOR THE QUARTER ENDED MARCH 31, 2017  
 (all amounts in thousands of euros unless otherwise stated)

**3. Cash and cash equivalents**

|                      | December 31, 2016 | March 31, 2017 |
|----------------------|-------------------|----------------|
| Cash in hand         | 1                 | 2              |
| Cash at banks        | 2,620             | 3,752          |
| <b>Cash and bank</b> | <b>2,621</b>      | <b>3,754</b>   |

**4. Trade receivables**

|                              | December 31, 2016 | March 31, 2017 |
|------------------------------|-------------------|----------------|
| Trade receivables            | 1,083             | 2,294          |
| Provision for doubtful debts | -                 | -              |
| <b>Trade receivables</b>     | <b>1,083</b>      | <b>2,294</b>   |

Trade receivables are on 8-30 day payment terms.

**5. Current tax receivables and liabilities**

|  | December 31, 2016 | March 31, 2017 |
|--|-------------------|----------------|
| Current tax receivables                        | 271               | 333            |
| Current tax liabilities                        | (279)             | (484)          |
| <b>Current tax receivable (liability), net</b> | <b>(8)</b>        | <b>(151)</b>   |

**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
 FOR THE QUARTER ENDED MARCH 31, 2017  
 (all amounts in thousands of euros unless otherwise stated)

**6. Other current assets**

|                                    | December 31, 2016 | March 31, 2017 |
|------------------------------------|-------------------|----------------|
| Accrued income                     | 126               | 40             |
| Prepaid expense                    | 19                | 139            |
| Bank security accounts             | 1,406             | 1,575          |
| Construction fund manager accounts | 4,121             | 4,620          |
| Other receivables                  | 9                 | 161            |
| <b>Other current assets</b>        | <b>5,681</b>      | <b>6,535</b>   |

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

|   | December 31, 2016 | March 31, 2017 |
|---|-------------------|----------------|
| Investment property                         | 69,655            | 73,075         |
| Other tangible assets                       | 247               | 232            |
| <b>Tangible and intangible assets (net)</b> | <b>69,902</b>     | <b>73,307</b>  |

**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
FOR THE QUARTER ENDED MARCH 31, 2017  
(all amounts in thousands of euros unless otherwise stated)

The table shows movements of investment property during the period:

|                          | Land and<br>buildings | Construction<br>in progress | Investment<br>property |
|--------------------------|-----------------------|-----------------------------|------------------------|
| <b>Net value:</b>        |                       |                             |                        |
| <b>December 31, 2016</b> | 53,939                | 15,716                      | 69,655                 |
| <b>Gross value:</b>      |                       |                             |                        |
| December 31, 2016        | 92,789                | 15,716                      | 108,505                |
| Additions                | -                     | 4,405                       | 4,405                  |
| Capitalizations          | (12,105)              | 12,105                      | -                      |
| <b>March 31, 2017</b>    | 104,894               | 8,016                       | 112,910                |
| <b>Depreciation:</b>     |                       |                             |                        |
| December 31, 2016        | 38,850                | -                           | 38,850                 |
| Additions                | 985                   | -                           | 985                    |
| <b>March 31, 2017</b>    | 39,835                | -                           | 39,835                 |
| <b>Net value:</b>        |                       |                             |                        |
| <b>March 31, 2017</b>    | 65,059                | 8,016                       | 73,075                 |

Additions in construction in progress of 4,405 thousand EUR comprise the following:

- new developments in progress in the core area (2,248 thousand EUR),
- new developments in progress in the southern development area (2,133 thousand EUR), and
- other property developments and procurements (24 thousand EUR).

Capitalizations totaling 12,105 thousand EUR comprise the following:

- new development (Building S new wing) finalized in the core area (12,088 thousand EUR),
- other developments finalized (17 thousand EUR).

Construction in progress totaling 8,016 thousand EUR comprises the following:

- historical buildings to be renovated in the monument area and the northern development area (1,145 thousand EUR),
- new developments in progress in the core area (2,431 thousand EUR),
- new developments in progress in the southern development area (4,419 thousand EUR), and
- other developments in progress (21 thousand EUR).

The Company capitalized 58 thousand EUR interest expense on construction in progress in the first quarter of 2017.

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

**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
FOR THE QUARTER ENDED MARCH 31, 2017  
(all amounts in thousands of euros unless otherwise stated)

**8. Fair value of investment property**

The table below presents investment property fair value estimates:

|  | December 31, 2016 | March 31, 2017 |
|--|-------------------|----------------|
| Office park  | 127,230           | 144,191        |
| Office park - under construction                   | 52,784            | 59,120         |
| Campus   | 15,530            | 16,344         |
| <b>Buildings</b>                                   | <b>195,544</b>    | <b>219,655</b> |
| <b>Development areas</b>                           | <b>20,324</b>     | <b>30,590</b>  |
| <b>Fair value*</b>                                 | <b>215,868</b>    | <b>250,245</b> |
| Cost to completion of buildings under construction | (26,949)          | (22,569)       |
| <b>Fair value for financial reporting purposes</b> | <b>188,919</b>    | <b>227,676</b> |

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

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

Our current estimate for the fair value of investment property significantly exceeds, by nearly 21%, the one that was published in the latest Consolidated Financial Statements containing the estimates for property values by the end of 2016. The reasons for this as follows:

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

**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
FOR THE QUARTER ENDED MARCH 31, 2017  
(all amounts in thousands of euros unless otherwise stated)

**9. Investments**

|  | December 31, 2016 | March 31, 2017 |
|--|-------------------|----------------|
| AIT-Budapest Aquincum Institute of Technology Kft. | 100               | 100            |
| <b>Investments</b>                                 | <b>100</b>        | <b>100</b>     |

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

**10. Trade payables**

|                           | December 31, 2016 | March 31, 2017 |
|---------------------------|-------------------|----------------|
| Trade payables - domestic | 4,190             | 5,279          |
| <b>Trade payables</b>     | <b>4,190</b>      | <b>5,279</b>   |

**11. Other short-term liabilities**

|   | December 31, 2016 | March 31, 2017 |
|---|-------------------|----------------|
| Amounts due to employees                | 48                | 48             |
| Deposits from tenants                   | 612               | 597            |
| Initial fair value difference of loans* | 237               | 333            |
| Other payables and accruals             | 764               | 990            |
| <b>Other short-term liabilities</b>     | <b>1,661</b>      | <b>1,968</b>   |

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

**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
 FOR THE QUARTER ENDED MARCH 31, 2017  
 (all amounts in thousands of euros unless otherwise stated)

**12. Loans**

**12.1. Loan details**

|              | December 31, 2016 | March 31, 2017 |
|--------------|-------------------|----------------|
| Short-term   | 3,516             | 3,531          |
| Long-term    | 44,313            | 47,688         |
| <b>Loans</b> | <b>47,829</b>     | <b>51,219</b>  |

**Loans provided by Westdeutsche ImmobilienBank AG:**

|   | December 31, 2016 | March 31, 2017 |
|---|-------------------|----------------|
| Short-term                                    | 3,516             | 3,531          |
| Long-term                                     | 33,181            | 32,293         |
| <b>Loans / Westdeutsche ImmobilienBank AG</b> | <b>36,697</b>     | <b>35,824</b>  |

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

**Loans provided by Erste Bank Hungary Zrt.:**

|  | December 31, 2016 | March 31, 2017 |
|--|-------------------|----------------|
| Short-term                             | -                 | -              |
| Long-term                              | 9,379             | 11,516         |
| <b>Loans / Erste Bank Hungary Zrt.</b> | <b>9,379</b>      | <b>11,516</b>  |



**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
 FOR THE QUARTER ENDED MARCH 31, 2017  
 (all amounts in thousands of euros unless otherwise stated)

The Company executed a loan agreement with Erste Bank Hungary Zrt. on December 28, 2015 with 10 years maturity to finance the ongoing development in the core area. In accordance with the loan agreement and its modification on December 29, 2016 Erste Bank makes a 4 billion HUF credit facility available to Graphisoft Park within Pillar I of the second phase of the National Bank of Hungary's Funding for Growth Scheme and another 3 million EUR credit facility within Pillar II of the third phase of the Funding for Growth Scheme. Main collaterals provided for the bank are: mortgage on real estate (up to 33 million EUR), revenue assignment and bank account pledge.

The forint-based credit facility (4 billion HUF, 12.958 thousand EUR at the exchange rate of March 31, 2017) was drawn, and 290 thousand EUR was drawn from the euro-based credit facility until March 31, 2017, which is 11.516 thousand EUR at amortized initial fair value (see 12.2 for details below). Borrowing costs of the loans will be capitalized on construction in progress until the completion of the new developments.

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

**Loans provided by UniCredit Bank Hungary Zrt.:**

|  | <b>December 31, 2016</b> | <b>March 31, 2017</b> |
|--|--------------------------|-----------------------|
| Short-term                                 | -                        | -                     |
| Long-term                                  | 1,753                    | 3,879                 |
| <b>Loans / UniCredit Bank Hungary Zrt.</b> | <b>1,753</b>             | <b>3,879</b>          |

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

4.644 thousand EUR was drawn from the credit facility until March 31, 2017, which is 3.879 thousand euros at amortized initial fair value (see 12.2 for details below). Borrowing costs of the loan will be capitalized on construction in progress until the completion of the new developments in 2018.

**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
 FOR THE QUARTER ENDED MARCH 31, 2017  
 (all amounts in thousands of euros unless otherwise stated)

**12.2. Analyses**

**Fair value of the loans:**

|                                | December 31, 2016 | March 31, 2017 |
|--------------------------------|-------------------|----------------|
| Westdeutsche ImmobilienBank AG | 36,398            | 35,558         |
| Erste Bank Hungary Zrt.        | 9,379             | 11,516         |
| UniCredit Bank Hungary Zrt.    | 1,753             | 3,879          |
| <b>Loans at fair value*</b>    | <b>47,540</b>     | <b>50,953</b>  |

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

**Loans with preferential interest rate:**

As part of its monetary policy instruments, National Bank of Hungary (NBH) launched its Funding for Growth Scheme (FGS) in 2013. Under FGS, the central bank provides refinancing loans at a preferential fixed interest rate of 0% with a maximum maturity of 10 years to credit institutions which the credit institutions lend further to small and medium sized enterprises with a capped interest margin. The following table shows loan liability for the loans borrowed by the Group within FGS broken down by amortized initial fair value (market rate loan liability) and amortized initial fair value difference (interest rate grant) elements as of March 31, 2017:

|                             | Actual<br>loan liability | **Initial fair<br>value difference | *Initial fair<br>value |
|-----------------------------|--------------------------|------------------------------------|------------------------|
| Erste Bank Hungary Zrt.     | 13,248                   | 1,732                              | 11,516                 |
| UniCredit Bank Hungary Zrt. | 4,644                    | 765                                | 3,879                  |
| <b>Loans (FGS)</b>          | <b>17,892</b>            | <b>2,497</b>                       | <b>15,395</b>          |

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

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

**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
FOR THE QUARTER ENDED MARCH 31, 2017  
(all amounts in thousands of euros unless otherwise stated)

**13. Deferred taxes**

|                                    | December 31, 2016 | March 31, 2017 |
|------------------------------------|-------------------|----------------|
| Development reserve                | 757               | 814            |
| Depreciation                       | (20)              | (20)           |
| Loss carried forward               | (155)             | (131)          |
| <b>Deferred tax liability, net</b> | <b>582</b>        | <b>663</b>     |

**14. Other long-term liabilities**

|   | December 31, 2016 | March 31, 2017 |
|---|-------------------|----------------|
| Initial fair value difference of loans* | 1,588             | 2,164          |
| <b>Other long-term liabilities</b>      | <b>1,588</b>      | <b>2,164</b>   |

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

**15. Revenue**

|                 | 3 months ended<br>March 31, 2016 | 3 months ended<br>March 31, 2017 |
|-----------------|----------------------------------|----------------------------------|
| Property rental | 2,395                            | 2,471                            |
| <b>Revenue</b>  | <b>2,395</b>                     | <b>2,471</b>                     |

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 MARCH 31, 2017  
(all amounts in thousands of euros unless otherwise stated)

**16. Operating expense**

|                               | <b>3 months ended</b> | <b>3 months ended</b> |
|-------------------------------|-----------------------|-----------------------|
|                               | <b>March 31, 2016</b> | <b>March 31, 2017</b> |
| Property related expense      | 15                    | 12                    |
| Employee related expense      | 128                   | 149                   |
| Other operating expense       | 60                    | 84                    |
| Depreciation and amortization | 1,038                 | 1,004                 |
| <b>Operating expense</b>      | <b>1,241</b>          | <b>1,249</b>          |

Other operating expense consists of the following items:

|                                | <b>3 months ended</b> | <b>3 months ended</b> |
|--------------------------------|-----------------------|-----------------------|
|                                | <b>March 31, 2016</b> | <b>March 31, 2017</b> |
| Office and telecommunication   | 3                     | 3                     |
| Legal and administration       | 26                    | 44                    |
| Marketing                      | 9                     | 8                     |
| Other                          | 22                    | 29                    |
| <b>Other operating expense</b> | <b>60</b>             | <b>84</b>             |

**17. Other income (expense)**

|   | <b>3 months ended</b> | <b>3 months ended</b> |
|---|-----------------------|-----------------------|
|   | <b>March 31, 2016</b> | <b>March 31, 2017</b> |
| Income from recharged construction expenses | 71                    | 1,253                 |
| Recharged construction expenses             | (62)                  | (1,193)               |
| Income from recharged operation expenses    | 874                   | 943                   |
| Recharged operation expenses                | (807)                 | (877)                 |
| Disposal of tangible assets*                | (123)                 | -                     |
| Others                                      | 5                     | -                     |
| <b>Other income (expense)</b>               | <b>(42)</b>           | <b>126</b>            |

**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
 FOR THE QUARTER ENDED MARCH 31, 2017  
 (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. The demolition of Building K started in 2016 and accordingly net book value of this building (123 thousand euros) has been written off in the first quarter of 2016.

**18. Interest**

|                             | <b>3 months ended</b> | <b>3 months ended</b> |
|-----------------------------|-----------------------|-----------------------|
|                             | <b>March 31, 2016</b> | <b>March 31, 2017</b> |
| Interest received           | 2                     | -                     |
| <b>Interest income</b>      | <b>2</b>              | <b>-</b>              |
| Interest paid on loans      | (267)                 | (215)                 |
| Other interest paid         | (1)                   | (1)                   |
| Borrowing cost capitalized  | 3                     | 58                    |
| <b>Interest expense</b>     | <b>(265)</b>          | <b>(158)</b>          |
| <b>Net interest expense</b> | <b>(263)</b>          | <b>(158)</b>          |

**19. Exchange rate difference**

|   | <b>3 months ended</b> | <b>3 months ended</b> |
|---|-----------------------|-----------------------|
|   | <b>March 31, 2016</b> | <b>March 31, 2017</b> |
| Exchange rate gain realized                 | 7                     | 6                     |
| Exchange rate gain (loss) not realized      | (27)                  | (89)                  |
| Exchange rate gain not realized capitalized | (12)                  | 89                    |
| <b>Exchange rate gain (loss)</b>            | <b>(32)</b>           | <b>6</b>              |

**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
FOR THE QUARTER ENDED MARCH 31, 2017  
(all amounts in thousands of euros unless otherwise stated)

**20. Income taxes**

|                           | <b>3 months ended</b> | <b>3 months ended</b> |
|---------------------------|-----------------------|-----------------------|
|                           | <b>March 31, 2016</b> | <b>March 31, 2017</b> |
| Current income tax        | (85)                  | (98)                  |
| Deferred income tax       | (55)                  | (81)                  |
| <b>Income tax expense</b> | <b>(140)</b>          | <b>(179)</b>          |

Applicable tax rates are: income tax 9%, local business tax 2%.

**21. Earnings per share**

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

|   | <b>3 months ended</b> | <b>3 months ended</b> |
|---|-----------------------|-----------------------|
|   | <b>March 31, 2016</b> | <b>March 31, 2017</b> |
| Net profit attributable to equity holders of the parent | 677                   | 1,017                 |
| Weighted average number of ordinary shares outstanding  | 10,082,598            | 10,082,598            |
| <b>Basic earnings per share (EUR)</b>                   | <b>0.07</b>           | <b>0.10</b>           |
| Weighted average number of ordinary shares outstanding  | 10,082,598            | 10,082,598            |
| <b>Diluted earnings per share (EUR)</b>                 | <b>0.07</b>           | <b>0.10</b>           |

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 MARCH 31, 2017  
 (all amounts in thousands of euros unless otherwise stated)

**22. Treasury shares**

Graphisoft Park SE treasury share details are as follows:

|   | December 31, 2016 | March 31, 2017 |
|---|-------------------|----------------|
| Number of shares                            | 549,076           | 549,076        |
| Face value per share (EUR)                  | 0.02              | 0.02           |
| Total face value (EUR)                      | 10,982            | 10,982         |
| <b>Treasury shares (at historical cost)</b> | <b>962</b>        | <b>962</b>     |

**23. Net asset value**

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

|                                  | Note | Book value<br>March 31, 2017 | Fair value<br>March 31, 2017 | <i>Difference</i> |
|----------------------------------|------|------------------------------|------------------------------|-------------------|
| Investment property              | 7, 8 | 73,075                       | 227,676                      | 154,601           |
| Other tangible assets            | 7    | 232                          | 232                          | 0                 |
| Investments                      | 9    | 100                          | 100                          | 0                 |
| <b>Non-financial instruments</b> |      | <b>73,407</b>                | <b>228,008</b>               | <b>154,601</b>    |
| Cash and cash equivalents        | 3    | 3,754                        | 3,754                        | 0                 |
| Trade receivables                | 4    | 2,294                        | 2,294                        | 0                 |
| Other current assets             | 6    | 6,535                        | 6,535                        | 0                 |
| Current tax liability, net       | 5    | (151)                        | (151)                        | 0                 |
| Trade payables                   | 10   | (5,279)                      | (5,279)                      | 0                 |
| Other short-term liabilities     | 11   | (1,968)                      | (1,968)                      | 0                 |
| Loans                            | 12   | (51,219)                     | (50,953)                     | 266               |
| Deferred tax liability, net      | 13   | (663)                        | (663)                        | 0                 |
| Other long-term liabilities      | 14   | (2,164)                      | (2,164)                      | 0                 |
| <b>Financial instruments</b>     |      | <b>(48,861)</b>              | <b>(48,595)</b>              | <b>266</b>        |
| <b>Net asset value</b>           |      | <b>(24,546)</b>              | <b>179,413</b>               | <b>154,867</b>    |

**GRAPHISOFT PARK SE**  
**NOTES TO THE QUARTERLY REPORT**  
FOR THE QUARTER ENDED MARCH 31, 2017  
(all amounts in thousands of euros unless otherwise stated)

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

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



## **24. Commitments, contingencies**

### **Development for education purposes**

The Company 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.

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. Even though we have met and exceeded our duties, the Municipality refused our request to remove the pledge over property. We have challenged this in a petition and the lower court ruled in our favor, then the Debrecen Regional Court of Appeal, the appeal court responding to the Municipality's appeal against the previous ruling decided for Graphisoft Park again on March 30, 2017, ordering the removal of the pledge with immediate effect.

## **25. Approval of financial statements**

Following the recommendation of the Board of Directors, the Annual General Meeting on April 20, 2017 approved the 2016 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 79,669 thousand EUR and a profit for the year of 3,061 thousand EUR. Together with the approval of the consolidated financial statements for issue, the Annual General Meeting approved dividend distribution of 78 HUF per ordinary share, 786,443 thousand HUF in total (2,512 thousand EUR on the exchange rate of April 20, 2017), and 26 HUF per employee share, 48,780 thousand HUF in total (156 thousand EUR on the exchange rate of March 31, 2017).

## **26. 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.*