GRAPHISOFT PARK SE

Interim Management Report – First Quarter 2018

May 8, 2018

Dear shareholders,

Graphisoft Park SE was registered as a regulated real estate investment company (SZIT) effective as of January 1, 2018. In order to comply with the rules of this status, the IFRS consolidated balance sheet and statement of income will not be presented based on the historical cost of real estate less depreciation, but – unlike in our previous practice – based on the actual fair value, determined quarterly by an independent appraiser.

Due partly to the new buildings delivered and leased in 2017 and to the progress of the developments on the southern area and the signed letters of intent, the fair value of the Company's entire property portfolio were valued by the independent appraiser (ESTON International Zrt.) at 252 million euros in the 2018 Q1 report compared to the 243 million euros figure at the end of 2017 (property valuations for the comparative periods were also prepared by ESTON International Zrt.).

[thousands of EUR]

	December 31, 2016	December 31, 2017	March 31, 2018
Completed, delivered properties	145,133	186,660	188,680
Properties under development	24,810	23,900	31,290
Development lands	30,350	32,450	32,450
Estimated fair value of the entire property portfolio	200,293	243,010	252,420

At the end of the first quarter of 2018, in connection with developments in progress the increased loan liabilities net asset value at estimated fair value is 185 million euros , which is 3 million euros higher, than at the end of 2017 (182 million euros).

Under the SZIT status the dividend rules have also changed. Graphisoft Park SE's standalone financial statements will still remain the basis for calculating dividend (dividends will be 90% of the net profit), whose figures has been largely convergent to the consolidated net profit calculated with the previous method, thus it was suitable for estimating dividends. With the newly applicable SZIT rules, the consolidated net profit may be greatly diverging; therefore it will not be a suitable basis for estimating dividends in the future. With regards to this, we will publish the financial statements made following the previous practice (where real estate is presented at historical cost less depreciation) along with the SZIT compliant consolidated financial statements. We would also like to draw our Shareholders' attention that profits in Graphisoft Park SE's standalone financial statements are generated from the subsidiaries' dividends paid and the basis of such dividend is the subsidiaries' previous year's profit (the profit is calculated based on the Hungarian accounting rules; investment properties are stated on historical cost less depreciation instead of fair value). As a consequence "minimum dividend of 90%" according to the SZIT rules can be estimated based on the previous year's "pro forma" results. Profit after tax in the "pro forma" financial statements comprehensibly represents the group's financial performance and the Company's management intends to plan its dividend policy on this basis.

Our forecasts for the future will be made exclusively following the previous practice, partly for guiding the shareholders' dividend expectations and partly for avoiding making guesses about the future changes in real estate appraisals, which have a large impact on the results calculated under the new SZIT rules.

In the first quarter of 2018 our "pro forma" results developed as expected. We have reached a revenue figure surpassing the previous year by 400 thousand euros and while the operational expenses increased, EBIDTA rose by more than 150 thousand euros. Even though depreciation accounted in the current period rose because of the newly delivered buildings; the financial results remaining similar to the previous year and the new exemption from corporate income and local business tax (as a result of obtaining the SZIT status) together allowed that we have reached 1.2 million euros net profit, surpassing the figure of 2017 first quarter by 100 thousand euros.

Starting from 2018 Graphisoft Park Engineering & Management Kft,, established for this purpose, carries out the Company's real estate development, operations and administrative activities; therefore the real estate development related expenditures will be capitalized in the "pro forma" consolidated reports as well (similarly to the industry practice). With this, the accordingly updated forecast for 2018 and estimate for 2019 is presented below.

(million euros)	2017 actual	*2018 forecast*	*2019 estimate*
Rental revenue	10.62	*12.3*	*13.8*
Other income (net)	0.44	*0.6*	*0.4*
Operating expense	(1.55)	*(1.2)*	*(1.3)*
EBITDA	9.51	*11.7*	*12.9*
Depreciation	(4.60)	*(6.4)*	*(7.4)*
Operating profit	4.91	*5.3*	*5.4*
Net interest expense	(0.90)	*(1.2)*	*(1.1)*
Profit before tax	4.01	*4.1*	*4.3*
Income tax expense	(0.22)	*0.0*	*0.0*
Net profit	3.79	*4.1*	*4.3*

These results prove that we are right in our pursuit of the “micro-silicon-valley” concept articulated some 20 years ago: targeting a well-defined market - Hungarian and international technology companies pursuing innovation - and focusing real estate developments to cater to their needs. The key to success in their fields is attracting talent. We are aiming to contribute to this with quality and environmentally 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:

	„Pro forma" results		Results according to financial statements	
	3 months ended March 31, 2017	3 months ended March 31, 2018	3 months ended March 31, 2017	3 months ended March 31, 2018
Revenue	**2,471**	**2,863**	**2,471**	**2,863**
Operating expense*	(169)	(307)	(169)	(307)
Other income	126	27	126	27
EBITDA	**2,428**	**2,583**	**2,428**	**2,583**
Valuation gains from investment property**	-	-	10,974	1,163
Depreciation and amortization	(1,006)	(1,246)	(40)	(48)
Operating profit	**1,422**	**1,337**	**13,362**	**3,698**
Net interest expense	(158)	(163)	(158)	(163)
Other financial result	6	20	6	20
Profit before tax	**1,270**	**1,194**	**13,210**	**3,555**
Income tax (expense) / benefit	(179)	4	(179)	4
Profit for the period	**1,091**	**1,198**	**13,031**	**3,559**
Earnings per share (EUR)* **	**0.11**	**0.12**	**1.29**	**0.35**

Since the Company received the regulated real estate entity status, the Company changed its accounting policies. Effective from January 1, 2018 in relation to investment properties the Company changed from "Cost model" to "Fair value model". Financial highlights are presented both according to the financial statements and also according previously applied accounting policies ("pro forma" results). "Pro forma" results presented partly for guiding the shareholders' dividend expectations and partly due to the fact that changes in fair value of investment properties which might be outside of the Company's control, can have significant impact on the results.

* Operating expenses were adjusted in the comparative period with the capitalized real estate development direct costs; in addition one-off expenses relating to obtaining SZIT status increased further the operating expenses in the first quarter of 2018.

** Significant increase in fair value in the comparative period is due to the progress in real estate developments, the delivery of the new SAP wing and decrease in expected return (yield).

*** Treasury shares possessed by the Company and employee shares are excluded when the earnings per share value is determined (refer to Note 1.3 to the financial statements).

IFRS, consolidated, thousand EUR

Asset value:

	December 31, 2016	December 31, 2017	March 31, 2018
	modified	modified	
Investment property at book value*	**184,176**	**224,256**	**233,389**
Fair value difference on lands	15,041	17,138	17,138
Fair value of owner occupied property	1,076	1,616	1,893
Entire property portfolio at estimated fair value**	**200,293**	**243,010**	**252,420**
Net asset value at book value	**139,072**	**164,465**	**167,866**
Net asset value at estimated fair value**	**154,456**	**181,800**	**185,456**
Number of ordinary shares outstanding (thousands)	10,083	10,083	10,083
Net asset value at fair value per share (euro)***	**15.3**	**18.0**	**18.4**

* According to the accounting policies applied by the Company from January 1, 2018, in the balance sheet completed investment properties and investment properties under construction are stated at fair value, while development lands and owner occupied property are stated at cost. Development lands are presented under "Investment properties" and owner occupied properties under "(Owner occupied) Property, plant and equipment" in the balance sheet. Property valuations for all periods were prepared by ESTON International Zrt. The valuation method and key assumptions are disclosed in Note 2 (Accounting policy) and in Note 8 (Investment property) to the financial statements.

** Fair value of the entire property portfolio (including the fair value difference on lands and owner occupied investment property at fair value) prepared by the independent appraiser.

*** Treasury shares possessed by the Company and employee shares are excluded when the earnings per share value is determined (refer to Note 1.3 to the financial statements).

Net asset value at book value and net asset value at fair value (equity) are disclosed in Note 23 to the financial statements.

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 2018 ("pro forma" results and results according to the financial statements),
- Utilization, occupancy,
- Completed, delivered developments, development activities in progress and future development potential,
- Financing,
- Other key issues,
- Forecast for the years 2018 and 2019.

"Pro forma" results for the first quarter of 2018

Changes in the "pro forma" results for the first quarter of 2018 compared to the same period of 2017 occurred by the effects of the following main factors:

- **Revenue** (2018: 2,863 thousand euros; 2017: 2,471 thousand euros) rose by 392 thousand euros, or 16% compared to the previous period due to the rental revenues derived from the new developments handed over in 2017 (SAP new wing and Startup building) (see details in the „Completed, delivered developments" section).

- **Operating expense** (2018: 307 thousand euros; 2017: 169 thousand euros) grew by 138 thousand euros, or 82% compared to the previous period due to the increase in employee related and other expenses (the development programs required additional staff, and the ongoing organizational development projects required additional expenditures; in addition one-off expenses relating to obtaining SZIT status increased further the operating expenses in the first quarter of 2018). Property related expense remained at the level of last year.

- **Other income** (2018: 27 thousand euros; 2017: 126 thousand euros) net amount was 99 thousand euros, or 80% lower than the base last year. In the first quarter of 2017 tenant requested fit-out works in connection with the delivery of buildings increased the balance of other income.

- **Depreciation** (2018: 1,246 thousand euros; 2017: 1,006 thousand euros) increased by 240 thousand euros, or 24% compared to the previous year because depreciation amount (1) increased by 322 thousand euros or 32% due to the depreciation of the new developments (SAP new wing and Startup building), and (2) decreased by 82 thousand euros or 12% due to depreciation ending for older assets.

- **EBITDA** (2018: 2,583 thousand euros; 2016: 2,428 thousand euros) grew by 155 thousand euros, or 9%, while **operating profit** (2018: 1,337 thousand euros; 2017: 1,422 thousand euros) decreased by 85 thousand euros, or 6% compared to the previous year due to the factors mentioned above.

- **Net interest expense** (2018: 163 thousand euros; 2017: 158 thousand euros) remained at the same level due to the inverse relation of the following factors: (1) interest expense fell by 15 thousand euros as a result of lower loan interest rates and lower principal amounts of earlier loans, (2) interest on loans borrowed to finance the new developments (see details in the "Financing" section) increased interest expense by 20 thousand euros.

- **Other financial result** (2018: 20 thousand euros; 2017: 6 thousand euros) were 14 thousand euros higher to prior year.

- **Income tax (expense)/benefit** (2018: 4 thousand euros benefit; 2017: 179 thousand euros expense) decreased by 183 thousand euros compared to the base period due to the fact that in the current period the Company has regulated real estate investment company status and as such the Company is subject to corporate income tax and local business tax (see the "Other key issues" section in the management report).

- **Net profit** (2018: 1,198 thousand euros; 2017: 1,091 thousand euros) grew by 107 thousand euros that is 10% in 2018 compared to 2017 because of the factors explained in the previous points.

2018 first quarter results according to the financial statements

According to the new accounting policies applied from January 1, 2018, investment properties and investment properties under construction are fair valued in the financial statements. As a result, instead of accounting depreciation, current period change in fair value of investment properties and investment properties under construction are presented in the profit or loss.

2018 first quarter results according to the financial statements are 2,361 thousand euros higher than the “pro forma” results due to the following factors: unrecognized depreciation expense increased the results by 1,188 thousand euros and fair value gains increased the results by 1,163 thousand euros.
In the same period of 2017 results according to the financial statements are 11,940 thousand euros higher than the “pro forma” results: unrecognized depreciation expense increased the results by 966 thousand euros and fair value gains increased the results by 10,974 thousand euros. In the comparative period the significant fair value gain was caused by partly the progress in the new developments and the delivery of the new SAP wing, and partly decrease in expected return (yield).

Details of changes in fair values are disclosed in Note 2 (Accounting policy) and in Note 8 (Investment property) to the financial statements.

Utilization, occupancy

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

Period:	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1
Occupancy (%):	100%	99%	99%	99%	99%
Area (m^2):	58,500	58,500	61,000	61,000	61,000

Occupancy of Graphisoft Park’s rentable office, laboratory and educational space stood at an effective 100% from the beginning of 2016. Because of the significant remodeling and refurbishment works starting from the second quarter of 2017, and the temporary unavailability of the buildings being remodeled (see details under “Development activities in progress” below) the effectively 100% occupancy was 1% lower for the remainder of 2017.

With the completion of the new SAP wing in February 2017 within the first phase of developments on the core area, rentable office, laboratory and educational space grew by 5,500 m^2 to a total of 58,500 m^2. The new wing’s entire floor space was rented by SAP from March 2017. The completion of the startup building in the second phase of developments in July 2017 – where currently there is no free rentable area – increased the rentable office, laboratory and educational space by a further 2,500 m^2 to a total of 61,000 m^2. Until the completion of the developments on the southern area in 2018 (see details in the “Development activities in progress” 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.

Graphisoft Park’s tenant’s make longer commitments than the national average. The Park’s unique natural environment and its information technology focus (the “micro silicon-valley” concept) together provide the space in which globally acclaimed companies have settled as tenants – and expanded continuously over time – for more than 10 years now. Examples for these companies are Microsoft, SAP or Servier; and the Park’s naming tenant and founder, Graphisoft SE, which now operates wholly independently, It is important to highlight that smaller tenants are staying in the Park for more than 5 years on average and keep extending their leases after expiration even with rental fees considered premium in the Budapest office market. The table below presents the average time tenants have stayed in the park broken down by the size of the area rented as of March 31, 2018:

Rented area (m^2) from	to	Area distribution	Tenant number distribution	Average lease term (year)
<	500	13%	67%	6.3
500	1000	11%	15%	7.6
1000	1500	8%	6%	16.0
1500	5000	30%	9%	9.6
5000	<	38%	3%	14.7
	Total	100%	100%	11.4
		Further commitments from March 31, 2018 (average lease term):		5.4

The schedule above calculates with the starting date of current tenants' earliest lease agreements; in certain cases lease agreements concluded with the predecessor of Graphisoft Park Group.

Completed, delivered developments

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. During the development of the Park since 1997 altogether 55,000 m^2 office, laboratory and educational space and underground parking for 1,250 cars were constructed on 11 hectares until the end of 2014. New developments started in 2016 resulted in the construction of 8,000 m^2 new office space and underground parking for 300 cars in 2017 in two phases. Construction of a new wing of 5,500 m^2 directly adjacent to SAP's main building has been completed. In addition to this another building with 2,500 m^2 floor space optimized for the needs of smaller companies and start-ups has been completed. At the same time demolition of a few smaller office and warehouse buildings with less economical uses reduced rentable space by 2,000 m^2 in the office park, therefore the net expansion is 6,000 m^2 in 2017. With the completion of these two phases of the new developments, by August, 2017 Graphisoft Park has 61,000 m^2 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.

SAP new wing (Architect: Vikár és Lukács Építész Stúdió)

These two finished development phases - having a total cost of 18 million euros – resulted in about 8,000 m^2 new office space and a three level underground parking facility for 300 vehicles, and which also includes the necessary works for public utilities and landscaping.

Startup House (Architect: RADIUS B+S Stúdió)

Development activities in progress

With regards to the recent expansion needs articulated by the tenants in 2016 and to the occupancy levels in the Park near their effective cap, we have started the construction of a new string of office building blocks with 12,500 m^2 floor space and of an underground parking facility for around 450 cars on the part of the southern development area that is already prepared for construction. The buildings are expected to be delivered in the middle of 2018. Blocks A and B at a total of 7,900 m^2 of the four blocks new complex will be leased by SAP.

22 million euros occurred until the end of the first quarter of 2018 out of the planned total cost of this development phase. Due to the current capacity shortages in the building industry and growing prices, 5-10% cost increase is expected till the finalization of the development in the southern development area.

South Park (Architect: RADIUS B+S Stúdió)

In the summary of all the above, by the completion of the new developments in 2018, Graphisoft Park will have 73,000 m² office, laboratory and educational space as well as underground parking for around 2,000 cars available for its tenants.

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 amounted to 1.5 million euros in the first quarter of 2018, where the major part of these costs (occurred based on individual requests) are financed by the tenants.

Future development potential

After completing the development phases outlined above, other parts of the southern development area offer room for another 18,000 m² potential development, while the monument and northern development areas provide room for another 36,000 m² of potential office and educational space development. In the latter area no further preparatory work or development is allowed until the Capital City Gas Works (currently NKM Földgázszolgáltató Zrt.) completes its mandated rehabilitation duties in the area (see details below in the "Main risk factors associated with the areas" section).

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 "New development activities" section for details). In accordance with the loan agreement and its modification in December 2016 Erste Bank makes a 4 billion HUF (12.9 million EUR) credit facility available to Graphisoft Park within Pillar I of the second phase of the National Bank of Hungary's Funding for Growth Scheme and another 3 million EUR credit facility within Pillar II of the third phase of the Funding for Growth Scheme. In order to hedge exchange rate risk 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 the fixed 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 in progress" 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. The credit facility has fixed interest rate.

With regards to the extraordinary low interest rate environment, on November 30, 2017 we concluded a new euro-based, 10 years to maturity loan facility with Erste Bank Hungary Zrt., for the refinancing of the previous loan facility before its maturity, concluded with Westdeutsche ImmobilienBank AG (which was recently acquired by Aareal Bank AG) in 2007 with expiration in May 2019. The new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term from the second half of 2018; as a result the interest rate will be fixed for the full term of the loan. The new facility is worth 40 million EUR, whose bulk is to be used for the repayment of the entire debt to Aareal Bank AG, while the remaining smaller part will be used to finance the refurbishment of the older buildings of Graphisoft Park.

Other key issues

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

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

Regulated real estate investment companies (SZIT) are public companies limited by shares that fulfill the requirements of the governing law (Act 102 of 2011 on regulated real estate investment companies) and are therefore eligible for registration with the national tax authority as SZIT and are registered as such upon request from the company, which entitles them to certain tax benefits.

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

(a) the company's business activities are restricted to a number of real estate related activities (buying and selling/renting/operating of own real estate, management of real estate, facilities support activities, asset management),
(b) the company is not under voluntary or court ordered winding-up, termination or bankruptcy proceedings,
(c) pays dividend at least at the amount of 90% of its results, or if the company's liquid funds are less than that, then the company shall pay 90% of its liquid funds in dividends, unless a loan agreement concluded with a credit institution restricts such payments,
(d) the company owns no shares in other businesses other than in its own project companies (subsidiaries), in different regulated real estate investment companies (maximum 10% share ownership) and in companies organizing construction projects,

(e) the direct and combined voting rights of credit institutions and insurance companies are limited to 10% of all voting rights within the company,
(f) it has at least 5 billion HUF (consolidated) initial capital,
(g) it is publicly listed and issues only ordinary and employee shares,
(h) at least 25% of the total number of shares is owned by shareholders, of whom no individual shareholder owns – directly or indirectly – more than 5% of the total number of shares.

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

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

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

After fulfilling all the legal requirements, the Company has been registered as SZIT as of January 1, 2018.

Realization of the educational function

As we discussed in detail in previous reports in order to realize the full potential of Graphisoft Park's "science park" features with the purchase of land contract concluded with the Municipality of Budapest in 2008 we have undertook the duty to carry out the development for educational purpose by renovating the protected monument parts of the purchased property. The realization of the educational function was in part carried out by the founding of the Aquincum Institute of Technology (AIT-Budapest), owned by 10% by the Company; and through the International Business School's (IBS) relocation to Graphisoft Park. After the complete realization of the educational function the Company sold its stake in the Aquincum Institute of Technology in 2017.

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 business development advice from Gábor Bojár, founder of Graphisoft, Graphisoft Park and AIT-Budapest.

Recognition

In the first quarter of 2018 Graphisoft Park received two prestigious awards appreciating the results of prior year:

- On January 18, 2018, based on the survey of the Budapest Stock Exchange, Graphisoft Park received the "issuers' transparency mid-cap" special award for the year 2017.
- On February 8, 2018, on the "Office of the Year" event Graphisoft Park's Start-up Building handed over in 2017 won the "New Property Development of the Year" award.

Forecast for the years 2018 and 2019

Graphisoft Park SE was registered as a regulated real estate investment company (SZIT) effective January 1, 2018. In order to comply with the rules of this status, the IFRS consolidated balance sheet and statement of income will not be presented based on the historical cost of real estate less depreciation, but – unlike in our previous practice – based on the actual fair value, determined quarterly by an independent appraiser. Our forecasts for the future will be made exclusively following the previous practice, mainly for guiding the shareholders' dividend expectations. Under this method, calculated "pro forma" results will be close to Graphisoft Park SE's next year's standalone results, which is the basis for 90% minimum dividend under the SZIT rules (for details please refer to introduction part).

Starting from 2018 Graphisoft Park Engineering & Management Kft., established for this purpose, carries out the Company's real estate development, operations and administrative activities; therefore the real estate development related expenditures will be capitalized in the "pro forma" consolidated reports as well (similarly to the industry practice). With this, the accordingly updated forecast for 2018 together with estimate for 2019 is presented below.

(million euros)	2017 actual	*2018 forecast*	*2019 estimate*
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Other income (net)	0.44	*0.6*	*0.4*
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Depreciation	(4.60)	*(6.4)*	*(7.4)*
Operating profit	4.91	*5.3*	*5.4*
Net interest expense	(0.90)	*(1.2)*	*(1.1)*
Profit before tax	4.01	*4.1*	*4.3*
Income tax expense	(0.22)	*0.0*	*0.0*
Net profit	3.79	*4.1*	*4.3*

- In 2018 **revenue** is expected to rise by 1.7 million euros, or by 16% compared to 2017. This is partly due to the revenue effect (in the second half of 2018) of the expected hand-over of the developments in the southern area in mid-2018; and partly because of revenues relating to developments delivered in 2017 (new SAP wing, Startup building) will have a full year effect. In 2019 we expect that revenues will increase by additional 1.5 million euros or 12% compared to 2018, as developments in the southern area to be delivered in 2018 will have full year revenue effect in 2019.

- In 2018 among **other income** we count with a one-off engineering work (300 thousand euro), which will increase our income compared to 2017. We do not count with the repetition of this work in the upcoming years.

- **Cost of operation** is expected to decrease by 300 thousand euros in 2018 compared to 2017 due to capitalization of direct development costs. This will have a smaller increase (100 thousand euros) in 2019 due to costs relating to the larger office area.

- Due to all of the above **EBIDTA** is expected to rise by 2.2 million euros or 23% compared to 2017, while in 2019 additional 1.2 million euros or 10% increase is expected, achieving an EBIDTA amount of 12.9 million euros.

- As a result of new developments and refurbishments in progress we expect significant increase in **depreciation** (which will not affect the consolidated accounts according to the SZIT rules) both in 2018 and in 2019, In 2018 6.4 million euros (39% increase compared to 2017), in 2019 7.4 million euros (additional 16% increase compared to 2018) depreciation charge is expected.

- Due to the effect of the new borrowings drawn down (in order to finance new developments and also refinance our loan expiring in 2019), **net interest expense** is expected to be 1.2 million euros in 2018 (33% increase compared to 2017 including one-off costs); as a result of repayments in the meantime this will decrease by 100 thousand euros and will be about 1.1 million euros in 2019.

- As a result **net profit** (which is close to the expected profit which will be basis of the next year's 90% dividend rate) in 2018 is forecasted to be around 4.1 million euros (cca. 8% increase compared to 2017), and which is estimated to reach 4.3 million euros in 2019 (additional 5% increase).

Main risk factors associated with the areas

- Due to the prior gasification activity the northern development area is still contaminated. The rehabilitation of this area is the duty of the polluter Capital City Gas Works (currently NKM Földgázszolgáltató Zrt.). The completion deadlines communicated to us within the resolution dated February 22, 2018 of the competent government body, the Pest County Government Office indicate, that with the planned progress of the rehabilitation works the area could become suitable for development by 2022.

- 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.

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

It is our intention to maintain the price structure designed to match the high value services provided by Graphisoft Park in order to be able to preserve the level of service provided in the long run.

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

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

Statement of responsibility *- We declare that the attached Quarterly Report which have been prepared in accordance with the International Financial Reporting 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 subsidiaries included in the consolidation, and the Business Report gives a fair view of the position, development and performance of Graphisoft Park SE and its subsidiaries included in the consolidation, together with a description of the principal risks and uncertainties of its business.*

Budapest, May 8, 2018

Kocsány János

Bojár Gábor
Chairman of Board of Directors

Kocsány János
Chief Executive Officer

GRAPHISOFT PARK SE

QUARTERLY REPORT

for the quarter ended March 31, 2018

in accordance with International Financial Reporting Standards (IFRS)

(consolidated, unaudited)

Budapest, May 8, 2018

Kocsány János

Kocsány János

Chief Executive Officer

GRAPHISOFT PARK SE
QUARTERLY REPORT
MARCH 31, 2018

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GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET
MARCH 31, 2018
(all amounts in thousands of euros unless otherwise indicated)

	Notes	Dec. 31, 2016 modified	Dec. 31, 2017 modified	March 31, 2018
Cash and cash equivalents	3	2,621	4,239	7,283
Trade receivables	4	1,083	856	1,420
Current tax receivable	5	271	802	686
Other current assets	6	5,681	9,589	8,231
Current assets		**9,656**	**15,486**	**17,620**
Investment property	8	184,176	224,256	233,389
(Owner occupied) Property, Plant and Equipment	7	1,269	1,898	1,852
Intangible assets		-	2	2
Investments	9	100	-	-
Long-term financial assets	12	-	695	438
Deferred tax asset	13	11	-	9
Non-current assets		**185,556**	**226,851**	**235,690**
TOTAL ASSETS		**195,212**	**242,337**	**253,310**
Short-term loans	12	3,516	4,520	5,103
Trade payables	10	4,190	5,305	6,300
Current tax liability	5	279	274	130
Other short-term liabilities	11	1,661	3,490	3,705
Current liabilities		**9,646**	**13,589**	**15,239**
Long-term loans	12	44,313	59,952	65,476
Deferred tax liability	13	593	-	-
Other long-term liabilities	14	1,588	4,331	4,730
Non-current liabilities		**46,494**	**64,283**	**70,206**
TOTAL LIABILITIES		**56,140**	**77,872**	**85,444**
Share capital	1.3	250	250	250
Retained earnings		142,668	166,927	170,486
Treasury shares	22	(962)	(974)	(974)
Cash flow hedge reserve	12	-	665	507
Revaluation reserve of properties		49	531	531
Accumulated translation difference		(2,933)	(2,934)	(2,934)
Shareholders' equity		**139,072**	**164,465**	**167,866**
TOTAL LIABILITIES & EQUITY		**195,212**	**242,337**	**253,310**

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF INCOME
MARCH 31, 2018
(all amounts in thousands of euros unless otherwise indicated)

	Notes	3 months ended March 31, 2017 modified	3 months ended March 31, 2018
Property rental revenue	15	2,471	2,863
Revenue		**2,471**	**2,863**
Property related expense	16	(12)	(15)
Employee related expense	16	(73)	(154)
Other operating expense	16	(84)	(138)
Depreciation and amortization	7, 16	(40)	(48)
Operating expense		**(209)**	**(355)**
Valuation gains from investment property	8	10,974	1,163
Other income	17	126	27
OPERATING PROFIT		**13,362**	**3,698**
Interest expense	18	(158)	(163)
Other financial result	19	6	20
Financial result		**(152)**	**(143)**
PROFIT BEFORE TAX		**13,210**	**3,555**
Income tax (expense)/benefit	20	(179)	4
PROFIT FOR THE PERIOD		**13,031**	**3,559**
Attributable to equity holders of the parent		13,031	3,559
Basic earnings per share (EUR)	21	1.29	0.35
Diluted earnings per share (EUR)	21	1.29	0.35

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
MARCH 31, 2018
(all amounts in thousands of euros unless otherwise indicated)

	Notes	3 months ended March 31, 2017 modified	3 months ended March 31, 2018
Profit for the period		**13,031**	**3,559**
Revaluation reserve*		-	(158)
Other comprehensive income		**-**	**(158)**
COMPREHENSIVE INCOME		**13,031**	**3,401**
Attributable to equity holders of the parent		13,031	3,401

* Will be reclassified to profit or loss in subsequent periods.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
MARCH 31, 2018
(all amounts in thousands of euros unless otherwise indicated)

	Share capital	Retained earnings	*Treasury shares	**Cash flow hedge reserve**	***Revaluation reserve of properties	Accum, translation difference	Total equity
December 31, 2016 modified	**250**	**142,668**	**(962)**	**-**	**49**	**(2,933)**	**139,072**
Profit for the period	-	13,031	-	-	**-**	-	**13,031**
March 31, 2017 modified	**250**	**155,699**	**-**	**-**	**49**	**(2,933)**	**152,103**
December 31, 2017 modified	**250**	**166,927**	**(974)**	**665**	**531**	**(2,934)**	**164,465**
Profit for the period	**-**	3,658	-	(99)	-	-	3,559
Revaluation reserve	**-**	(99)	-	(59)	-	-	(158)
March 31, 2018	**250**	**170,486**	**(974)**	**507**	**531**	**(2,934)**	**167,866**

* Treasury share details are disclosed in Note 22.
** Cash flow hedge transaction details are disclosed in Note 12 (Loans).
*** Revaluation surplus on transfers from investment property to owner occupied property.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CASH FLOWS
MARCH 31, 2018
(all amounts in thousands of euros unless otherwise indicated)

	3 months ended March 31, 2018 modified	3 months ended March 31, 2018
OPERATING ACTIVITIES		
Income before tax	13,210	3,555
Fair value change of investment properties	(10,794)	(1,163)
Depreciation and amortization	40	48
Loss on sale of tangible assets	-	2
Interest expense	158	163
Unrealized foreign exchange losses / (gains)	1	(29)
Changes in working capital:		
(Increase) / decrease in receivables and other current assets	(2,097)	918
Increase in liabilities	735	658
Corporate income tax paid	(128)	(13)
Net cash from operating activities	**945**	**4,139**
INVESTING ACTIVITES		
Purchase of investment property	(3,649)	(7,429)
Purchase of other tangible assets and intangibles	(2)	(23)
Sale of tangible assets	-	19
Net cash used in investing activities	**(3,651)**	**(7,443)**
FINANCING ACTIVITIES		
Proceeds from receipt of loans	4,936	7,513
Loan repayments	(874)	(1,007)
Interest paid	(166)	(162)
Interest paid (capitalized)	(58)	(5)
Net cash from financing activities	**3,838**	**6,339**
Increase in cash and cash equivalents	1,132	7,513
Cash and cash equivalents at beginning of period	2,621	4,239
Exchange rate gain / (loss) on cash and cash equivalents	1	(1)
Cash and cash equivalents at end of period	**3,754**	**7,283**

(all amounts in thousands of euros unless otherwise indicated)

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 operates as a holding having five 100% owned subsidiaries.

The real estate development is performed by the owners of the properties, namely Graphisoft Park Kft., Graphisoft Park South I. Kft. and Graphisoft Park South II. Development Kft. Graphisoft Park Services Kft. is responsible for property operation tasks. On December 14, 2017 Graphisoft Park SE established Graphisoft Park Engineering & Management Kft., which entity is responsible for the Group's certain property management, engineering and administration activities from January 1, 2018.

Graphisoft Park SE and subsidiaries are incorporated under the laws of Hungary. Court registration number of Graphisoft Park SE is CG 01-20-000002. Registered address of the Group is H-1031 Budapest, Záhony utca 7., Hungary, Headcount was 26 on March 31, 2018.

1.2. Properties

The total area of Graphisoft Park is nearly 18 hectares. Over the past 20 years, 61,000 m^2 of office, laboratory and educational space have been developed and occupied by tenants, and further 12,500 m^2 office space is under construction. The remaining area provides the opportunity to develop an additional 54,000 m^2 of office space.

The real estate is categorized as follows:

Area	Property
Core area	modern office park spreading over 8,5 hectares of land, comprising 51,000 m^2 completed office and laboratory space
Monument area	2,4 hectares of land comprising 13,000 m^2 of total rentable net internal area of the monument buildings, out of which 7,000 m^2 has been renovated and handed over; as such additional 6,000 m^2 can be developed
Southern and Northern development areas	6,8 hectares of development land, on which a 3,000 m^2 floor area dormitory has been constructed, further 12,500 m^2 office space is under construction and will be handed over during 2018 and additional 48,000 m^2 rentable area together with underground parking and auxiliary facilities can be developed

(all amounts in thousands of euros unless otherwise indicated)

1.3. Stock information

Graphisoft Park SE’s share capital consists of 10,631,674 class “A” publicly traded, marketable, registered 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, currently in Premium category, from August 28, 2006. The share ownership structure is the following according to the Company’s shareholder records:

	December 31, 2017			March 31, 2018		
Shareholder	**Shares (pcs)**	**Share (%)**	**Voting right (%)**	**Shares (pcs)**	**Share (%)**	**Voting right (%)**
ORDINARY SHARES:	**10,631,674**	**100.00**	**88.97**	**10,631,674**	**100.00**	**88.97**
Directors and management	**3,829,082**	**36.02**	**33.79**	**3,829,082**	**36.02**	**33.79**
Bojár Gábor - Chairman of the BoD	3,185,125	29.96	28.10	3,185,125	29.96	28.10
Dr. Kálmán János - Member of the BoD	13,500	0.13	0.12	13,500	0.13	0.12
Szigeti András - Member of the BoD	126,000	1.19	1.11	126,000	1.19	1.11
Hornung Péter – Member of the BoD	414,000	3.89	3.65	414,000	3.89	3.65
Kocsány János - Member of the BoD, CEO	90,457	0.85	0.80	90,457	0.85	0.80
Shareholders over 5% share	**2,496,144**	**23.48**	**22.02**	**2,462,590**	**23.16**	**21.73**
HOLD Alapkezelő Zrt.	1,449,701	13.64	12.79	1,416,147	13.32	12.50
AEGON Magyarország Befektetési Alapkezelő Zrt.	1,046,443	9.84	9.23	1,046,443	9.84	9.23
Other shareholders	**3,757,372**	**35.34**	**33.16**	**3,790,926**	**35.66**	**33.45**
Treasury shares*	**549,076**	**5.16**	**-**	**549,076**	**5.16**	**-**
EMPLOYEE SHARES:**	**1,876,167**	**-**	**11.03**	**1,876,167**	**-**	**11.03**
Kocsány János - Member of the BoD, CEO	1,250,778	-	11.03	1,250,778	-	11.03
Employee treasury shares*	625,389	-	-	625,389	-	-
SHARES TOTAL:	**12,507,841**	**100.00**	**100.00**	**3,790,926**	**100.00**	**100.00**

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

** Class „B” employee shares are not marketable, connected to employment, may be withdrawn by the Board of Directors at any time, have no voting rights in decisions that require qualified majority and bear reduced rights to dividend at the proportion of one third of their face value. In the financial statements of the Company these payments are accounted as employee related expense instead of dividend. The Articles of Association and the Management Share Ownership Plan govern all other matters related to the employee shares.

(all amounts in thousands of euros unless otherwise indicated)

1.4. Governance

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

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

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

2. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year (see in Notes to the Consolidated Financial Statements of 2017), with the following differences:

a) Accounting policy change in relation to investment properties

Since the Company received the regulated real estate entity status effective from January 1, 2018, the Company changed its accounting policies in relation to investment properties (as required by the regulation). Under the standard IAS 40 “Investment Property” the Company changed from “Cost model” to “Fair value model” from January 1, 2018. The new accounting policy applied is as follows:

<u>Investment property</u>

Investment property comprises completed property, development lands and property under construction or re-development that is held to earn rentals or for capital appreciation or both. Property held under lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services, borrowing costs and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise, including the corresponding tax effect (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an owner occupied property becomes an investment property, any difference at that date between the carrying amount and the fair value of that property will be recorded in the “revaluation reserve of properties” within the equity, if the fair value is higher than the carrying amount; and in the profit or loss if the fair value is lower than the carrying amount.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss in the period of de-recognition.

Critical accounting estimates and judgements: Fair value of investment property

The fair value of investment property is determined by real estate valuation experts using recognized valuation techniques and principles of IFRS 13 “Fair Value Measurement”.

Investment property under construction is measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. In such case investment property is recorded at cost.

With regards to the investment property, the fair value measurement’s IFRS 13 hierarchy level, based on the valuations is level 3.

Effect of the accounting policy change to the prior periods

As required by the standard IAS 8 “Accounting policies, changes in accounting estimates and errors” the new accounting policy regarding investment properties was applied retrospectively. Opening balances were adjusted to the earliest period presented as if the new accounting policy had always been applied. The principal effects of the accounting policy change to opening balances are as follow:

- In the December 31, 2016 balance sheet the balance of investment properties increased by 114,521 thousand euros and the balance of property, plant and equipment increased by 1,022 thousand euros, 115,494 thousand euros were credited into the retained earnings and 49 thousand euros were credited into the revaluation reserve of properties within equity.

- As of March 31, 2017 the balance of investment properties increased by 126,556 thousand euros and the balance of property, plant and equipment increased by 1,001 thousand euros. 12,014 thousand euros were credited into the current period profit or loss, while 127,508 thousand euros were credited into the retained earnings and 49 thousand euros were credited into the revaluation reserve of properties within equity.

- As of December 31, 2017 the balance of investment properties increased by 136,839 thousand euros and the balance of property, plant and equipment increased by 1,586 thousand euros. 22,400 thousand euros were credited into the current period profit or loss, while 137,894 thousand euros were credited into the retained earnings and 531 thousand euros were credited into the revaluation reserve of properties within equity.

- The accounting policy change had no material effect on the net balance of operating, investing or financing cash flows.

- Basic (and diluted) earnings per share increased from 0.10 euro to 1.29 euro as of March 31, 2017.

b) Seasonality of business

The Company’s business activities are not seasonal; 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.

(all amounts in thousands of euros unless otherwise indicated)

c) Exchange rates used

Exchange rates used are as follows:

	3 months ended March 31, 2017	**12 months ended March, 31, 2018**
EUR/HUF opening:	311.02	310.14
EUR/HUF closing:	308.70	312.55
EUR/HUF average:	309.11	311.03

(all amounts in thousands of euros unless otherwise indicated)

3. Cash and cash equivalents

	December 31, 2016	December 31, 2017	March 31, 2018
Cash in hand	1	2	1
Cash at banks	2,620	4,237	7,282
Cash and bank	**2,621**	**4,239**	**7,283**

4. Trade receivables

	December 31, 2016	December 31, 2017	March 31, 2018
Trade receivables	1,083	856	1,420
Provision for doubtful debts	-	-	-
Trade receivables	**1,083**	**856**	**1,420**

Trade receivables are on 8-30 day payment terms.

5. Current tax receivables and liabilities

	December 31, 2016	December 31, 2017	March 31, 2018
Current tax receivables	271	802	686
Current tax liabilities	(279)	(274)	(130)
Current tax (liability) / receivable, net	**(8)**	**528**	**556**

(all amounts in thousands of euros unless otherwise indicated)

6. Other current assets

	December 31, 2016	December 31, 2017	March 31, 2018
Accrued income	126	189	46
Prepaid expense	19	120	355
Bank security accounts	1,406	1,724	2,118
Construction fund manager accounts	4,121	7,403	5,104
Other receivables	9	153	608
Other current assets	**5,681**	**9,589**	**8,231**

7. (Owner occupied) Property, Plant and Equipment

	Property	Plant and Equipment	**(Owner occupied) Property, Plant and Equipment**
Net value:			
December 31, 2016 modified	1,022	247	**1,269**
Gross value:			
December 31, 2016	1,105	791	**1,896**
Addition	-	161	**161**
Sale	-	(54)	**(54)**
Reclassification from investment property	1,635	-	**1,635**
Reclassification to investment property	(1,105)	-	**(1,105)**
December 31, 2017	1,635	898	**2,533**
Depreciation:			
December 31, 2016	83	544	**627**
Addition	101	78	**179**
Sale	-	(36)	**(36)**
Reclassification to investment property	(135)	-	**(135)**
December 31, 2017	49	586	**635**
Net value:			
December 31, 2017 modified	1,586	312	**1,898**

(all amounts in thousands of euros unless otherwise indicated)

Gross value:			
December 31, 2017	1,635	755	**2,390**
Addition	21	2	**23**
Sale	-	(22)	**(22)**
March 31, 2018	1,656	735	**2,391**
Depreciation:			
December 31, 2017	49	443	**492**
Addition	30	18	**48**
Sale	-	(1)	**(1)**
March 31, 2018	79	460	**539**
Net value:			
March 31, 2018	1,577	275	**1,852**

8. Investment property

	Development Land	Investment property under construction	Completed investment property	**Investment property**
Book value:				
December 31, 2016 modified	15,309	24,810	144,057	**184,176**
Addition	3	18,857	3,732	**22,592**
Reclassification	-	(8,580)	8,580	**-**
Reclassification to property, plant and equipment	-	-	(1,635)	**(1,635)**
Reclassification from property, plant and equipment	-	-	1,452	**1,452**
Change in fair value	-	(11,187)	28,858	**17,671**
December 31, 2017 modified	15,312	23,900	185,044	**224,256**
Addition	-	6,326	1,644	**7,970**
Change in fair value	-	1,064	99	**(537)**
March 31, 2018	15,312	31,290	186,787	**233,389**

(all amounts in thousands of euros unless otherwise indicated)

In the first quarter of 2018 additions in construction in progress of 7,970 thousand EUR comprise the following:

- refurbishment of buildings in progress in the core area started in 2017 (1,492 thousand EUR),
- new developments in progress in the southern development area (6,326 thousand EUR) and
- other developments in progress (152 thousand EUR).

The independent valuation was prepared by ESTON International Zrt. with the Income approach applied for all periods presented. Properties with occupancy permits were valued based on the Discounted Cash Flow method, while properties under construction were valued based on the Residual Value method. Present value of cash flows from rental fees was calculated with a market based discount factor reflecting the expected return from investors and creditors (cost of capital).

According to IAS 40 development lands are presented on cost.

The key assumptions applied by the independent appraiser for the periods presented were the followings:

		December 31, 2016	December 31, 2017	March 31, 2018
Rental area	• office area	43,000 m^2	5,,000 m^2	51,000 m^2
	• education area	7,000 m^2	7,000 m^2	7,000 m^2
	• Dormitory	3,000 m^2 / 85 persons	3,000 m^2 / 85 persons	3,000 m^2 / 85 persons
Buildings under construction	• office area	20,000 m^2	12,000 m^2	12,000 m^2
Development lands		54,000 m^2	54,000 m^2	54,000 m^2
Occupancy		95%	95%	95%
Growth factor		1%	1%	1%
Discount factor		6.55%	6.00%	5.94%

9. Investments

	December 31, 2016	December 31, 2017	March 31, 2018
AIT-Budapest Aquincum Institute of Technology Kft,	100	-	-
Investments	**100**	**-**	**-**

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

(all amounts in thousands of euros unless otherwise indicated)

10. Trade payables

	December 31, 2016	December 31, 2017	March 31, 2018
Trade payables - domestic	4,190	5,305	6,300
Trade payables	**4,190**	**5,305**	**6,300**

11. Other short-term liabilities

	December 31, 2016	December 31, 2017	March 31, 2018
Amounts due to employees	48	34	54
Deposits from tenants	612	604	619
Fair value difference of loans*	237	286	334
Advances received from suppliers	-	614	305
Financial liabilities**	-	234	151
Other payables and accruals	764	1,718	2,242
Other short-term liabilities	**1,661**	**3,490**	**3,705**

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

** Fair value difference of the IRS connected to Loan number 2. provided by Erste Bank Zrt. The valuation was prepared by Erste Bank Zrt.

(all amounts in thousands of euros unless otherwise indicated)

12. Loans

12.1. Loan details

	December 31, 2016	December 31, 2017	March 31, 2018
Short-term	3,516	4,520	5,104
Long-term	44,313	59,952	65,475
Loans	**47,829**	**64,472**	**70,579**

Loans provided by Aareal Bank AG (legal successor of Westdeutsche ImmobilienBank AG):

	December 31, 2016	December 31, 2017	March 31, 2018
Short-term	3,516	3,575	3,590
Long-term	33,181	29,606	28,703
Loans / Aareal Bank AG	**36,697**	**33,181**	**32,293**

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

Loans provided by Erste Bank Hungary Zrt.:
Loan number 1. (Erste)

	December 31, 2016	December 31, 2017	March 31, 2018
Short-term	-	688	885
Long-term	9,379	13,349	13,088
Loan 1 / Erste Bank Hungary Zrt.	**9,379**	**14,037**	**13,973**

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

(all amounts in thousands of euros unless otherwise indicated)

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, revenue assignment and bank account pledge.

Both the forint based facility (4 billion HUF equals to 12,798 thousand EUR on exchange rate of March 31, 2018) and the euro based facility (3 million EUR) has been drawn down till March 31, 2018; the fair value of the loans (calculated using market interest rates) is 14,973 thousand EUR (see details under point 12.2 below).

In order to manage exchange 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 took place at the commencement of the cash flow hedge transaction (on December29, 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.

On December 29, 2017, at the commencement of the cash flow hedge transaction, the related forward exchange rate agreement has been closed down. As of March 31, 2018 fair value of the cash flow hedge transaction is presented among long-term financial assets in amount of 438 thousand EUR; unrealized gains related to the transaction are presented within the equity (Cash flow hedge reserve) in amount of 507 thousand EUR.

Loan number 2. (Erste)

	December 31, 2016	December 31, 2017	March 31, 2018
Short-term	-	257	324
Long-term	-	1,743	5,676
Loan 2 / Erste Bank Hungary Zrt.	**-**	**2,000**	**6,000**

On November 30, 2017, based on the decision of the Board of Directors, the Company concluded a new euro-based, 10 years to maturity loan facility with Erste Bank Hungary Zrt., for the refinancing of the previous loan facility before its maturity, concluded with Aareal Bank AG in 2007 with expiration in May 2019. The new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term from the second half of 2018, thus the interest rate is fixed for the entire term from that time – unlike the facility to be redeemed with partly variable interest rates.

The new facility is worth 40 million EUR, whose bulk is to be used for the repayment of the entire debt to Aareal Bank AG, while the remaining smaller part will be used to finance the refurbishment of the older buildings of Graphisoft Park, 6,000 thousand EUR free usage facility was drawn till March 31, 2018.

Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

(all amounts in thousands of euros unless otherwise indicated)

Loan provided by UniCredit Bank Hungary Zrt.:

	December 31, 2016	December 31, 2017	March 31, 2018
Short-term	-	-	305
Long-term	1,753	15,254	18,008
Loans / UniCredit Bank Hungary Zrt.	**1,753**	**15,254**	**18,313**

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. Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

21,424 thousand EUR was drawn from the credit facility until March 31, 2018, whose fair value was 18,313 thousand EUR (calculated using market interest rates) (see details under point 12.2 below).

(all amounts in thousands of euros unless otherwise indicated)

12.2. Analyses

Fair value of the loans:

	December 31, 2016	December 31, 2017	March 31, 2018
Aareal Bank AG	36,398	33,014	32,157
Erste Bank Hungary Zrt. Loan nr. 1.	9,379	14,037	13,973
Erste Bank Hungary Zrt. Loan nr. 2.	-	2,000	6,000
UniCredit Bank Hungary Zrt.	1,753	15,254	18,313
Loans at fair value*	**47,540**	**64,305**	**70,443**

* 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, 2018:

	Actual loan liability	**Fair value difference	*Fair value
Erste Bank Hungary Zrt.	15,750	1,777	13,973
UniCredit Bank Hungary Zrt.	21,424	3,111	18,313
Loans (FGS)	**37,174**	**4,888**	**32,286**

* 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.

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

(all amounts in thousands of euros unless otherwise indicated)

13. Deferred taxes

	December 31, 2016	December 31, 2017	March 31, 2018
Development reserve	757	-	-
Depreciation	(20)	-	-
Loss carried forward	(155)	-	(9)
Deferred tax liability / (asset)	**582**	**-**	**(9)**

Effective from July 31, 2017 the Company became regulated real estate investment pre-company (see the "Other key issues" section in the management report) and as such the Company was subject to corporate income tax and local business tax only till that date. As a result deferred tax assets and liabilities were released in 2017.

On December 14, 2017 Graphisoft Park Engineering & Management Kft, was established. Based on the business activity, this company does not operate under the "SZIT" regulation and therefore is subject to corporate income tax and local business tax. Deferred tax asset of March 31, 2018 relates to this entity,

14. Other long-term liabilities

	December 31, 2016	December 31, 2017	March 31, 2018
Fair value difference of loans*	1,588	4,231	4,554
Warranty retention	-	100	176
Other long-term liabilities	**1,588**	**4,331**	**4,730**

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

(all amounts in thousands of euros unless otherwise indicated)

15. Revenue

	March 31, 2017	March 31, 2018
Property rental	2,471	2,863
Revenue	**2,471**	**2,863**

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

16. Operating expense

	March 31, 2017 modified	March 31, 2018
Property related expense	12	15
Employee related expense	73	154
Other operating expense	84	138
Depreciation and amortization	40	48
Operating expense	**209**	**355**

Other operating expense consists of the following items:

	March 31, 2017	March 31, 2018
Office and telecommunication	3	4
Legal and administration	44	95
Marketing	8	-
Other	29	39
Other operating expense	**84**	**138**

(all amounts in thousands of euros unless otherwise indicated)

17. Other income (expense)

	March 31, 2017	March 31, 2018
Income from recharged construction expenses	1,253	1,307
Recharged construction expenses	(1,193)	(1,307)
Income from recharged operation expenses	943	1,065
Recharged operation expenses	(877)	(1,035)
Others	-	(3)
Other income	**126**	**27**

18. Interest

	March 31, 2017	March 31, 2018
Interest expense on loans	(157)	(162)
Other interest expense	(1)	(1)
Interest expense	**(158)**	**(163)**

19. Other financial result

	March 31, 2017	March 31, 2018
Exchange rate gain (loss) realized	6	(89)
Exchange rate gain not realized	-	29
Change in far value on derivative transaction*	-	80
Other financial result	**6**	**20**

* Change in fair value on IRS agreement relating to the loan Nr. 2. provided by Erste Bank Hungary Zrt. as of March 31, 2018.

(all amounts in thousands of euros unless otherwise indicated)

20. Income taxes

	March 31, 2017	March 31, 2018
Current income tax	(98)	(5)
Deferred income tax	(81)	9
Income tax (expense) / benefit	**(179)**	**4**

Applicable tax rates are: corporate income tax at 9% and local business at tax 2% both in 2017 and 2018. Details are disclosed in Note 13.

21. Earnings per share

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

	March 31, 2017 modified	March 31, 2018
Net profit attributable to equity holders	13,031	3,559
Weighted average number of ordinary shares	10,082,598	10,082,598
Basic earnings per share (EUR)	**1.29**	**0.35**
Weighted average number of ordinary shares	10,082,598	10,082,598
Diluted earnings per share (EUR)	**1.29**	**0.35**

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

Share ownerships details are disclosed in Note 1.3.

(all amounts in thousands of euros unless otherwise indicated)

22. Treasury shares

Graphisoft Park SE treasury share details are as follows:

	December 31, 2016	December 31, 2017	March 31, 2018
Number of ordinary shares	549,076	549,076	549,076
Number of employee shares	-	625,389	625,389
Face value per share (EUR)	0.02	0.02	0.02
Total face value (EUR)	10,982	23,489	23,489
Total value of treasury shares (at historical cost)	962	974	974

23. Net asset value

Book value and fair value of assets and liabilities as of March 31, 2018:

	Note	Book value March 31, 2018	Fair value March 31, 2018	*Difference*
Investment property and other tangible assets*	7,8	235,241	252,695	*17,454*
Intangible assets		2	2	-
Current and deferred tax assets, net	5, 13	565	565	-
Non-financial instruments		**235,808**	**253,262**	***17,454***
Cash and cash equivalents	3	7,283	7,283	-
Trade receivables	4	1,420	1,420	-
Other current assets	6	8,231	8,231	-
Other long-term financial assets		438	438	-
Trade payables	10	(6,300)	(6,300)	-
Other short-term liabilities	11	(3,705)	(3,705)	-
Loans	12	(70,579)	(70,443)	*136*
Other long-term liabilities	14	(4,730)	(4,730)	-
Financial instruments		**(67,942)**	**(67,806)**	***136***
Net asset value		**167,866**	**185,456**	***17,590***

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 252,420 thousand euros as of March 31, 2018.

(all amounts in thousands of euros unless otherwise indicated)

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

	Note	Book value Dec, 31, 2017 modified	Fair value Dec, 31, 2017 modified	*Difference*
Investment property and other tangible assets*	7,8	226,154	243,322	*17,168*
Intangible assets		2	2	-
Current and deferred tax assets, net	5, 13	528	528	-
Non-financial instruments		**226,684**	**243,852**	***17,168***
Cash and cash equivalents	3	4,239	4,239	-
Trade receivables	4	856	856	-
Other current assets	6	9,589	9,589	-
Other long-term financial assets		695	695	-
Trade payables	10	(5,305)	(5,305)	-
Other short-term liabilities	11	(3,490)	(3,490)	-
Loans	12	(64,472)	(64,305)	*167*
Other long-term liabilities	14	(4,331)	(4,331)	-
Financial instruments		**(62,219)**	**(62,052)**	***167***
Net asset value modified		**164,465**	**181,800**	***17,335***

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 243,010 thousand euros as of December 31, 2017.

(all amounts in thousands of euros unless otherwise indicated)

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

	Note	Book value Dec, 31, 2016 modified	Fair value Dec, 31, 2016 modified	*Difference*
Investment property and other tangible assets*	7,8	185,445	200,540	*15,095*
Investments	9	100	100	-
Current and deferred tax liabilities, net	5, 13	(590)	(590)	-
Non-financial instruments		**184,955**	**200,950**	***15,095***
Cash and cash equivalents	3	2,621	2,621	-
Trade receivables	4	1,083	1,083	-
Other current assets	6	5,681	5,681	-
Trade payables	10	(4,190)	(4,190)	-
Other short-term liabilities	11	(1,661)	(1,661)	-
Loans	12	(47,829)	(47,540)	*289*
Other long-term liabilities	14	(1,588)	(1,588)	-
Financial instruments		**(45,883)**	**(45,594)**	***289***
Net asset value modified		**139,072**	**154,456**	***15,384***

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 200,293 thousand euros as of December 31, 2016.

24. Commitments, contingencies

Realization of the educational function

As we discussed in detail in previous reports in order to realize the full potential of Graphisoft Park’s “science park” features with the purchase of land contract concluded with the Municipality of Budapest in 2008 we have undertook the duty to carry out the development for educational purpose by renovating the protected monument parts of the purchased property. The realization of the educational function was in part carried out by the founding of the AIT-Budapest Aquincum Institute of Technology, owned by 10% by the Company; and through the International Business School’s (IBS) relocation to Graphisoft Park. After the complete realization of the educational function the Company sold its stake in the AIT-Budapest Aquincum Institute of Technology.

25. Events after the balance sheet date

Effective from April 20, 2018, Ormosy Gábor, the Company's CFO by common assent will not be in this position.

26. Approval of financial statements, dividend

Following the recommendation of the Board of Directors, the Annual General Meeting on April 26, 2018 approved the 2017 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 103,912 thousand EUR and a profit for the year of 4,371 thousand EUR. Together with the approval of the consolidated financial statements for issue, the Annual General Meeting approved dividend distribution of 93 HUF per ordinary share, 937,682 thousand HUF in total (2,993 thousand EUR on the exchange rate of April 26, 2018), and 31 HUF per employee share, 38,774 thousand HUF in total (124 thousand EUR on the exchange rate of April 26, 2018). The starting date for dividend payments will be May 14, 2018. The Company will pay out the dividends to the shareholders identified by shareholder's registration as of May 7, 2018.

27. Declaration

Statement of responsibility *- We declare that the Quarterly Report which has been prepared in accordance with International Financial Reporting 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 subsidiaries included in the consolidation, and the Business Report gives a fair view of the position, development and performance of Graphisoft Park SE and its subsidiaries included in the consolidation, together with a description of the principal risks and uncertainties of its business.*