GRAPHISOFT PARK SE ANNUAL REPORT 2019

Dear Shareholders,

In 2019, due to the full year revenue generation of buildings delivered in prior year and increasing occupancy rate, the Company's Pro forma profit is **4.94 million euros**, surpassing the forecasted one nearly by 140 thousand euros.

In these Financial Statements we update our earlier published profit forecast for 2020 due to the debt service relating to the new borrowing. As such, we modify our earlier published 5.1 million euros Pro forma profit forecast, which was calculated without the new borrowing, to **4.6 million euros** for 2020, while we expect **4.8 million euros** profit for 2021 (see details below). According to the current expectation of the Company, dividend payment of 90% of the Pro forma profit, calculated based on our former practice, can be maintained.

Property portfolio and fair value of net assets

The fair value of the Company's entire property portfolio was valued by the independent appraiser (ESTON International Zrt.) at **265 million euros** in the end of the third quarter of 2019.

[thousands of EUR]

	June 30, 2019	Sept 30, 2019	Dec 31, 2019
Completed, delivered properties	239,720	240,150	241,310
Development lands	24,320	23,630	23,630
Estimated fair value of the entire property portfolio	**264,040**	**263,780**	**264,940**
Net asset value at estimated fair value	**189,490**	**190,923**	**195,295**
Net asset value at fair value per share (EUR)	18.8	18.9	19.4

The fair value of the completed, delivered properties increased by 1.1 million euros compared to the previous quarter, mainly due to the permanently high occupancy rate (97%) and the renewal of recently expiring lease contracts. Value of development lands decreased by 0.7 million euros in the third quarter compared to the second quarter due to the fact, that the starting and end dates of the remediation on the former gas factory area are delayed further compared to the original date (see below under section "Legal proceedings").

In comparison to 2019 Q3, the increase of the investment property fair value, the loan installments and the increasing cash balance resulted that the fair value of net assets is **195 million euros**, surpassing the net asset fair value of previous quarter by more than 4 million euros.

Pro forma results and forecast

Our 2019 “pro forma” results developed more favorable than expected: we have reached a rental revenue figure of 14.25 million euros surpassing the same period of previous year by 1.8 million euros, while EBIDTA rose by 1.5 million euros. Due to the delivery of new buildings depreciation charge increased significantly by 1.2 million euros. The 2019 net profit amounts to 4.94 million euros, which is 0.5 million euros higher than the net profit of prior period.

(million euros)	2018 actual	*2019 actual*	*2020 forecast*	*2021 plan*
Rental revenue	**12.41**	**14.25**	***14.6***	***14.8***
Other revenue	0.41	-	-	-
Other income (net)	0.55	0.51	*0.5*	*0.5*
Operating expense	(1.49)	(1.41)	*(1.6)*	*(1.7)*
EBITDA	**11.88**	**13.35**	***13.5***	***13.6***
Depreciation	(5.96)	(7.13)	*(7.1)*	*(7.1)*
Operating profit	**5.92**	**6.22**	***6.4***	***6.5***
Net interest expense	(1.42)	(1.26)	*(1.8)*	*(1.7)*
Profit before tax	**4.50**	**4.96**	***4.6***	***4.8***
Income tax expense	(0.05)	(0.02)	*(0.0)*	*(0.0)*
Net profit	**4.45**	**4.94**	***4.6***	***4.8***

Our 2020 expected pro forma net profit is 500 thousand euros lower compared to the earlier published one, due to the following factors:

- we forecast other income (net) to be 200 thousand euros higher than earlier expected,
- net interest expense is 700 thousand euros higher than our previous forecast mainly due to the interest expense relating to the loan taken at the end of 2019 fourth quarter.

We expect that rental revenues will grow by 350 thousand euros, that is 2.5% in 2020 compared to 2019, which is partly due to automatically indexed revenues and partly due to the full year rental revenue generation of rental contracts concluded throughout 2019. In 2021 we count with additional 200 euros revenue growth in line with the expected still high occupancy rate. From 2020 we expect increase of operating expenses partly due to the one-off expert fees and partly due to the general increase of personnel type and other costs, however we do not count with further increase of depreciation charge. In 2020, due to the higher outstanding loans payable, interest expense will amount to 1.8 million euros, which might decrease by 100 thousand euros due to the loan installments in 2021.

As a result of all of the above we expect that in 2020 EBITDA will be around 13.5 million euros, surpassing the 2019 one by 150 thousand euros (1.4%) and 13.6 million euros in 2021. 2020 net profit is expected to be 4.6 million euro, which less than the 2019 net profit by 7%, and in 2021 it is expected to be 4.8 million euros.

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.

Bojár Gábor
Chairman of Board of Directors

Kocsány János
Chief Executive Officer

Financial highlights

IFRS, consolidated, thousand EUR

Results:

	"Pro forma" results (4)		Results according to financial statements	
	12 months ended	12 months ended	12 months ended	12 months ended
	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019
Rental revenue	**12,411**	**14,249**	**12,411**	**14,249**
Other revenue	408	-	408	-
Operating expense	(1,494)	(1,408)	(1,494)	(1,408)
Other income (net)	552	512	552	512
EBITDA	**11,877**	**13,353**	**11,877**	**13,353**
Valuation gains from investment property	-	-	4,858	4,452
Depreciation and amortization (1)	(5,963)	(7,131)	(190)	(196)
Operating profit	**5,914**	**6,222**	**16,545**	**17,609**
Net interest expense	(972)	(1,216)	(972)	(1,216)
Other financial cost (2)	(258)	-	(258)	-
Other financial result	(187)	(39)	(187)	(39)
Profit before tax	**4,497**	**4,967**	**15,128**	**16,354**
Income tax expense	(45)	(24)	(45)	(24)
Profit for the period	**4,452**	**4,943**	**15,083**	**16,330**
Earnings per share (EUR) (3)	**0.44**	**0.49**	**1.50**	**1.62**

(1) Subsidiaries made real estate sales and purchases within the group companies on fair market value, for which 3 million euros short term loan was needed. Due to the real estate sales and purchases, depreciation will significantly increase in the stand-alone financial statements of group companies according to the Hungarian accounting rules. In order to be comparable with prior years' results, we will continue calculating depreciation based on the original cost of real estates in the "pro forma" consolidated income statement. Of course, this will not affect the results in the Financial Statements according to the SzIT regulations, where fair values are accounted instead of charging depreciation on real estates.

(2) Early repayment of loan provided by Aareal Bank resulted 258 thousand euros one-off cost in 2018.

(3) 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).

(4) "Pro forma" results show profit and loss according to the cost model.

IFRS, consolidated, thousand EUR

Asset value:

	December 31, 2018	December 31, 2019
Fair value of properties	**234,630**	**241,310**
-from this book value (1)	*227,866*	*235,091*
Fair value of development lands	**29,880**	**23,630**
- from this book value (1)	*11,767*	*12,044*
Entire property portfolio at estimated fair value	**264,510**	**264,940**
Net asset value at estimated fair value	**190,796**	**195,295**
Number of ordinary shares outstanding (thousands)	10,083	10,083
Net asset value at fair value per share (euro) (2)	**18.9**	**19.4**

(1) Investment properties and investment properties under construction are fair valued in the financial statements, 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. As a result, instead of accounting depreciation, current period change in fair value are presented in the profit or loss.

(2) 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 24 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 of 2019 (“pro forma” results and results according to the financial statements),
- Utilization, occupancy,
- Development and modernization plans,
- Financing,
- Forecast for the years 2020 and 2021.

“Pro forma” results of 2019

“Pro forma” results of 2019 changed compared to 2018 because of the following main factors:

- **Rental revenue** (2019: 14,249 thousand euros; 2018: 12,411 thousand euros) rose by 1,838 thousand euros, or 15% compared to the previous period due to the rental revenues derived from the new office building in the southern area handed over in 2018.

- **Other revenue** (2019: 0 thousand euros; 2018: 400 thousand euros) includes a one-off revenue from engineering services provided in 2018.

- **Operating expense** (2019: 1,408 thousand euros; 2018: 1,494 thousand euros) decreased by 86 thousand euros, or 6% compared to prior year. Property related expenses increased in the proportion of the new developments delivered, while the employee related expenses were higher in the prior year because of one-off payments.

- **Other income** (2019: 512 thousand euros; 2018: 552 thousand euros) net amount was 40 thousand euros lower than the base last year, mainly due to developments and refurbishments based on tenant requests.

- **Depreciation** (2019: 7,131 thousand euros; 2018: 5,963 thousand euros) increased by 1,168 thousand euros, or 20% compared to the previous year because of the 2018 delivery of the new building complex and refurbishment works in the core area.

- **EBITDA** (2019: 13,353 thousand euros; 2018: 11,877 thousand euros) grew by 1,476 thousand euros, or 12%, while **operating profit** (2019: 6,222 thousand euros; 2018: 5,914 thousand euros) increased by 308 thousand euros, or 5% compared to the previous year due to the factors mentioned above.

- **Net interest expense** (2019: 1,216 thousand euros; 2018: 1,230 thousand euros) did not change compared to prior year: due to the higher balance of loans payable interest expense increased by 244 thousand euros, while the 2018 one off loan break fee in amount of 258 thousand euros did not incur in this period. In addition, the interest expense of the new loan disbursed at the end of the year did not incur yet.

- **Other financial result** (2019: 39 thousand euros loss; 2018: 187 thousand euros loss) increased by 148 thousand euros compared to prior year.

- The balance of **income tax expense** (2019: 24 thousand euros; 2018: 45 thousand euros) is minimal as the Group – except for Graphisoft Park Engineering & Management Kft. – has SZIT status from January 1, 2018 and as such is not subject to corporate income tax and local business tax.

- **Net profit** (2019: 4,943 thousand euros; 2018: 4,452 thousand euros) increased by 491 thousand euros in 2019 compared to 2018 because of the factors explained in the previous points.

2019 results according to the financial statements

In 2019 results according to the financial statements are 11,387 thousand euros higher than the “pro forma” results due to the following two factors: unrecognized depreciation expense increased the results by 6,935 thousand euros and fair value gains increased the results by 4,452 thousand euros. Increase in fair value is due to the delivery of the development in the southern area, the permanently high occupancy rate and conclusion of new rental contracts.

In 2018 results according to the financial statements are 10,631 thousand euros higher than the “pro forma” results: unrecognized depreciation expense increased the results by 5,773 thousand euros and fair value gains increased the results by 4,858 thousand euros. In the comparative period the fair value gain was caused by the progress in the new developments and the delivery of the new SAP wing and Startup building.

Details of changes in fair values are disclosed in Note 11 (Investment property) to the financial statements.

Utilization, occupancy

Occupancy rate of Graphisoft Park’s gross leasable area developed as follows (at the end of the quarter):

Period:	**2018 Q4**	**2019 Q1**	**2019 Q2**	**2019 Q3**	**2019 Q4**
Occupancy of gross leasable area (%):	**95%**	**96%**	**97%**	**97%**	**97%**
Gross leasable area (m^2):	82,000	82,000	82,000	82,000	82,000

In 2018, due to the delivery of the development in the southern area the rentable area increased to 82,000 sqm from the previous 68,000 sqm. Due expansion needs of certain tenants who moved from the core area to the southern area and the new lease contracts concluded in the previous quarters the occupancy rate increased to 97% again till the end of 2019.

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) provide the space in which globally acclaimed companies have settled as tenants and expanded continuously over time. Examples for these companies are Microsoft (from 1998), SAP (from 2005) or Servier (from 2007); and the Park’s naming tenant and founder, Graphisoft SE (from 1998), which now operates wholly independently as a software company. It is also important to highlight that smaller tenants are staying in the Park for more than 5 years on average and keep extending (average 1-3 years) their leases after expiration even with rental fees considered premium in the Budapest office market. The average lease term in the Park calculated with the starting date of current tenants’ earliest lease agreements (in certain cases lease agreements concluded with the predecessor of Graphisoft Park Group) is **12.7 years**, and in case of existing lease contracts the weighted average lease term to expiry is **4.8 years**.

Development and modernization plans

By the completion of the new developments from September 2018, Graphisoft Park has **82,000 m^2 gross leasable area** as well as **underground parking for** around **2,000 cars** available for its tenants.

Other parts of the southern development area offer room for another 20,000 m^2 potential development, while the monument and northern development areas (after remediation) provide room for another 42,000 m^2 gross leasable area. In the second half of 2019 we have commenced the archeological and landscaping works on the southernmost area of the Park where remediation works are not needed, on 4,000 m^2, as well as the preparations for launching possible future projects there. The preparatory works will be continued in 2020. In the northern area no further preparatory work or development is allowed until NKM Földgázszolgáltató Zrt. completes its mandated rehabilitation duties in the area (see details below in the "Main risk factors associated with the areas" and in "Legal proceedings" sections).

In 2017 we have started the systematic modernization and refurbishing of the buildings of the nearly 20 years old office park. In 2017 and 2018 costs related the refurbishment of nearly 13,000 m^2 office space amounted to around 4 million euros and cca. 6 million euros have been invested by the tenants to implement their individual needs. In 2019 we have refurbished several smaller office and service buildings on 5,500 m^2, which amounted to 826 thousand euro. From 2020 the technological refurbishment of certain buildings in the core area is planned to continue, at a cost of additional 1 million euro per year.

Key characteristic of the Graphisoft Park domestic „Silicon Valley" concept is the sustained synergy between teams of startup entrepreneurs, global IT and Technology focused companies and Higher Educational Institutions as leading edge „knowledge-factories". Another sign of our strengthening education focus is that after IBS and AIT, also Real School has chosen Graphisoft Park as location in Budapest from this year. Real School offers primary education in English language for international students, focusing on environmentally conscious sustainability. Partnering relationships based on tight collaboration between Technology Firms, Startups and Educational Institutions have been shaped among these three main pillars of Graphisoft Park, resulting in mutual support and strengthening and stimulating cooperation. The enhanced physical proximity and meaningful collaboration act as an attractive force and is recognized as a convenient source by all the three sectors. Management of the Park is consciously supporting the balanced presence of all three pillars and application of the full potential offered by their collaboration. We are open to accommodate educational institutions that act as knowledge centers and knowledge factories and fit the Park's concept.

Creative work, research and educational activities are further supported by the Park's Management by sustainably ensuring inspiring environment. Our goals are the increase of comfort levels, thus the levels of productivity for all Park tenant's creative and productive staff, the development of tools for promoting communities, hosting of relevant events and programs for further improvement of creative work conditions for all our tenants. We also aim at developing conditions allowing for various leisure, recreational and sporting activities within the Park. We do all these consciously in order to develop and sustain high levels of employee satisfaction and engagement, thus enhancing our tenant's competitively on the market. Management is committed to have the Park feel as a comfortable, pleasant second home for all resident employees, more than just a work-place.

Financing

We have executed a loan agreement with Erste Bank Hungary Zrt. in December 2015 with 10 years maturity to finance the development in the core area. In accordance with the loan agreement Erste Bank made a 4 billion HUF (12.2 million euro) credit facility and another 3 million euro credit facility available to Graphisoft Park within the National Bank of Hungary's 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. In accordance with the loan agreement UniCredit Bank made a 24 million euro credit facility available to Graphisoft Park within the National Bank of Hungary's Funding for Growth Scheme. The credit facility has fixed interest rate.

On November 30, 2017 we concluded a new euro-based, 10 years to maturity loan facility which is worth 40 million euro with Erste Bank Hungary Zrt., for the refinancing of the previous loan facility before its maturity, concluded with Aareal Bank AG. The remaining smaller part of the loan is used to finance the refurbishment of the older buildings of Graphisoft Park. The new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term; as a result the interest rate is fixed for the full term of the loan.

On November 19, 2019 we concluded a euro-based, 10 years to maturity loan facility agreement of 40 million euro value with UniCredit Bank in order to optimize the Company's capital structure and to take advantage of the current very favorable borrowing conditions, which has been drawn on December 30, 2019. From the total amount of the loan 3 million euro is due on March 31, 2020. In order to fix the interest rate, the new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term.

At the end of the period the outstanding loan liability amounted to 112.9 million euro, which is about 43% of the property fair value. After concluding the hedge agreements, all of the Company's outstanding loan liabilities have been switched to fixed interest rates for the 10 year loan term, which further strengthen the Park's stable operation.

Forecast for the years 2020 and 2021

Our forecasted "pro forma" profit for 2020, beside the additional revenue growth, is 300 thousand euros lower than in prior year, as a result of the net interest expense of the new loan. In 2021 a slight increase in "pro forma" profit is expected compared to 2020.

(million euros)	*2018 actual*	*2019 actual*	*2020 forecast*	*2021 plan*
Rental revenue	**12.41**	**14.25**	***14.6***	***14.8***
Other revenue	0.41	-	-	-
Other income (net)	0.55	0.51	*0.5*	*0.5*
Operating expense	(1.49)	(1.41)	*(1.6)*	*(1.7)*
EBITDA	**11.88**	**13.35**	***13.5***	***13.6***
Depreciation	(5.96)	(7.13)	*(7.1)*	*(7.1)*
Operating profit	**5.92**	**6.22**	***6.4***	***6.5***
Net interest expense	(1.42)	(1.26)	*(1.8)*	*(1.7)*
Profit before tax	**4.50**	**4.96**	***4.6***	***4.8***
Income tax expense	(0.05)	(0.02)	*(0.0)*	*(0.0)*
Net profit	**4.45**	**4.94**	***4.6***	***4.8***

- In 2020 **rental revenue** is expected to rise by 350 thousand euros, or by 2,5% compared to 2019 partly due to the automatic indexation and partly due to the full year revenue effect of new rental contracts concluded in 2020. In 2021 as a result of the permanently high occupancy rate further 200 thousand euros increase in rental revenues is expected.

- In 2018 among **other revenue** we realized a one-off engineering work (408 thousand euro); we do not count with the repetition of this work in the upcoming years.

- We count with no significant change of **other income (net)**, due to developments and refurbishments based on tenant requests.

- From 2020 we count with an increase in **operational costs** partly due to one-off expert fees and partly due to the rise of personnel and other general costs.

- Due to all of the above in 2020 **EBIDTA** is expected to rise by 150 thousand euros or 1,4% compared to 2019, achieving an EBIDTA amount of 13.5 million euros, while in 2021 the amount will be 13.6 million euros.

- From 2019, 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): in 2020 and in 2021 we count with no significant change in depreciation, the expected amount is 7.1 million euros per year.

- In 2019 the **net interest expense** of the outstanding loan liabilities was 1.26 million euros, while in 2020 and 2021 due to increased amount of loan higher net interest expense is expected. In 2020 the net interest expense will be about 1.8 million euros, while in 2021 as a result of regular repayments it could decrease to 1.7 million euros.

- As a result, **net profit** in 2020 is forecasted to be 4.6 million euros, 7% lower than in the prior year, in 2021 it is forecasted to be 4.8 million euros.

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.). According to the resolution of Pest County Government Office, the starting and end dates of the remediation on the former gas factory area are delayed further compared to the original date (see below under section “Legal proceedings”).

- 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.

Legal proceedings

In the resolution received on October 3, 2018, the competent government body, the Pest County Government Office notified us about the prolongation of the completion deadline of the rehabilitation in the northern development area. We have filed suit for the review of the resolution in administrative court. The first hearing took place on April 16, 2019, the second one on June 18, 2019, while the third one on September 19, 2019 without the court entering any decision that times. The last hearing took place on November 12, 2019; while judgement was entered on December 12, 2019, where the Court repealed the resolution of Pest County Government Office on granting an extension to the deadline for the environmental remediation of the northern development area and obliged the Government Office to conduct a new proceeding.

In January 2020 the Pest County Government Office submitted a motion for review against the final administrative judgment made on December 12, 2019, but the Government Office withdrew it without explanation in February 2020. Therefore, the extraordinary legal review process against the final administrative judgment made on December 12, 2019 ended and the final judgement remained in effect, and the case is remanded to the Pest County Government Office to conduct new proceedings regarding the prolongation of completion deadline requested by NKM Földgázszolgáltató Zrt.

***

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 and to build the rental fee growth of the latest significant cost increase in the building industry into our new and renewed contracts, 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 inflation rate and the regulatory environment with special regards to the tax regulations. In this forecast we calculate with an exchange rate of 340 HUF/EUR till the end of 2021, euro inflation rate of 1.5% and unchanged legal and taxation environment.

General information

Graphisoft Park Group

Graphisoft Park SE Real Estate Development European Company Limited by Shares (the "Company" or "Graphisoft Park SE") with its subsidiaries form the Graphisoft Park Group ("the Group" or "Graphisoft Park"). Graphisoft Park SE and subsidiaries are incorporated under the laws of Hungary. The court registration number of Graphisoft Park SE is CG 01-20-000002. The registered address of the Company is H-1031 Budapest, Záhony utca 7, Hungary.

Corporate Governance

Public companies are increasingly expected to state clearly their corporate governance principles and to what extent those principles are implemented. As a company listed on the Budapest Stock Exchange (BSE), we are highly committed to meeting these expectations and legal and stock exchange requirements (publicly available at BSE website: bse.hu).

The Statutes of Graphisoft Park SE provides as governing bodies the general meeting of shareholders and the Board of Directors (single-tier system). Under the single-tier system, the SE is managed by the Board of Directors. The members of the Board of Directors have the power to represent the company in dealings with third parties. Under the single-tier system the Board of Directors may delegate the power of management to one or more of its members. The independent members of the Board of Directors form the Audit Committee.

General Meeting

The General Meeting is the principal body of the Company, which comprises all the shareholders. The following activities shall fall within the exclusive authority of the General Meeting (inter alia, see details in the Articles of Association: graphisoftpark.com/corporate-governance):

- Decision on the establishment of, and amendment to these Articles, unless otherwise provided by the Companies Act;
- Electing and dismissing the members and chairman of the Board of Directors, the auditor, and determining their remuneration, including their service as members of the committees of the Board of Directors.

Board of Directors

The Board of Directors is responsible for the Company's management and decides on matters other than those that must be determined by shareholders. The Board of Directors is required to report annually to the shareholders at the annual general meeting of the shareholders.

Pursuant to the Company's Articles of Association, the Board of Directors consists of a minimum of 5 and a maximum of 11 members elected at the annual general meeting of the shareholders for a term not to exceed of 5 years. Presently Graphisoft Park SE operates with 6 members of Board.

Meetings of the Board of Directors are held at least four times a year. Meetings of the Board of Directors require the presence of major for a quorum. Each member has one vote. The Board of Directors passes resolutions by simple majority vote.

Members of the Board of Directors:

Name	Position	From	Until
Bojár Gábor	Chairman	August 21, 2006	May 31, 2022
Dr. Kálmán János	Member	August 21, 2006	May 31, 2022
Kocsány János	Member	April 28, 2011	May 31, 2022
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2022
Szigeti András	Member	July 21, 2014	May 31, 2022
Hornung Péter	Member	April 20, 2017	May 31, 2022

Audit Committee

The Audit Committee assists in the appointment of independent auditors to be elected by the annual general meeting and reviews the scope of external audit services. It must pre-approve all audit and non-audit services to be performed by the external auditor.

The Audit Committee also reviews the annual financial statements of Graphisoft Park, taking into account the results of the audits and reviews performed by the independent auditors. The Audit Committee also reviews financial reports submitted to the stock exchanges, banks and regulatory bodies.

The Audit Committee shall have as many as necessary but at least four meetings each year. Audit Committee members are appointed from the independent members of the Board of Directors by the general meeting of the company.

Members of the Audit Committee:

Name	Position	From	Until
Dr. Kálmán János	Chairman	August 21, 2006	May 31, 2022
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2022
Hornung Péter	Member	April 20, 2017	May 31, 2022

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, 2018 Shares (pc)	Share (%)	Voting right (%)	December 31, 2019 Shares (db)	Share (%)	Voting right (%)
ORDINARY SHARES:	**10,631,674**	**100.00**	**88.97**	**10,631,674**	**100.00**	**88.97**
Shareholders over 5% share	**5,783,320**	**54.39**	**51.04**	**5,268,735**	**49.56**	**46.49**
Bojár Gábor	2,485,125	23.37	21.93	1,685,125	15.85	14.87
HOLD Zrt.	1,504,628	14.15	13.28	972,701	9.15	8.58
AEGON Zrt.	1,093,567	10.29	9.65	1,110,909	10.45	9.80
B.N.B.A. Holding Zrt.[1]	700,000	6.58	6.18	1,500,000	14.11	13.24
Other shareholders	**4,299,278**	**40.45**	**37.93**	**4,813,863**	**45.28**	**42.48**
Treasury shares*	**549,076**	**5.16**	**-**	**549,076**	**5.16**	**-**
EMPLOYEE SHARES:**	**1,876,167**	**-**	**11.03**	**1,876,167**	**-**	**11.03**
Kocsány János	1,250,778	-	11.03	1,250,778	-	11.03
Treasury shares*	625,389	-	-	625,389	-	-
SHARES TOTAL:	**12,507,841**	**100.00**	**100.00**	**12,507,841**	**100.00**	**100.00**

* Treasury shares possessed by the Company do not pay dividend and bear no voting rights.

** 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.

Human resources

We ensure the continuous development of our employees, in addition we pay particular attention to special labour safety prescriptions affecting engineers working on development projects and employees working on property operation.

Diversity policy

Graphisoft Park SE prohibits discrimination against any person based on gender identity, age, disability, race or ethnicity, gender preferences and religion and will not tolerate any form of discrimination in the workplace. The Holding is committed to provide a working environment free from discrimination and equal opportunities to all of its employees, with regards to its cultural and legal environment.

[1] Bojár Gábor transferred 800,000 shares to B.N.B.A. Holding trustee for trust property management.

The Company will designate its managing officers and persons responsible for controlling its operation in accordance with its policies and commitments. The Company is committed to promoting and endeavours to achieve the highest level of diversity through the consistent practical implementation of its HR policies.

Events after the balance sheet date

Structured share repurchase transaction

In accordance with the extraordinary announcement on February 6, 2020, the Company plans to execute a structured share repurchase transaction ("Transaction") where the Company proposes to buy back shares from its shareholders in the total value of 33,000,000 euros in order to improve the Company's capital structure. The Board of Directors has convened the Company's General Meeting for March 2, 2020, that obtained the authorizations necessary for completing the Transaction.

On March 19, 2020 the Board of Directors of Graphisoft Park SE decided to cancel the structured share repurchase transaction in accordance with Pont VIII. of the Prospectus (Frustration), taking into consideration the current situation in Hungary; the actions taken and possible future actions due to the Coronavirus disease; the possible effects of these actions and events on the participation in the proposed transaction and on the execution of the transaction; and the possible future economic situation due to the disease.

Besides the cancellation of the transaction the Board of Directors proposes to the AGM (to be held on April 30, 2020) 4,448,700 euros dividend based on the 2019 expected pro-forma results and additional 25,597,442 euros dividend from the allocated total amount of the cancelled transaction; that is altogether 30,046,142 euros dividend for ordinary shareholders (2.98 euro per ordinary share). The dividend amount in forint will be determined based on the MNB exchange rate on the working day before the day of the Annual General Meeting. The Board of Directors does not recommend the distribution of the remaining amount out of the total allocated amount for the transaction due to the current economic forecasts.

Legal proceedings

In relation to the legal proceeding disclosed in the business report, in January 2020 the Pest County Government Office submitted a motion for review against the final administrative judgment made on December 12, 2019, but the Government Office withdrew it without explanation in February 2020. Therefore, the extraordinary legal review process against the final administrative judgment made on December 12, 2019 ended and the final judgement remained in effect, and the case is remanded to the Pest County Government Office to conduct new proceedings regarding the prolongation of completion deadline requested by NKM Földgázszolgáltató Zrt.

Proposed dividend by the Board

The annual financial statements of the Company for the year 2019 prepared in accordance with International Financial Reporting Standards (IFRS) are authorized for issue in accordance with the resolution of the Board of Directors on March 19, 2020. The Board proposes dividend distribution of 2.98 EUR per ordinary share to be approved by the Annual General Meeting of Graphisoft Park SE of April 30, 2020. The Board also proposes altogether 183,958 EUR dividend for employee shares. The dividend amount in forint will be determined based on the MNB exchange rate on the working day before the day of the Annual General Meeting. The Annual General Meeting has the power to amend the annual financial statements.

Forward-looking statements *- The forward-looking statements contained in this Annual 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 Consolidated Financial Statements which have been prepared in accordance with the International Financial 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, March 19, 2020

Kocsány János

Bojár Gábor
Chairman of Board of Directors

Kocsány János
Chief Executive Officer

GRAPHISOFT PARK SE

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2019

in accordance with International Financial Reporting Standards (IFRS)

(audited)

Budapest, March 19, 2020

Kocsány János

Chief Executive Officer

Bodócsy Ágnes

Chief Financial Officer

CONTENTS:

Tel:+36 1 235 3010, 235 3090
Fax:+36 1 266 6438
www.bdo.hu

BDO Magyarország
Könyvvizsgáló Kft.
1103 Budapest
Kőér utca 2/A. C. épület
1476 Budapest, Pf.138.

Independent Auditor's Report

to the Shareholders of Graphisoft Park SE Ingatlanfejlesztő Európai Rt.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Graphisoft Park SE Ingatlanfejlesztő Európai Rt. and its subsidiaries (the „Group") for the year 2019 which comprise the consolidated balance sheet as at December 31, 2019 which shows a total assets of **EUR 299 225 thousands** and the related consolidated statement of income and consolidated statement of comprehensive income which shows a net profit for the year of **EUR 15 063 thousands**, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and consolidated notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Graphisoft Park SE Ingatlanfejlesztő Európai Rt. and its subsidiaries as at December 31, 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS"), and the consolidated financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (hereinafter: "the Accounting Act") relevant to the entities preparing consolidated financial statements in accordance with EU IFRS.

Basis for the opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") and with applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

We are independent of the Company in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, for matters not regulated in the Rules, with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board (IEASBA Code of Ethics) and we also comply with further ethical requirements set out in Rules and Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Tel:+36 1 235 3010, 235 3090
Fax:+36 1 266 6438
www.bdo.hu

BDO Magyarország
Könyvvizsgáló Kft.
1103 Budapest
Kőér utca 2/A. C. épület
1476 Budapest, Pf.138.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Revenue recognition Refer to Notes 16. in the consolidated financial statements Revenue is an important measure used to evaluate the performance of the Group. As a consequence, it needs to be ensured that the revenue in the consolidated financial statements is real, accurate and refers to the current year. Revenue from property rental revenue transactions is recognized as of the performance date based on the terms of the lease agreement.	Our audit procedures supporting the revenue recognition included testing of business cycles as well as substantive audit procedures as follows. We have performed review of the revenue recognition process relating to property rental revenue. We have assessed the risks in the certain processes, the existence of relating controls. Existence and accuracy of property rental revenue have been tested on a sample basis and the items selected have been reconciled to source documents. We have reviewed the lease agreements. Based on the lease agreements we have recalculated the whole property rental revenue. We have tested manual journal entries regarding revenues in order to identify unusual items outside of the normal course of business and reviewed the audit evidences supporting the items selected. We have checked the appropriate compliance with relevant financial reporting standards, accounting records and disclosures. Based on our procedures we have not identified material misstatements.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Valuation of investment properties Refer to Notes 3.2. and 11. in the consolidated financial statements	
Value of investment properties in the consolidated financial statements of the Group amounts to EUR 247,135 thousands as of 31 December 2019 and EUR 239,633 thousands as of 31 December 2018. Above balance sheet value reflects the estimated fair value of the investment properties determined by an independent external valuation expert engaged by the Group. As a consequence of the fair value adjustment, a revaluation gain of EUR 4,452 thousands has been recorded as Valuation gains from investment property. The valuation is dependent on certain assumptions regarding factors influencing the value of properties, which bear uncertainty, thus the value of investment properties may change in parallel with the change of influencing factors.	Our audit procedures regarding the valuation of investment properties were as follows. We have evaluated the independent external valuer's professional competence, capabilities, objectivity. We have assessed the methodologies and the appropriateness of the key assumptions used by the valuer based on our knowledge of the property industry. We have checked the accuracy and relevance of input data used for determining the balance sheet value of investment properties and checked the accuracy of the fair value adjustments by recalculating them. We have checked the appropriate compliance with relevant financial reporting standards, accounting records and disclosures. Based on our procedures we have not identified material misstatements.

Other information: the business report

The other information comprises the consolidated business report of the Company for the year 2019. Management is responsible for the preparation of the consolidated business report in accordance with the provisions of the Accounting Act and other relevant regulations. Our opinion on the consolidated financial statements expressed in the "Opinion" section of our independent auditor's report does not cover the consolidated business report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the consolidated business report and, in doing so, consider whether the consolidated business report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that the consolidated business report is materially misstated we are required to report this fact and the nature of the misstatement.

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the consolidated business report also include reviewing the consolidated business report to assess whether the consolidated business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the consolidated business report complies with the requirements of Section 95/B. (2) e) and f) of the Accounting Act. Furthermore, in accordance with the Accounting Act we shall make a statement whether the information referred to in Section 95/B. (2) a)-d), g) and h) has been provided in the consolidated business report.

In our opinion, the consolidated business report of Graphisoft Park SE Ingatlanfejlesztő Európai Rt. and its subsidiaries for 2019 corresponds to the consolidated financial statements of Graphisoft Park SE Ingatlanfejlesztő Európai Rt. and its subsidiaries for 2019 and the relevant provisions of the Accounting Act in all material respects. The information referred to in Section 95/B. (2) a)-d), g) and h) of the Accounting Act has been provided. As there is no other regulation prescribing further requirements for the Group's consolidated business report, we do not express an opinion in this respect.

We are not aware of any other material inconsistency or material misstatement in the consolidated business report therefore we have nothing to report in this respect.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Tel:+36 1 235 3010, 235 3090
Fax:+36 1 266 6438
www.bdo.hu

BDO Magyarország
Könyvvizsgáló Kft.
1103 Budapest
Kőér utca 2/A. C. épület
1476 Budapest, Pf.138.

The auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HNSAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis in the preparation of the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of Graphisoft Park SE Ingatlanfejlesztő Európai Rt. by the General Meeting of Shareholders on 29 April 2019 and our uninterrupted engagement has lasted for 2 years.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Graphisoft Park SE Ingatlanfejlesztő Európai Rt. , which we issued on 19 March 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Tel:+36 1 235 3010, 235 3090
Fax:+36 1 266 6438
www.bdo.hu

BDO Magyarország
Könyvvizsgáló Kft.
1103 Budapest
Kőér utca 2/A. C. épület
1476 Budapest, Pf.138.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Group. In addition, there are no other non-audit services which were provided by us to the Graphisoft Park SE Ingatlanfejlesztő Európai Rt. and its controlled undertakings and which have not been disclosed in the consolidated financial statements or in the consolidated business report.

The engagement partners on the audit resulting in this independent auditor's report are the signatories of the report.

Budapest, 19 March 2020

BDO Hungary Audit Ltd.
1103 Budapest, Kőér utca 2/A
Registration number: 002387

Edmond Gaál
Managing Director

BDO Magyarország Könyvvizsgáló Kft.
Eng.szám:
Licence nr.:
002387

Péter Kékesi
Certified Auditor
Chamber registration No.:
007128

This is the translation of the original Hungarian statutory report. In case of any discrepancies, the original Hungarian version prevails.

GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2019
(all amounts in thousands of euros unless otherwise indicated)

	Notes	December 31, 2018	December 31, 2019
Cash and cash equivalents	5	5,874	46,492
Trade receivables	6	1,450	1,292
Current tax receivable	7	217	237
Other current assets	8	2,504	2,295
Current assets		**10,045**	**50,316**
Investment property	11	239,633	247,135
(Owner occupied) Property, Plant and Equipment	9	2,074	1,715
Intangible assets	10	5	59
Non-current assets		**241,712**	**248,909**
TOTAL ASSETS		**251,757**	**299,225**
Short-term loans	14	3,561	7,993
Trade payables	12	1,250	678
Current tax liability	7	136	309
Other short-term liabilities	13	5,124	5,146
Current liabilities		**10,071**	**14,126**
Long-term loans	14	69,111	100,634
Other long-term liabilities	15	5,030	5,795
Non-current liabilities		**74,141**	**106,429**
TOTAL LIABILITIES		**84,212**	**120,555**
Share capital	1.3	250	250
Retained earnings		170,999	183,391
Treasury shares	23	(974)	(974)
Cash flow hedge reserve	15	(308)	(1,708)
Revaluation reserve of properties		531	681
Accumulated translation difference		(2,953)	(2,970)
Shareholders' equity		**167,545**	**178,670**
TOTAL LIABILITIES & EQUITY		**251,757**	**299,225**

The accompanying notes form an integral part of the consolidated financial statements.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(all amounts in thousands of euros unless otherwise indicated)

	Notes	December 31, 2018	December 31, 2019
Property rental revenue		12,411	14,249
Other revenue		408	-
Revenue	**16**	**12,819**	**14,249**
Property related expense	17	(69)	(92)
Employee related expense	17	(888)	(806)
Other operating expense	17	(537)	(510)
Depreciation and amortization	9, 10, 17	(190)	(196)
Operating expense		**(1,684)**	**(1,604)**
Valuation gains from investment property	11	4,858	4,452
Other income	18	552	512
OPERATING PROFIT		**16,545**	**17,609**
Interest expense	19	(972)	(1,216)
Other financial cost	19	(258)	-
Exchange rate difference	20	(187)	(39)
Financial result		**(1,417)**	**(1,255)**
PROFIT BEFORE TAX		**15,128**	**16,354**
Income tax expense	21	(45)	(24)
PROFIT FOR THE PERIOD		**15,083**	**16,330**
Attributable to equity holders of the parent		15,083	16,330
Basic earnings per share (EUR)	22	1.50	1.62
Diluted earnings per share (EUR)	22	1.50	1.62

The accompanying notes form an integral part of the consolidated financial statements.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(all amounts in thousands of euros unless otherwise indicated)

	Notes	December 31, 2018	December 31, 2019
Profit for the period		**15,083**	**16,330**
Cash-flow hedge valuation reserve*		(973)	(1,400)
Revaluation reserve of properties**		-	150
Translation difference**		(19)	(17)
Other comprehensive income		**(992)**	**(1,267)**
COMPREHENSIVE INCOME		**14,091**	**15,063**
Attributable to equity holders of the parent		14,091	15,063

* Will be reclassified to profit or loss in subsequent periods.
** Will not be reclassified to profit or loss in subsequent periods.

The accompanying notes form an integral part of the consolidated financial statements.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2017	**250**	**158,909**	**(974)**	**665**	**531**	**(2,934)**	**156,447**
Profit for the period	-	15,465	-	(382)	-	-	**15,083**
Translation difference	-	-	-	-	-	(19)	**(19)**
Revaluation reserve	-	(382)	-	(591)	-	-	**(973)**
Dividend	-	(2,993)	-	-	-	-	**(2,993)**
December 31, 2018	**250**	**170,999**	**(974)**	**(308)**	**531**	**(2,953)**	**167,545**
Profit for the period	-	16,343	-	(13)	-	-	16,330
Translation difference	-	-	-	-	-	(17)	(17)
Revaluation reserve	-	(13)	-	(1,387)	-	-	(1,400)
Revaluation difference of properties	-	-	-	-	150	-	150
Dividend	-	(3,938)	-	-	-	-	(3,938)
December 31, 2019	**250**	**183,391**	**(974)**	**(1,708)**	**681**	**(2,970)**	**178,670**

* Treasury share details are disclosed in Note 23.
** Cash flow hedge transaction details are disclosed in Note 14 (Loans).
*** Revaluation surplus on leasing a part of owner-occupied property, i.e. transfers from investment property to owner occupied property.

The accompanying notes form an integral part of the consolidated financial statements.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(all amounts in thousands of euros unless otherwise indicated)

	Notes	December 31, 2018	December 31, 2019
OPERATING ACTIVITIES			
Income before tax		15,128	16,354
Fair value change of investment properties	11	(4,858)	(4,452)
Depreciation and amortization	9,10	190	196
Revaluation difference of properties		-	(150)
(Gain) / loss on sale of tangible assets		-	2
Interest expense	19	972	1,216
Break cost of loan	19	258	-
Unrealized foreign exchange loss / (gain)		(520)	(82)
Changes in working capital:			
Decrease / in receivables and other current assets		7,130	350
(Decrease) / increase in liabilities		(1,206)	105
Corporate income tax paid		(91)	(27)
Net cash from operating activities		**17,003**	**13,512**
INVESTING ACTIVITES			
Purchase of investment property		(21,555)	(3,116)
Purchase of other tangible assets and intangibles	9,10	(436)	(263)
Sale of tangible assets	9	58	4
Net cash used in investing activities		**(21,933)**	**(3,375)**
FINANCING ACTIVITIES			
Proceeds from receipt of loans		46,089	40,000
Loan repayments		(35,268)	(4,345)
Interest paid		(998)	(1,227)
Break fee of loan		(258)	-
Dividend paid	29	(2,993)	(3,938)
Net cash from financing activities		**6,572**	**30,490**
Decrease / (increase) in cash and cash equivalents		1,642	40,627
Cash and cash equivalents at beginning of period		4,239	5,874
Exchange rate gain / (loss) on cash and cash equivalents		(7)	(9)
Cash and cash equivalents at end of period		**5,874**	**46,492**

The accompanying notes form an integral part of the consolidated financial statements.

(all amounts in thousands of euros unless otherwise indicated)

1. General information

1.1. Business activities

Graphisoft Park SE Real Estate Development European Company Limited by Shares (the "Company" or "Graphisoft Park SE") with its subsidiaries form the Graphisoft Park Group ("the Group" or "Graphisoft Park").

Graphisoft Park SE and subsidiaries are incorporated under the laws of Hungary. The court registration number of Graphisoft Park SE is CG 01-20-000002. The registered address of the Company is H-1031 Budapest, Záhony utca 7, Hungary, its website is www.graphisoftpark.com

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 currently 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 24 on December 31, 2019.

1.2. Properties

The total area of Graphisoft Park is nearly 18 hectares. Over the past 20 years, 82,000 m^2 gross leasable area have been developed and occupied by tenants. In the southern development area 14,000 m^2 gross leasable was handed over in 2018. The remaining area provides the opportunity to develop an additional 62,000 m^2 of gross leasable area.

The real estate is categorized as follows:

Area	**Property**
Core area	Modern office park spreading over 8,5 hectares of land, comprising 59,000 m^2 completed gross leasable area.
Monument area	2,4 hectares of land comprising 13,500 m^2 of total gross leasable area of the monument buildings, out of which 6,000 m^2 has been renovated and handed over; as such additional 7,500 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 14,000 m^2 gross leasable area was handed over during 2018 and additional 54,500 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, 2018			December 31, 2019		
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	**2,715,082**	**25.54**	**23.96**	**1,789,082**	**16.83**	**15.79**
Bojár Gábor - Chairman of the BoD	2,485,125	23.37	21.93	1,685,125	15.85	14.87
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[2]	126,000	1.19	1.11	-	-	-
Kocsány János - Member of the BoD, CEO	90,457	0.85	0.80	90,457	0.85	0.80
Shareholders over 5% share	**3,298,195**	**31.02**	**29.10**	**3,583,610**	**33.71**	**31.62**
HOLD Alapkezelő Zrt.	1,504,628	14.15	13.28	972,701	9.15	8.58
AEGON Magyarország Befektetési Alapkezelő Zrt.	1,093,567	10.29	9.65	1,110,909	10.45	9.80
B.N.B.A. Holding Zrt.[3]	700,000	6.58	6.18	1,500,000	14.11	13.24
Other shareholders	**4,069,321**	**38.28**	**35.91**	**4,709,906**	**44.30**	**41.56**
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**	**12,507,841**	**100.00**	**100.00**

* Treasury shares possessed by the Company do not pay dividend and bear no voting rights. For details refer to Note 20.

** 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.

[2] Szigeti András transferred his 126,000 shares to SZJT Holding trustee for trust property management.
[3] Bojár Gábor transferred 800,000 shares to B.N.B.A. Holding trustee for trust property management.

(all amounts in thousands of euros unless otherwise indicated)

1.4. Corporate Governance

Public companies are increasingly expected to state clearly their corporate governance principles and to what extent those principles are implemented. As a company listed on the Budapest Stock Exchange (BSE), we are highly committed to meeting these expectations and legal and stock exchange requirements (publicly available at BSE website: bse.hu).

The Statutes of Graphisoft Park SE provides as governing bodies the general meeting of shareholders and the Board of Directors (single-tier system). Under the single-tier system, the SE is managed by the Board of Directors. The members of the Board of Directors have the power to represent the company in dealings with third parties. Under the single-tier system the Board of Directors may delegate the power of management to one or more of its members. The independent members of the Board of Directors form the Audit Committee.

General Meeting

The General Meeting is the principal body of the Company, which comprises all the shareholders. The following activities shall fall within the exclusive authority of the General Meeting (inter alia, see details in the Articles of Association: graphisoftpark.com/corporate-governance):

- Decision on the establishment of, and amendment to these Articles, unless otherwise provided by the Companies Act;
- Electing and dismissing the members and chairman of the Board of Directors, the auditor, and determining their remuneration, including their service as members of the committees of the Board of Directors.

Board of Directors

The Board of Directors is responsible for the Company's management and decides on matters other than those that must be determined by shareholders. The Board of Directors is required to report annually to the shareholders at the annual general meeting of the shareholders.

Pursuant to the Company's Articles of Association, the Board of Directors consists of a minimum of 5 and a maximum of 11 members elected at the annual general meeting of the shareholders for a term not to exceed of 5 years. Presently Graphisoft Park SE operates with 6 members of Board.

Meetings of the Board of Directors are held at least four times a year. Meetings of the Board of Directors require the presence of major for a quorum. Each member has one vote. The Board of Directors passes resolutions by simple majority vote.

Members of the Board of Directors:

Name	Position	From	Until
Bojár Gábor	Chairman	August 21, 2006	May 31, 2022
Dr. Kálmán János	Member	August 21, 2006	May 31, 2022
Kocsány János	Member	April 28, 2011	May 31, 2022
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2022
Szigeti András	Member	July 21, 2014	May 31, 2022
Hornung Péter	Member	April 20, 2017	May 31, 2022

(all amounts in thousands of euros unless otherwise indicated)

Audit Committee

The Audit Committee assists in the appointment of independent auditors to be elected by the annual general meeting and reviews the scope of external audit services. It must pre-approve all audit and non-audit services to be performed by the external auditor.

The Audit Committee also reviews the annual financial statements of Graphisoft Park, taking into account the results of the audits and reviews performed by the independent auditors. The Audit Committee also reviews financial reports submitted to the stock exchanges, banks and regulatory bodies.

The Audit Committee shall have as many as necessary but at least four meetings each year. Audit Committee members are appointed from the independent members of the Board of Directors by the general meeting of the company.

Members of the Audit Committee:

Name	Position	From	Until
Dr. Kálmán János	Chairman	August 21, 2006	May 31, 2022
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2022
Hornung Péter	Member	April 20, 2017	May 31, 2022

2. Accounting policies

2.1. Basis of preparation

The consolidated financial statements of Graphisoft Park Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). All standards and interpretations issued by the International Accounting Standards Board (IASB) effective at the time of preparing the consolidated financial statements and applicable to Graphisoft Park Group have been adopted by the EU. Therefore, the consolidated financial statements currently also comply with IFRS as issued by the IASB and also comply with the Hungarian Accounting Law on consolidated financial statements, which refers to IFRS as adopted by the EU.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2. Changes in accounting policies

Adoption of new or modified standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs and interpretations which have been adopted by the Group as of 1 January 2019:

A) IFRS 16 Leases: IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases both for lessees and lessors. The new standard requires lessees to recognize most leases on their financial statements. Lessees have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. Adoption of IFRS 16 have no effect on the Group's financial statements. After adoption of IFRS 16 the Group's accounting policies regarding leases are as follow:

The determination of whether an arrangement is a lease, or contains lease elements, is based on the substance of the arrangement at inception date as to whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment after inception of the lease is possible only if one of the following applies:

a) there is a change in contractual terms, other than renewal of extension of the arrangement;
b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) there is a change in determination of whether fulfillment is dependent on a specific asset; or
d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Group as a lessee:

Upon lease commencement a right-of-use asset and a lease liability is recognized (exceptions: leases with lease term with 12 months or less; leases where the underlying asset has a small value). The right-of-use asset is initially recognized at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar.

After lease commencement the right-of-use asset is measured using the cost model (cost less accumulated depreciation and accumulated impairment).

The lease liability is initially recognized at present value of the lease payments payable over the lease term discounted at the rate implicit in the lease if that can be readily determined, otherwise the Group's incremental borrowing rate shall be used.

The lease liability is subsequently re-measured to reflect changes in:

- the lease term (using a revised discount rate);
- the assessment of a purchase option (using a revised discount rate);
- the amounts expected to be payable under residual value guaranties (using an unchanged discount rate); or
- future lease payment resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate).

The re-measurements are treated as adjustments to right-of-use asset.

Group as a lessor:

The Group classifies each lease as an operating or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as operating lease.

At finance lease, upon lease commencement, assets held under finance lease are recognized as a receivable at an amount equal to the net investment in the lease. Finance income is recognized in the income statement over the lease term (reflecting a constant periodic rate of return on the net investment).

Operating lease payments are recognized as rental income on a straight line basis in the income statement. Initial indirect cost incurred while concluding an operating lease agreement are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

B) IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments): The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These amendments had no effect on the Group.

C) IFRS 9: Prepayment features with negative compensation (Amendment): The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. The amendment had no effect on the Group.

D) IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments: The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The adoption of the interpretation had no significant effect on the Group.

E) The IASB has issued the **Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs.

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

(all amounts in thousands of euros unless otherwise indicated)

- IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

The adoption of the improvements had no effect on the Group.

2.3. Consolidated financial statements

The consolidated financial statements include the accounts of Graphisoft Park SE and the subsidiaries that it controls. Control is evidenced when the Group is exposed, or has rights, to variable returns from its involvement with a company, and has the ability to affect those returns through its power over the company. Power over an entity means having existing rights to direct its relevant activities. The relevant activities of a company are those activities which significantly affects its returns.

The following subsidiaries were consolidated in 2018 and in 2019 (Graphisoft Park SE is the sole owner of all companies):

Subsidiary	**Date of foundation**	**Registered capital 2018**	**Registered capital 2019**
Graphisoft Park Kft.	November, 2005	1,846,108 EUR	1,846,108 EUR
Graphisoft Park Services Kft.	October, 2008	10,000,000 HUF	10,000,000 HUF
Graphisoft Park South I. Kft.	September, 2016	22,000 EUR	22,000 EUR
Graphisoft Park South II. Development Kft.	September, 2016	20,000 EUR	21,000 EUR
Graphisoft Park Engineering & Management Kft.	December, 2017	10,000,000 HUF	10,000,000 HUF

The consolidated financial statements are prepared in accordance with the measurement and presentation basis applied in IFRS.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany transactions, balances and unrealized gains on transactions between the companies are eliminated. Accounting policies of subsidiaries are adjusted to ensure consistency with the policies adopted by the Group.

The consolidated financial statements are prepared under the historical cost convention.

2.4. Foreign currency translations

Functional and presentation currency:

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"), as follows:

	December 31, 2018	December 31, 2019
Graphisoft Park SE	EUR	EUR
Graphisoft Park Kft.	EUR	EUR
Graphisoft Park Services Kft.	HUF	HUF
Graphisoft Park South I. Kft.	EUR	EUR
Graphisoft Park South II. Development Kft.	EUR	EUR
Graphisoft Park Engineering & Management Kft.	HUF	HUF

Management assessment on functional currency determination is disclosed in Note 3 (Critical accounting estimates and judgments).
The consolidated financial statements are presented in thousands of EUR, which is the Group's presentation currency.

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of these transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities are recognized in the income statement.

Group companies:

The results and financial position of all of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities are translated at the closing rate at the date of the balance sheet;
(b) income statements are translated at annual average exchange rates;
(c) all resulting exchange differences are recognized directly in the consolidated equity (accumulated translation difference).

Exchange rates used were as follows:

	2018	2019
EUR/HUF opening:	310.14	321.51
EUR/HUF closing:	321.51	330.52
EUR/HUF average:	318.87	325.35

2.5. Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank, short-term bank deposits with less than three months to maturity and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.6. Derivative financial instruments

The derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year as finance income or expense. The year-end fair value of derivative financial instruments is determined by the contracted partner of the Group taking into expected yield and the contractual conditions.

The fair value measurement's hierarchy level of derivative financial instruments is level 2.

2.7. Hedges

For the purpose of hedge accounting, hedges are classified as either

- fair value hedges or
- cash-flow hedges.

At the inception of the hedge or the hedge relationship the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting. The documentation also contains the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be effective in achieving offsetting changes in fair value or cash flows. These hedges are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they were designated.

Hedge accounting is accounted as follows:

Fair value hedges

Fair value hedges are hedges of the Company's exposure to changes in fair value of a recognized asset or liability or an unrecognized commitment, or an identified portion of such asset, liability or commitment; which is attributable to a particular risk that could affect the Company's profit or loss.
For fair value hedges, the carrying amount of the hedged item is adjusted for gains or losses attributable to the risk being hedged, while the derivative is re-measured at fair value and gains or losses are credited/debited into the profit or loss. As such gains or losses from both the hedged item and the derivative are accounted for the profit or loss. Fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest rate method is used is amortized to the profit or loss.
The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation.

Cash-flow hedges

Cash-flow hedges are hedges of the exposure to variability in cash flows which is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect the profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in the other comprehensive income, while the ineffective portion is recognized in the profit or loss.

Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects the profit or loss. Where the hedged item is the cost of a non-financial asset or liability, the amounts previously taken to the other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in other comprehensive income are transferred into the profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked by the Company, amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is accounted into the profit or loss.

2.8. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. For impairment the Group uses the “12 month expected credit losses” method; and in case of significant increase in credit risk since the initial recognition of a receivable, the Group uses the “full lifetime expected credit loss” method (General approach).

2.9. Loans and other borrowings

Borrowings are recognized initially at fair value less transaction costs, and subsequently measured at amortized costs using the effective interest rate method. The effective interest is recognized in the income statement (finance expenses) over the period of the borrowings.

Fair value hierarchy:

With regards to the loans, the fair value measurement’s IFRS 13 hierarchy level is level 3. The effective rate of interest used to present fair value is calculated considering market rates and the Group specific premium.

2.10. Trade and other payables

Trade and other payables (including accruals) are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The carrying values of trade and other payables approximate their fair values due to their short maturity.

2.11. Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation and impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of assets comprises its purchase price, including duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, such as borrowing costs.

Replacements and improvements, which prolong the useful life or significantly improve the condition of the asset are capitalized. Maintenance and repairs are recognized as an expense in the period in which they are incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. General depreciation rules are stated as follows:

Type of asset	**Depreciation**
Machinery and equipment	5-15 years
Office equipment	3-7 years
Vehicles	5 years - 20% residual value

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of tangible assets.

2.12. Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will accrue; and the cost of the asset can be measured reliably. Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed annually at each financial year-end. Amortization is provided on a straight-line basis over the 3-7 year estimated useful lives of these assets.

2.13. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense. Borrowing costs include interest and other costs that the Group incurs in connection with the borrowing of funds. The borrowing costs eligible for capitalization are capitalized applying the weighted average of the borrowing costs applicable to the general borrowings during the period. A qualifying asset is an asset that necessarily takes a substantial period of time, in general over 6 months, to get ready for its intended use.

2.14. Impairment of assets

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years.

2.15. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will occur in order to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured and recorded as the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

2.16. Pensions

The Group, in the normal course of business, makes fixed contributions into the Hungarian State pension fund on behalf of its employees. The Group does not operate any other pension scheme or post retirement benefit plan, and consequently, has no legal or constructive obligation to make further contributions if the funds do not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

2.17. Revenue recognition

- **Revenue recognition (based on IFRS 15)**

Revenue is recognized at amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

Sale of goods:
The Company's contracts with customers generally include one performance obligation. Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer.

Rendering of services:
Revenue from rendering of services is recognized over time.

Other income (expense):
Incomes from agency agreements, where the Company acts as a mediator, are not shown as revenues, but rather as other income (expense) in the income statement together with directly related expenditures (net) and recognized over time.

- **Revenue recognition (based on IFRS 16)**

Rental revenue:
Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms.

- **Revenue recognition (based on other Standards)**

Interest income:
Revenue is recognized as interest accrues (using the effective interest method). Interest income is included in financial results in the income statement.

Dividends:
Revenue is recognized when the Company's right to receive the payment is established.

2.18. Treasury shares

Treasury stock represents the cost of shares repurchased (recorded individually per purchase) and is displayed as a reduction of shareholder's equity. Premiums and discounts on repurchase and subsequent disposal are credited and debited respectively directly to retained earnings.

2.19. Employee shares

Payouts related to employee shares (reduced rate dividend payments) are shown under employee related expenses in the statement of income in the period in which the dividends are approved by the shareholders.

2.20. Earnings per share

Basic earnings per share is calculated by dividing profit attributable to the equity holders of the Company for the period by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated considering the weighted average number of diluting share options (if any) in addition to the number of ordinary shares outstanding.

2.21. Income taxes

Current taxes:
Corporate income tax is payable to the Hungarian central tax authority, and local business tax is payable to the local governments. The basis of the corporate income tax is the taxable entities' accounting profit adjusted for non-deductible and non-taxable items. The basis of the local business tax is the taxable entities' revenue reduced by certain expenditure and cost items (gross margin).

Deferred taxes:
Deferred tax is recognized applying the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax is determined using income tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit (or reversing deferred tax liabilities) will be available against which the temporary differences can be utilized.

Deferred tax is also provided on taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.22. Dividend

Dividends payable to the Company's shareholders are recorded as a liability and debited against equity in the period in which the dividends are approved by the shareholders.

2.23. Operating profit

Operating profit is defined as revenues less operating expenses and other income (expense).

2.24. Segment information

For management purposes the Group comprises a single operational (business and geographical) segment. For this reason, the consolidated financial statements contain no segment information.

2.25. Government grants

Government grants are recognized at fair value, if there is reasonable assurance that the grant will be received by the Group and every condition is complied with. Grants compensating expenses are recognized in the profit and loss statement in the period when the related expenses are recognized.

Grants related to assets are recognized as deferred income and recognized in the profit and loss statement systematically over the useful life of the asset.

2.26. Reclassification of comparative information

Comparative figures are reclassified to conform with presentation in the current period, where necessary.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

3.1. Functional and presentation currency

The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity. IAS 21 – "The Effects of Changes in Foreign Exchange Rates" determines factors to be considered in determining functional currency. When the indicators are mixed and the functional currency is not obvious, management exercises judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Functional and presentation currency details are disclosed in Note 2.4.

3.2. Impairment of investment property, other tangibles and intangibles

The Group assesses the impairment of investment property, other tangibles and intangibles whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The calculations of recoverable amounts are primarily determined by value in use calculations, which use a broad range of estimates and factors affecting those. Among others, the Group typically considers future revenues and expenses, technological obsolescence, discontinuance of services and other changes in circumstances that may indicate impairment. If impairment is identified using the value in use calculations, the Group also determines the fair value less cost to sell (if determinable), to calculate the exact amount of impairment to be charged. As this exercise is highly judgmental, the amount of a potential impairment may be significantly different from that of the result of these calculations.

3.3. Provisions

Provisions in general are highly judgmental, especially in case of legal disputes. The Group assesses the probability of an adverse event as a result of a past event and if the probability of an outflow of economic benefits is evaluated to be more probable than not, the Group fully provides for the total amount of the estimated liability.

4. Standards and interpretations issued but not yet effective

At the date of authorization of these financial statements, the following standards and interpretations were in issue but not yet effective:

A) Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures:
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management anticipates that these amendments will have no effect on the Group.

B) Amendments to IFRS 3: Definition of a Business:
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. The amendments have not yet been endorsed by the EU. The Group will not be affected by these amendments on the date of transition.

C) Amendments to IAS 1 and IAS 8: Definition of Material:
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis on those financial statements, which provide financial information about a specific reporting entity". The amendments have not yet been endorsed by the EU. The amendments to the definition of material is not expected to have a significant impact on the Group's financial statements.

(all amounts in thousands of euros unless otherwise indicated)

5. Cash and cash equivalents

	December 31, 2018	December 31, 2019
Cash in hand	2	3
Cash at banks	5,872	46,489
Cash and bank	**5,874**	**46,492**

6. Trade receivables

	December 31, 2018	December 31, 2019
Trade receivables	1,450	1,292
Provision for doubtful debts	-	-
Trade receivables	**1,450**	**1,292**

Trade receivables are on 8-30 day payment terms.

Trade receivables' aging is as follows:

	December 31, 2018	December 31, 2019
Not overdue	1,019	1,213
Overdue less than 3 months	403	27
Overdue between 3 and 12 months	16	45
Overdue over 12 months	12	7
Trade receivables	**1,450**	**1,292**

(all amounts in thousands of euros unless otherwise indicated)

7. Current tax receivables and liabilities

	December 31, 2018	December 31, 2019
Current tax receivables	217	237
Current tax liabilities	(136)	(309)
Current tax receivables / (liabilities), net	**81**	**(72)**

8. Other current assets

	December 31, 2018	December 31, 2019
Accrued income	123	139
Prepaid expense	133	88
Bank security accounts	2,109	1,978
Construction fund manager accounts	83	16
Other receivables	56	74
Other current assets	**2,504**	**2,295**

9. (Owner occupied) Property, Plant and Equipment

	(Owner occupied) Property	Plant and Equipment	**(Owner occupied) Property, Plant and Equipment**
Net value:			
December 31, 2017	1,586	312	**1,898**
Gross value:			
December 31, 2017	1,635	755	**2,390**
Addition	131	305	**436**
Sale	-	(66)	**(66)**
Translation difference	-	(17)	**(17)**
December 31, 2018	1,766	977	**2,743**

(all amounts in thousands of euros unless otherwise indicated)

Depreciation:			
December 31, 2017	49	443	**492**
Addition	91	99	**190**
Sale	-	(8)	**(8)**
Translation difference	-	(5)	**(5)**
December 31, 2018	140	529	**669**
Net value:			
December 31, 2018	1,626	448	**2,074**
Gross value:			
December 31, 2018	1,766	977	**2,743**
Addition	1	220	**221**
Scrapping	-	(47)	**(47)**
Sale	-	(8)	**(8)**
Reclassification to investment properties	(397)	-	**(397)**
Translation difference	-	(19)	**(19)**
December 31, 2019	1,370	1,123	**2,493**
Depreciation:			
December 31, 2018	140	530	**670**
Addition	82	114	**196**
Scrapping	-	(47)	**(47)**
Sale	-	(3)	**(3)**
Reclassification to investment properties	(32)	-	**(32)**
Translation difference	-	(6)	**(6)**
December 31, 2019	190	588	**778**
Net value:			
December 31, 2019	1,180	535	**1,715**

(all amounts in thousands of euros unless otherwise indicated)

10. Intangible assets

	Software	**Intangible assets**		Software	**Intangible assets**
Net value:			***Net value:***		
December 31, 2017	2	**2**	**December 31, 2018**	5	**5**
Gross value:			***Gross value:***		
December 31, 2017	12	**12**	December 31, 2018	16	**16**
Addition	-	**4**	Addition	58	**58**
Scrapping	-	**-**	Scrapping	(2)	**(2)**
Translation difference	-	**-**	Translation difference	(1)	**(1)**
December 31, 2018	16	**16**	**December 31, 2019**	71	**71**
Depreciation:			***Depreciation:***		
December 31, 2017	10	**10**	December 31, 2018	11	**11**
Addition	1	**1**	Addition	3	**3**
Scrapping	-	**-**	Scrapping	(2)	**(2)**
December 31, 2018	11	**11**	**December 31, 2019**	12	**12**
Net value:			***Net value:***		
December 31, 2018	5	**5**	**December 31, 2019**	59	**59**

The intangible assets are purchased only.

(all amounts in thousands of euros unless otherwise indicated)

11. Investment property

	Development Land	Investment property under construction	Completed investment property	**Investment property**
Book value:				
December 31, 2017	11,767	23,900	180,571	**216,238**
Addition	-	12,779	5,758	**18,537**
Reclassification	-	(39,260)	39,260	**-**
Change in fair value	-	2,581	2,277	**4,858**
December 31, 2018	11,767	-	227,866*	**239,633**
Addition	277	-	2,257	**2,534**
Reclassification from property, plant and equipment	-	-	516	**516**
Change in fair value	-	-	4,452	**4,452**
December 31, 2019	12,044	-	235,091	**247,135**

* Refurbisments and reconstrucion in progress on completed investment properties amount to 2,199 thousand euro as of December 31, 2018.

In 2019 additions in construction in progress of 2,534 thousand EUR comprise the following:

- refurbishment of buildings in progress in the core area (826 thousand EUR),
- fit-out works in completed investment properties upon tenant's requests (1,040 thousand EUR),
- archeological and landscaping works in the southernmost area (260 thousand EUR),
- other developments in progress (408 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).

In the valuation the appraiser evaluated the asset's potential to generate income, which is the present value of future incoming free cash flows and which represents the value of an asset or an investment. The basis of the calculation is that it counts in the present (at the date of the evaluation) with future benefits of owing and using an asset. Net present value is determined through the 10 years cash-flow method based on revenues less expenses, which include the period covered by rental contracts as well as periods of free market usage.

The comparable approach was used for review technique which fairly supported the results of the yield- and residual value calculations.

According to IAS 40 development lands are presented on cost.

(all amounts in thousands of euros unless otherwise indicated)

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

		December 31, 2018	December 31, 2019
Rental area	• office, laboratory and related service areas	73,000 m^2	73,000 m^2
	• education area	6,000 m^2	6,000 m^2
	• Dormitory	3,000 m^2 / 85 persons	3,000 m^2 / 85 persons
Development lands	• rentable area which can be developed	62,000 m^2	62,000 m^2
Long term occupancy		95%	95%
Growth factor		1%	1%
Average discount factor		6.02%	6.08%

Sensitivity analysis of completed investment property and investment property under construction:

	December 31, 2018		December 31, 2019	
Long term occupancy rate				
	100%	239,859	100%	247,464
	95%	**227,866**	**95%**	**235,091**
	90%	215,873	90%	222,718
Average discount factor				
	5.82%	235,696	5.88%	243,087
	6.02%	**227,866**	**6.08%**	**235,091**
	6.22%	220,539	6.28%	227,604

12. Trade payables

	December 31, 2018	December 31, 2019
Trade payables – domestic	1,250	678
Trade payables	**1,250**	**678**

The Group settles trade payables within the payment term and had no overdue payables as of December 31, 2019 and 2018.

(all amounts in thousands of euros unless otherwise indicated)

13. Other short-term liabilities

	December 31, 2018	December 31, 2019
Amounts due to employees	64	76
Deposits from tenants	551	606
Fair value difference of loans*	752	706
Other payables and accruals	3,757	3,758
Other short-term liabilities	**5,124**	**5,146**

* Fair value difference of loans with preferential interest rate due within one year. Details are disclosed in Note 14 (Loans).

14. Loans

14.1. Loan details

	December 31, 2018	December 31, 2019
Short-term	3,561	7,993
Long-term	69,111	101,634
Loans	**72,672**	**108,627**

Loans provided by Erste Bank Hungary Zrt.:

Loan number 1. (Erste)

	December 31, 2018	December 31, 2019
Short-term	702	722
Long-term	12,263	11,272
Loan 1 / Erste Bank Hungary Zrt.	**12,965**	**11,994**

(all amounts in thousands of euros unless otherwise indicated)

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

As of December 31, 2019 the outstanding capital of the forint based facility amounts to 3.5 billion HUF (10,619 thousand EUR); and the euro based facility amounts to 2,610 million EUR. The fair value of the loans (calculated using market interest rates) is 11,994 thousand EUR (see details under point 14.2 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.

As of December 31, 2019 fair value of the cash flow hedge transaction is presented among long-term financial liabilities in amount of 328 thousand EUR; unrealized difference related to the transaction are presented within the equity (Cash flow hedge reserve) in amount of 407 thousand EUR. (As of December 31, 2018, fair value of the cash flow hedge transaction is presented among long-term financial assets in amount of 195 thousand EUR; unrealized difference in 2018 related to the transaction are presented within the equity in amount of 229 thousand EUR.) Till the closure of the transaction any gains or losses due to ineffectiveness are not expected.

Details of the hedge	**December 31, 2018**	**December 31, 2019**
Financial asset / (liability) relating to the hedge	(195)	(328)
Other comprehensive income relating to the hedge	229	407
Hedged outstanding loan liability	11,686	10,619

Loan number 2. (Erste)

	December 31, 2018	**December 31, 2019**
Short-term	1,746	1,798
Long-term	37,078	35,280
Loan 2 / Erste Bank Hungary Zrt.	**38,824**	**37,078**

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. 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 redeemed with partly variable interest rates. On December 31, 2019 fair value of the IRS is 2,087 thousand EUR, which is presented among the long term financial liabilities.

(all amounts in thousands of euros unless otherwise indicated)

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. The 40,000 thousand EUR facility was drawn down and loans provided by Aareal Bank were refinanced. Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

Details of the hedge	December 31, 2018	December 31, 2019
Financial (liability) relating to the hedge	(784)	(2,087)
Other comprehensive income relating to the hedge	(537)	(2,087)
Ineffective portion of the hedge gain / (loss)	(13)	13
Hedged outstanding loan liability	38,824	37,078

Loans provided by UniCredit Bank Hungary Zrt.:

Loan number 1. (Unicredit)

	December 31, 2018	December 31, 2019
Short-term	1,113	1,140
Long-term	19,770	18,630
Loans / UniCredit Bank Hungary Zrt.	**20,883**	**19,770**

The Company executed a 24 million EUR loan facility 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.

As of December 31, 2019 the outstanding capital amounts to 22,400 thousand EUR, whose fair value was 19,770 thousand EUR (calculated using market interest rates) (see details under point 14.2 below).

Loan number 2. (Unicredit)

	December 31, 2018	December 31, 2019
Short-term	-	4,333
Long-term	-	35,452
Loans / UniCredit Bank Hungary Zrt.	**-**	**39,785**

(all amounts in thousands of euros unless otherwise indicated)

On November 19, 2019 the Company concluded a euro-based, 10 years to maturity loan facility agreement of 40 million EUR value with UniCredit Bank in order to optimize the Company's capital structure, which has been already drawn on December 30, 2019. From the total amount of the loan 3 million EUR is due on March 31, 2020. In order to fix the interest rate the new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term. On December 31, 2019 fair value of the IRS is 28 thousand EUR, which is presented among the long term financial liabilities. Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

Details of the hedge	**December 31, 2018**	**December 31, 2019**
Financial (liability) relating to the hedge	-	(28)
Other comprehensive income relating to the hedge	-	(28)
Hedged outstanding loan liability	-	36,785

14.2. Analyses

Maturity profile of the loans:

	December 31, 2018	**December 31, 2019**
Due within 1 year	3,561	7,993
Due between 1-5 years	15,417	21,453
Due over 5 years	53,694	79,181
Loans	**72,672**	**108,627**

Fair value of the loans:

	December 31, 2018	**December 31, 2019**
Erste Bank Hungary Zrt. Loan nr. 1.*	12,965	11,994
Erste Bank Hungary Zrt. Loan nr. 2.	38,824	37,078
UniCredit Bank Hungary Zrt. Loan nr. 1.*	20,883	19,770
UniCredit Bank Hungary Zrt. Loan nr. 2.	-	39,785
Loans at fair value*	**72,672**	**108,627**

* Calculated at a 2.5% market-based interest rate for the loans with preferential interest rate.

(all amounts in thousands of euros unless otherwise indicated)

The weighted average interest rate of the loans was 1.68% as of December 31, 2019 and as of the date of the approval of these financial statements (2018: 1.56%).

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 December 31, 2019:

	Actual loan liability	**Fair value difference	*Fair value
Erste Bank Hungary Zrt.	13,229	1,235	11,994
UniCredit Bank Hungary Zrt.	22,400	2,630	19,770
Loans (FGS)	**35,629**	**3,865**	**31,764**

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

** 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 13) and other long-term liabilities (Note 15) and amortized to the profit and loss statement based on the effective interest rate method.

15. Other long-term liabilities

	December 31, 2018	**December 31, 2019**
Fair value difference of loans*	3,894	3,160
Warranty retention	157	192
Fair value of derivative instruments **	979	2,443
Other long-term liabilities	**5,030**	**5,795**

* Fair value differences of loans with preferential interest rate due over one year. Details are disclosed in Note 14 (Loans).

** Fair value of IRSs as of December 31, 2019. The valuations were prepared by the financing banks.

(all amounts in thousands of euros unless otherwise indicated)

16. Revenue

	December 31, 2018	December 31, 2019
Property rental revenue*	12,411	14,249
Other revenue**	408	-
Revenue	**12,819**	**14,249**

*Property rental revenue consists solely of rental fees coming from the lease of real estate of Graphisoft Park.
**Other revenue contains a one-off revenue from engineering service provided in the second quarter of 2018.

Rental contracts are treated as operating lease agreements. Total payouts of minimum lease payments that can be required from these operating lease agreements over the lease term are as follows:

	December 31, 2018	December 31, 2019
Within 1 year	13,452	14,051
1-2 years	11,445	12,938
2-3 years	10,528	11,920
3-4 years	9,690	10,819
4– 5 years	8,897	9,752
Over 5 years	20,297	12,476
	74,309	**71,956**

17. Operating expense

	December 31, 2018	December 31, 2019
Property related expense	69	92
Employee related expense	888	806
Other operating expense	537	510
Depreciation and amortization	190	196
Operating expense	**1,684**	**1,604**

(all amounts in thousands of euros unless otherwise indicated)

Other operating expense consists of the following items:

	December 31, 2018	December 31, 2019
Office and telecommunication	14	10
Legal and administration	330	323
Other	193	177
Other operating expense	**537**	**510**

18. Other income (expense)

	December 31, 2018	December 31, 2019
Income from recharged construction expenses	3,217	419
Recharged construction expenses	(2,907)	(377)
Income from recharged operation expenses	4,635	5,383
Recharged operation expenses	(4,241)	(4,883)
Others	(152)	(30)
Other income	**552**	**512**

19. Interest and other financing cost

	December 31, 2018	December 31, 2019
Interest expense on loans	(967)	(1,212)
Break cost of loan	(258)	-
Other interest expense	(5)	(4)
Interest and other financing cost	**(1,230)**	**(1,216)**

(all amounts in thousands of euros unless otherwise indicated)

20. Other financial result

	December 31, 2018	December 31, 2019
Exchange rate (loss) realized	(701)	(92)
Exchange rate (loss) / gain not realized	527	40
Ineffective portion of hedge*	(13)	13
Other financial result	**(187)**	**(39)**

*Ineffective portion of the IRS agreement relating to the loan Nr. 2. provided by Erste Bank Hungary Zrt.

21. Income taxes

	December 31, 2018	December 31, 2019
Current income tax	(45)	(24)
Income tax (expense)	**(45)**	**(24)**

Based on the business activity, Graphisoft Park Engineering & Management Kft – established in 2017 – does not operate under the “SZIT” regulation and therefore is subject to corporate income tax, local business tax and deferred income tax, if applicable. Applicable tax rates are as follow: corporate income tax at 9% and local business at tax 2% both in 2018 and 2019.

(all amounts in thousands of euros unless otherwise indicated)

The effective income tax rate varied from the statutory income tax rate due to the following items:

	December 31, 2018	**December 31, 2019**
Profit before tax	**15,128**	**16,354**
Tax at statutory rate	**1,362**	**1,472**
Non-taxable items	(1,406)	(1,467)
Others	62	(10)
Corporate income tax	**18**	**(5)**
Local business tax	**27**	**29**
Tax (benefit) expense	**45**	**24**
Effective tax rate	**0.3%**	**0.1%**

22. Earnings per share

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

	December 31, 2018	**December 31, 2019**
Net profit attributable to equity holders	15,083	16,330
Weighted average number of ordinary shares	10,082,598	10,082,598
Basic earnings per share (EUR)	**1.50**	**1.62**
Weighted average number of ordinary shares	10,082,598	10,082,598
Diluted earnings per share (EUR)	**1.50**	**1.62**

Treasury shares possessed by the Company and employee shares are excluded when the earnings per share value is determined as described in Note 1.3 to the financial statements.

Share ownership details are disclosed in Note 1.3.

(all amounts in thousands of euros unless otherwise indicated)

23. Treasury shares

Graphisoft Park SE treasury share details are as follows:

	December 31, 2018	December 31, 2019
Number of ordinary shares	549,076	549,076
Number of employee shares	625,389	625,389
Face value per share (EUR)	0.02	0.02
Total face value (EUR)	23,489	23,489
Total value of treasury shares (at historical cost)	974	974

24. Net asset value

Book value and fair value of assets and liabilities as of December 31, 2019:

	Note	Book value Dec 31, 2019	Fair value Dec 31, 2019	*Difference*
Investment property and other tangible assets*	9,11	248,850	265,475	*16,625*
Intangible assets	10	59	59	-
Current tax liabilities, net	7	(72)	(72)	-
Non-financial instruments		**248,837**	**265,462**	***16,625***
Cash and cash equivalents	5	46,492	46,492	-
Trade receivables	6	1,292	1,292	-
Other current assets	8	2,295	2,295	-
Trade payables	12	(678)	(678)	-
Other short-term liabilities	13	(5,146)	(5,146)	-
Loans	14	(108,627)	(108,627)	-
Other long-term liabilities	15	(5,795)	(5,795)	-
Financial instruments		**(70,167)**	**(70,167)**	**-**
Net asset value		**178,670**	**195,295**	***16,625***

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 264,940 thousand euros as of December 31, 2019.

(all amounts in thousands of euros unless otherwise indicated)

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

	Note	Book value Dec 31, 2018	Fair value Dec 31, 2018	*Difference*
Investment property and other tangible assets*	9,11	241,707	264,958	*23,521*
Intangible assets	10	5	5	-
Current and deferred tax assets, net	7	81	81	-
Non-financial instruments		**241,793**	**265,044**	***23,521***
Cash and cash equivalents	5	5,874	5,874	-
Trade receivables	6	1,450	1,450	-
Other current assets	8	2,504	2,504	-
Trade payables	12	(1,250)	(1,250)	-
Other short-term liabilities	13	(5,124)	(5,124)	-
Loans	14	(72,672)	(72,672)	-
Other long-term liabilities	15	(5,030)	(5,030)	-
Financial instruments		**(74,248)**	**(74,248)**	**-**
Net asset value		**167,545**	**190,796**	***23,521***

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 264,510 thousand euros as of December 31, 2018.

(all amounts in thousands of euros unless otherwise indicated)

25. Related party disclosure

Transactions with related parties:

Graphisoft Park SE did not hold interests in entities other than its consolidated subsidiaries (100%) in 2019 and 2018.

AIT-Budapest Kft., Graphisoft SE, vintoCON Kft. (till August, 2019) and B.N.B.A. Holding Zrt. are deemed related parties of the Group in 2019 and 2018 in view of the following facts:

- Chairman of the Board of Directors of Graphisoft Park SE (Bojár Gábor) is Managing Director at AIT-Budapest Kft.,
- Chairman of the Board of Directors of Graphisoft Park SE (Bojár Gábor) is member of the Board of Directors of Graphisoft SE,
- Member of the Board of Directors of Graphisoft Park SE (Szigeti András) was member of the executive management of vintoCON Kft till August, 2019,
- Member of the Board of Directors of Graphisoft Park SE (Szigeti András) is the Chief Executive Officer of B.N.B.A. Holding Zrt.

Total amount of transactions that have been entered into with these parties and year-end balances are as follows:

Item	December 31, 2018	December 31, 2019
Sales to related parties	2,847	2,612
Purchases from related parties	4	3
Receivables from related parties	-	50
Liabilities to related parties	905	1,419

Transactions with the related parties were as follows in 2019 and 2018:

- AIT-Budapest Kft., Graphisoft SE, vintoCON Kft. and B.N.B.A. Holding Zrt. leased a total office space of 8,560 m^2 in Graphisoft Park in 2018 and in 2019 till August, 8,415 m^2 between September, 2019 and December 2019,
- vintoCON Kft. provided software administration services for Graphisoft Park Services Kft. in 2019 till August and 2018,
- Graphisoft SE provided software administration services for Graphisoft Park Kft. in 2019 and 2018,
- Graphisoft Park Engineering & Management Kft provided engineering services for Graphisoft SE in 2018.

Transactions (sales to and purchases from) with the related parties are made at market prices. Office lease rent and service charges are similar to other tenants of the Group. No guarantees were provided or received for any related party receivables or payables. In 2019 and 2018, the Group has not recorded any impairment loss relating to amounts owed by related parties.

(all amounts in thousands of euros unless otherwise indicated)

Remuneration of the board of directors, compensation of key management personnel*:

	December 31, 2018	December 31, 2019
Remuneration of the Board of Directors	78	77
Compensation of key management personnel	236	305
Total	**314**	**382**

* Key management personnel: the Chief Executive Officer and the Chief Financial Officer of Graphisoft Park SE, and the Managing Director of Graphisoft Park Services Kft.

No loans or advance payments were granted to the members of the Board of Directors or the key management personnel, and the Group did not undertake guarantees in their names.

Interests of the board of directors and the key management personnel in Graphisoft Park SE:

	December 31, 2018			December 31, 2019		
Shareholder	**Shares (pc)**	**Share (%)**	**Voting right (%)**	**Shares (pc)**	**Share (%)**	**Voting right (%)**
ORDINARY SHARES:	**2,715,082**	**25.54**	**23.96**	**1,789,082**	**16.83**	**15.79**
Bojár Gábor - Chairman of the BoD*	2,485,125	23.37	21.93	1,685,125	15.85	14.87
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	-	-	-
Kocsány János - Member of the BoD, CEO	90,457	0.85	0.80	90,457	0.85	0.80
EMPLOYEE SHARES:	**1,250,778**	**-**	**11.03**	**1,250,778**	**-**	**11.03**
Kocsány János - Member of the BoD, CEO	1,250,778	-	11.03	1,250,778	-	11.03
SHARES TOTAL:	**3,965,860**	**25.54**	**34.99**	**3,039,860**	**16.83**	**26.82**

* Bojár Gábor transferred 800,000 shares to B.N.B.A. Holding Zrt. trustee for trust property management.
** Szigeti András transferred all of his 126,000 shares to SZJT Holding Zrt. trustee for trust property management.

Information on shareholders and governance of the Company are provided in Notes 1.3 and 1.4.

26. Financial risk management

Changes in market and financial conditions may significantly affect results, assets and liabilities of the Group. Financial risk management aims to limit these risks through operational and finance activities.

Market risk:

Office rental price risk:

The Group has been pursuing consistent and calculable rental pricing policies for years. Current rental prices and conditions are confirmed by the market (tenants) to be in line with the unique environment and top quality of the property. However, there is no assurance that current rental prices and conditions can be maintained in the future.

Risk of assets:

The Group takes out insurance against the risks of the leased properties, and tenants are required to pay deposit or give bank guarantees in advance to cover further potential risks.

Currency risk:

The Group does not run currency risk on the fulfilment of the debt service since both the predominant part of the rental revenues and the debt service are denominated in EUR. The Group is exposed to foreign currency risk to a certain extent because operating and capital expenditures are mostly due in HUF.

Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates related primarily to its long-term loans with floating interest rates. The share of loans with floating interest rates was marginal in the total loan portfolio and was fully refinanced on 29 June 2018.

To manage interest rate risk, the bank loans of the Group are subject to fixed interest rates. Conditions and balances of bank loans are disclosed in Note 14.

Credit risk:

Credit risk is the risk that counterparty does not meet its payment obligations. The Group is exposed to credit risk from its leasing and financing (including deposits with banks and financial investments) activities.

Tenant receivables:

Credit risk is managed by requiring tenants to pay deposits or give bank guarantees in advance, depending on the credit quality of the tenant assessed at the time of entering into a lease agreement. Tenant receivables are regularly monitored.

Credit risk related to tenant receivables is limited due to the composition of the tenant portfolio.

Revenue from 2 tenants (SAP Hungary Kft., Graphisoft SE) exceeded 10% of the total revenue of the Group in 2019 and 2018 (separately). Revenue from these 2 tenants represented 44% of the total revenue in 2019 and 46% in 2018.

(all amounts in thousands of euros unless otherwise indicated)

Cash deposit and financial investments:

Credit risk from balances with banks and financial investments is managed in accordance with the Group's conservative investment policy. To limit credit risk, reserves are held in cash or low-risk securities, with substantial financial institutions.

Liquidity risk:

The Group's revenues are sufficient to cover debt service and operating costs, and therefore liquidity problems are not to be expected. Property development projects are planned together with their financing needs, and funds required to complete the projects are ensured in time.

The Group settles its payment obligations within the payment term and had no overdue payables as of December 31, 2019 and 2018.

The two tables below summarize the maturity profile of financial liabilities based on contractual undiscounted payments as of December 31, 2019 and 2018.

December 31, 2019	**Overdue**	**Due within 1 year**	**Due between 1-5 years**	**Due over 5 years**	**Total**
Loans*	-	10,582	30,394	84,795	**125,771**
Trade payables	-	678	-	-	**678**
Current tax liability	-	309	-	-	**309**
Other liabilities	-	4,440	192	2,443	**7,075**
Financial liabilities	**-**	**16,009**	**30,586**	**87,238**	**133,833**

December 31, 2018	**Overdue**	**Due within 1 year**	**Due between 1-5 years**	**Due over 5 years**	**Total**
Loans*	-	5,475	22,088	58,044	**85,607**
Trade payables	-	1,250	-	-	**1,250**
Current tax liability	-	136	-	-	**136**
Other liabilities	-	4,372	157	979	**5,508**
Financial liabilities	**-**	**11,233**	**22,245**	**59,023**	**92,501**

* Capital plus interest calculated for the fixed interest period of the loan.
* Loans and the fair value difference of loans with preferential interest rate altogether.

27. Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The management proposes to the owners to approve dividend payments or adopt other changes in the equity capital in order to optimize the capital structure of the Group. This can be achieved primarily by adjusting the amount of dividends paid to shareholders, or alternatively, by returning capital to shareholders by capital reductions, selling or buying own shares.

Consistent with others in the industry, the management monitors capital structure based on the debt service cover ratio (DSCR) and the loan-to-value ratio (LTV). DSCR is calculated as cash available for debt service (rental revenues less operating and other costs) divided by debt service (capital plus interest), while LTV is calculated as the ratio between the sum financial indebtedness and the market value of the property. The objective of the Group is to keep DSCR above 1.25 and LTV below 0.60 (in line with the requirements of the existing loan agreements).

28. Legal proceedings

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.). In the resolution received on October 3, 2018, the competent government body, the Pest County Government Office notified us about the prolongation of the completion deadline of the rehabilitation in the northern development area. We have filed suit for the review of the resolution in administrative court. The first hearing took place on April 16, 2019, the second one on June 18, 2019, the third one on September 19, 2019 without the court entering any decision that times. The last hearing took place on November 12, 2019; while judgement was entered on December 12, 2019, where the Court repealed the resolution of Pest County Government Office on granting an extension to the deadline for the environmental remediation of the northern development area and obliged the Government Office to conduct a new proceeding.

29. Approval of financial statements, dividend

Following the recommendation of the Board of Directors, the Annual General Meeting on April 29, 2019 approved the 2018 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 251,757 thousand EUR and a profit for the year of 15,083 thousand EUR. Together with the approval of the consolidated financial statements for issue, the Annual General Meeting approved dividend distribution of 126 HUF per ordinary share, 1,270,407 thousand HUF in total (3,938 thousand EUR on the exchange rate of April 29, 2019), and 42 HUF per employee share, 52,533 thousand HUF in total (163 thousand EUR on the exchange rate of April 29, 2019). The starting date for dividend payments was May 15, 2019. The Company paid out the dividends to the shareholders identified by shareholder's registration as of May 8, 2019.

30. Events after balance sheet date

Structured share repurchase transaction

In accordance with the extraordinary announcement on February 6, 2020, the Company plans to execute a structured share repurchase transaction ("Transaction") where the Company proposes to buy back shares from its shareholders in the total value of 33,000,000 euros in order to improve the Company's capital structure. The Board of Directors has convened the Company's General Meeting for March 2, 2020, that obtained the authorizations necessary for completing the Transaction.

On March 19, 2020 the Board of Directors of Graphisoft Park SE decided to cancel the structured share repurchase transaction in accordance with Pont VIII. of the Prospectus (Frustration), taking into consideration the current situation in Hungary; the actions taken and possible future actions due to the Coronavirus disease; the possible effects of these actions and events on the participation in the proposed transaction and on the execution of the transaction; and the possible future economic situation due to the disease.

Besides the cancellation of the transaction the Board of Directors proposes to the AGM (to be held on April 30, 2020) 4,448,700 euros dividend based on the 2019 expected pro-forma results and additional 25,597,442 euros dividend from the allocated total amount of the cancelled transaction; that is altogether 30,046,142 euros dividend for ordinary shareholders (2.98 euro per ordinary share). The dividend amount in forint will be determined based on the MNB exchange rate on the working day before the day of the Annual General Meeting. The Board of Directors does not recommend the distribution of the remaining amount out of the total allocated amount for the transaction due to the current economic forecasts.

Legal proceedings

In relation to the legal proceeding disclosed in Note 28, in January 2020 the Pest County Government Office submitted a motion for review against the final administrative judgment made on December 12, 2019, but the Government Office withdrew it without explanation in February 2020. Therefore, the extraordinary legal review process against the final administrative judgment made on December 12, 2019 ended and the final judgement remained in effect, and the case is remanded to the Pest County Government Office to conduct new proceedings regarding the prolongation of completion deadline requested by NKM Földgázszolgáltató Zrt.

Proposed dividend by the Board

The annual financial statements of the Company for the year 2019 prepared in accordance with International Financial Reporting Standards (IFRS) are authorized for issue in accordance with the resolution of the Board of Directors on March 19, 2020. The Board proposes dividend distribution of 2.98 EUR per ordinary share to be approved by the Annual General Meeting of Graphisoft Park SE of April 30, 2020. The Board also proposes altogether 183,958 EUR dividend for employee shares. The dividend amount in forint will be determined based on the MNB exchange rate on the working day before the day of the Annual General Meeting. The Annual General Meeting has the power to amend the annual financial statements.

31. Additional presentations according to the Hungarian Accounting Law

Persons responsible for signing and preparing the financial statements:

The persons authorized and required to sign the Company's financial statements are as follow:

Name: Kocsány János
Position: Chief Executive Officer
Address: H-1038 Budapest, Ékszer utca 4.

The person responsible for supervising transactional accounting and preparation of financial statements according to IFRS:
Name: Bodócsy Ágnes
IFRS registration number: MKVK-007117

Statutory auditor and audit fees:

The Company is subject to statutory audit. The Company's auditor is BDO Magyarország Könyvvizsgáló Kft. (address: H-1103 Budapest, Kőér utca 2/A C ép.). The person responsible for signing the audit report:

Name:	Kékesi Péter
Registration number:	MKVK-007128

The audit fee for the Company's stand alone and consolidated financial statements as of December 31, 2019 is 16,000 euro, the interim and final audit fee for the subsidiaries was 13,050 euro. Audit related fees amounted to 3,500 euro for 2019.

32. Declarations

Forward-looking statements *- This Annual Report contains forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement.*

Statement of responsibility *- We declare that the Consolidated Financial Statements 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 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.*