GRAPHISOFT PARK SE

Interim Management Report – Fourth Quarter 2019

February 27, 2020

GRAPHISOFTPARK

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 accordance with the Company's earlier detailed announcements, in order to optimize the Company's capital structure, taking advantage of the current very favorable borrowing conditions, the Company has taken 40 million euros loan, of which 3 million euros were necessary to successfully complete the planned Transaction through real estate sales and purchases within the group companies. This amount is due until March 31, 2020; the additional amount of 37 million euros is 10 years to maturity euro-based loan facility with fixed interest rate. The Company plans to pay out to its shareholders 33 million euros out of the latter amount in the frame of a structured share repurchase transaction ("Transaction"). The Board of Directors has convened the Company's General Meeting for March 2, 2020, to obtain the authorizations necessary for completing the Transaction. The Company is planning to execute the Transaction on April 3, 2020, see details are under the following link:
https://bet.hu/site/newkib/en/2020.02./Graphisoft_Park_SE_s_extraordinary_announcement_on_share_repurchase_128353666

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). As the number of outstanding shares might significantly decrease as a result of the successful completion of the Transaction, we do not forecast earnings per share in these Financial Statements. According to the current expectation of the Company, upon the successful execution of the Transaction, 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 relating to the Transaction 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.

Kocsány János

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]	**1.50**	**1.62**

(1) In order to successfully complete the planned Transaction, 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.

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[1] After the successful completion of the planned Transaction, dividend per share calculated based on the 2019 net profit would be higher, due to the lower number of outstanding shares.

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 21 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 8 (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):

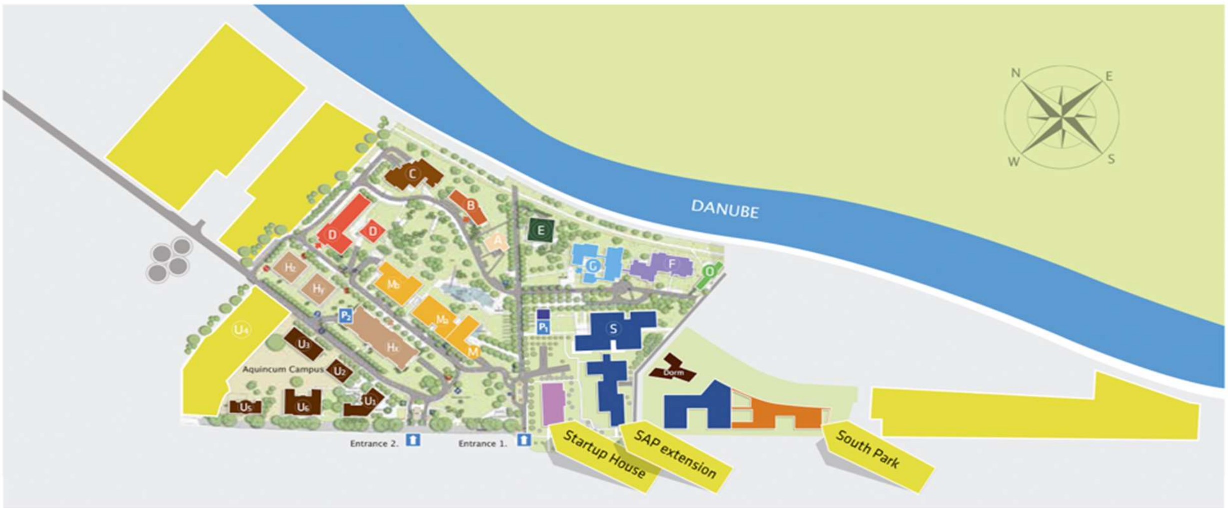
Period:	**2018 Q4**	**2019 Q1**	**2019 Q2**	**2019 Q3**	**2019 Q4**
Occupancy of gross leasable area (%):	**95%**	**96%**	**97%**	**97%**	**97%**
Gross leasable area (m^2):	82,000	82,000	82,000	82,000	82,000

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, while from the remaining amount the Company proposes to pay to its Shareholders 33 million euro in the frame of a structured share repurchase transaction. 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.

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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.

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

Statement of responsibility *- We declare that the attached Quarterly Report which have been prepared in accordance with the International Financial Reporting Standards and to the best of our knowledge, give a true and fair view of the assets, liabilities, financial position and profit or loss of Graphisoft Park SE and its subsidiaries included in the consolidation, and the Business Report gives a fair view of the position, development and performance of Graphisoft Park SE and its subsidiaries included in the consolidation, together with a description of the principal risks and uncertainties of its business.*

Budapest, February 27, 2020

Kocsány János

Bojár Gábor Chairman of Board of Directors	Kocsány János Chief Executive Officer

GRAPHISOFT PARK SE

QUARTERLY REPORT

for the quarter ended December 31, 2019

in accordance with International Financial Reporting Standards (IFRS)

(consolidated, unaudited)

Budapest, February 27, 2020

Kocsány János

Chief Executive Officer

Bodócsy Ágnes

Chief Financial Officer

GRAPHISOFT PARK SE
QUARTERLY REPORT
DECEMBER 31, 2019

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

	Notes	December 31, 2018	December 31, 2019
Cash and cash equivalents	3	5,874	46,492
Trade receivables	4	1,450	1,292
Current tax receivable	5	217	237
Other current assets	6	2,504	2,295
Current assets		**10,045**	**50,316**
Investment property	8	239,633	247,135
(Owner occupied) Property, Plant and Equipment	7	2,074	1,715
Intangible assets		5	59
Non-current assets		**241,712**	**248,909**
TOTAL ASSETS		**251,757**	**299,225**
Short-term loans	11	3,561	7,522
Trade payables	9	1,250	678
Current tax liability	5	136	309
Other short-term liabilities	10	5,124	4.973
Current liabilities		**10,071**	**13,482**
Long-term loans	11	69,111	101,105
Other long-term liabilities	12	5,030	5,968
Non-current liabilities		**74,141**	**107,073**
TOTAL LIABILITIES		**84,212**	**120,555**
Share capital	1.3	250	250
Retained earnings		170,999	183,391
Treasury shares	20	(974)	(974)
Cash flow hedge reserve	11	(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**

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

	Notes	3 months ended		12 months ended	
		Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019
Property rental revenue		3,294	3,613	12,411	14,249
Other revenue		8	-	408	-
Revenue	**13**	**3,302**	**3,613**	**12,819**	**14,249**
Property related expense	14	(16)	(14)	(69)	(92)
Employee related expense	14	(378)	(200)	(888)	(806)
Other operating expense	14	(111)	(155)	(537)	(510)
Depreciation and amortization	7, 14	(25)	(55)	(190)	(196)
Operating expense		**(530)**	**(424)**	**(1,684)**	**(1,604)**
Valuation gains from investment property	8	1,125	821	4,858	4,452
Other income	15	171	186	552	512
OPERATING PROFIT		**4,068**	**4,196**	**16,545**	**17,609**
Interest expense	16	(312)	(300)	(972)	(1,216)
Other financial cost	16	-	-	(258)	-
Exchange rate difference	17	(193)	53	(187)	(39)
Financial result		**(505)**	**(247)**	**(1,417)**	**(1,255)**
PROFIT BEFORE TAX		**3,563**	**3,949**	**15,128**	**16,354**
Income tax expense	18	(8)	(13)	(45)	(24)
PROFIT FOR THE PERIOD		**3,555**	**3,936**	**15,083**	**16,330**
Attributable to equity holders of the parent		3,555	3,936	15,083	16,330
Basic earnings per share (EUR)	19	0.35	0.39	1.50	1.62
Diluted earnings per share (EUR)	19	0.35	0.39	1.50	1.62

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

	Notes	3 months ended		12 months ended	
		Dec 31, 2018	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**
Profit for the period		**3,555**	**3,936**	**15,083**	**16,330**
Cash-flow hedge valuation reserve*		(278)	660	(973)	(1,400)
Revaluation reserve of properties**		-	-	-	150
Translation difference**		9	(1)	(19)	(17)
Other comprehensive income		**(269)**	**659**	**(992)**	**(1,267)**
COMPREHENSIVE INCOME		**3,286**	**4,595**	**14,091**	**15,063**
Attributable to equity holders of the parent		3,286	4,595	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.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
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 20.
** Cash flow hedge transaction details are disclosed in Note 11 (Loans).
*** Revaluation surplus on leasing a part of owner-occupied property, i.e. transfers from investment property to owner occupied property.

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

	3 months ended		12 months ended	
	Dec 31, 2018	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**
OPERATING ACTIVITIES				
Income before tax	3,563	3,949	15,128	16,354
Fair value change of investment properties	(1,125)	(821)	(4,858)	(4,452)
Depreciation and amortization	25	55	190	196
Revaluation difference of properties	-	-	-	(150)
(Gain) / loss on sale of tangible assets	(1)	1	-	2
Interest expense	312	300	972	1,216
Break cost of loan	-	-	258	-
Unrealized foreign exchange loss / (gain)	71	(52)	(520)	(82)
Changes in working capital:				
Decrease / in receivables and other current assets	97	206	7,130	350
(Decrease) / increase in liabilities	(1,119)	(31)	(1,206)	105
Corporate income tax paid	(63)	-	(91)	(27)
Net cash from operating activities	**1,760**	**3,607**	**17,003**	**13,512**
INVESTING ACTIVITES				
Purchase of investment property	(2,347)	(763)	(21,555)	(3,116)
Purchase of other tangible assets and intangibles	-	-	(436)	(263)
Sale of tangible assets	24	2	58	4
Net cash used in investing activities	**(2,323)**	**(761)**	**(21,933)**	**(3,375)**
FINANCING ACTIVITIES				
Proceeds from receipt of loans	-	40,000	46,089	40,000
Loan repayments	(356)	(1,088)	(35,268)	(4,345)
Interest paid	(313)	(268)	(998)	(1,227)
Break fee of loan	-	-	(258)	-
Dividend paid	-	-	(2,993)	(3,938)
Net cash from financing activities	**(669)**	**38,614**	**6,572**	**30,490**
Decrease / (increase) in cash and cash equivalents	(1,366)	41,392	1,642	40,627
Cash and cash equivalents at beginning of period	7,226	5,070	4,239	5,874
Exchange rate gain / (loss) on cash and cash equivalents	14	30	(7)	(9)
Cash and cash equivalents at end of period	**5,874**	**46,492**	**5,874**	**46,492**

(all amounts in thousands of euros unless otherwise indicated)

1. General information

1.1. Business activities

Graphisoft Park SE was established through a demerger from Graphisoft SE on August 21, 2006. The purpose of the restructuring was to spin off a new company, dedicated to real estate development and management. Graphisoft Park operates as a holding 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. Governance

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

Name	**Position**	**From**	**Until**
Bojár Gábor	Chairman	August 21, 2006	May 31, 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

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

2. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year (see Notes to the Consolidated Financial Statements of 2018), with the following differences:

<u>Seasonality of business</u>

The Company's business activities are not seasonal; revenues and expenses generally accrue at a constant rate during the course of the financial year. Certain one-off transactions may affect the results from one quarter to the next.

<u>Exchange rates used</u>

Exchange rates used are as follows:

	3 months ended		**12 months ended**	
	Dec 31, 2018	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**
EUR/HUF opening:	323.78	334.65	310.14	321.51
EUR/HUF closing:	321.51	330.52	321.51	330.52
EUR/HUF average:	323.10	332.16	318.87	325.35

(all amounts in thousands of euros unless otherwise indicated)

3. 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**

4. 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.

5. 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)**

(all amounts in thousands of euros unless otherwise indicated)

6. 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**

7. (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**
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**

(all amounts in thousands of euros unless otherwise indicated)

Gross value:			
December 31, 2018	1,766	977	**2,743**
Addition	1	220	**221**
Sale	-	(55)	**(55)**
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**
Sale	-	(50)	**(50)**
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**

8. 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**

(all amounts in thousands of euros unless otherwise indicated)

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).

According to IAS 40 development lands are presented on cost.

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

		December 31, 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%

9. Trade payables

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

(all amounts in thousands of euros unless otherwise indicated)

10. 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	533
Other payables and accruals	3,757	3,758
Other short-term liabilities	**5,124**	**4,973**

* Fair value difference of loans with preferential interest rate due within one year. Details are disclosed in Note 11 (Loans).

11. Loans

11.1. Loan details

	December 31, 2018	December 31, 2019
Short-term	3,561	7,522
Long-term	69,111	101,105
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	539
Long-term	12,263	11,455
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 11.2 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.)

Loan number 2. (Erste)

	December 31, 2018	December 31, 2019
Short-term	1,746	1,798
Long-term	37,078	35,281
Loan 2 / Erste Bank Hungary Zrt.	**38,824**	**37,079**

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.

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.

(all amounts in thousands of euros unless otherwise indicated)

Loans provided by UniCredit Bank Hungary Zrt.:

Loan number 1. (Unicredit)

	December 31, 2018	December 31, 2019
Short-term	1,113	852
Long-term	19,770	18,917
Loans / UniCredit Bank Hungary Zrt.	**20,883**	**19,769**

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 19,769 thousand EUR (calculated using market interest rates) (see details under point 11.2 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**

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.

(all amounts in thousands of euros unless otherwise indicated)

11.2. Analyses

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	37,079
UniCredit Bank Hungary Zrt. Loan nr. 1.*	20,883	19,769
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.

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	2,631	19,769
Loans (FGS)	**35,629**	**3,866**	**31,763**

* 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 10) and other long-term liabilities (Note 12) and amortized to the profit and loss statement based on the effective interest rate method.

(all amounts in thousands of euros unless otherwise indicated)

12. Other long-term liabilities

	December 31, 2018	December 31, 2019
Fair value difference of loans*	3,894	3,333
Warranty retention	157	192
Fair value of derivative instruments **	979	2,443
Other long-term liabilities	**5,030**	**5,968**

* Fair value differences of loans with preferential interest rate due over one year. Details are disclosed in Note 11 (Loans).

** Fair value of IRSs as of December 10, 2019. The valuations were prepared by the financing banks.

(all amounts in thousands of euros unless otherwise indicated)

13. Revenue

	3 months ended		12 months ended	
	Dec 31, 2018	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**
Property rental revenue*	3,294	3,613	12,411	14,249
Other revenue**	8	-	408	-
Revenue	**3,302**	**3,613**	**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.

14. Operating expense

	3 months ended		12 months ended	
	Dec 31, 2018	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**
Property related expense	16	14	69	92
Employee related expense	378	200	888	806
Other operating expense	111	155	537	510
Depreciation and amortization	25	55	190	196
Operating expense	**530**	**424**	**1,684**	**1,604**

Other operating expense consists of the following items:

	3 months ended		12 months ended	
	Dec 31, 2018	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**
Office and telecommunication	4	2	14	10
Legal and administration	57	111	330	323
Other	50	42	193	177
Other operating expense	**111**	**155**	**537**	**510**

(all amounts in thousands of euros unless otherwise indicated)

15. Other income (expense)

	3 months ended		12 months ended	
	Dec 31, 2018	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**
Income from recharged construction expenses	600	222	3,217	419
Recharged construction expenses	(468)	(200)	(2,907)	(377)
Income from recharged operation expenses	1,399	1,463	4,635	5,383
Recharged operation expenses	(1,239)	(1,289)	(4,241)	(4,883)
Others	(121)	(10)	(152)	(30)
Other income	**171**	**186**	**552**	**512**

16. Interest and other financing cost

	3 months ended		12 months ended	
	Dec 31, 2018	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**
Interest expense on loans	(311)	(299)	(967)	(1,212)
Break cost of loan	-	-	(258)	-
Other interest expense	(1)	(1)	(5)	(4)
Interest and other financing cost	**(312)**	**(300)**	**(1,230)**	**(1,216)**

17. Other financial result

	3 months ended		12 months ended	
	Dec 31, 2018	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**
Exchange rate (loss) realized	-	(15)	(701)	(92)
Exchange rate (loss) / gain not realized	(180)	53	527	40
Ineffective portion of hedge*	(13)	15	(13)	13
Other financial result	**(193)**	**53**	**(187)**	**(39)**

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

(all amounts in thousands of euros unless otherwise indicated)

18. Income taxes

	3 months ended		12 months ended	
	Dec 31, 2018	**Dec 31, 2019**	**Dec 31, 2018**	**Dec 31, 2019**
Current income tax	(8)	(13)	(45)	(24)
Income tax (expense)	**(8)**	**(13)**	**(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.

19. Earnings per share

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

	3 months ended		12 months ended	
	Dec 31, 2018	**Dec 10, 2019**	**Dec 31, 2018**	**Dec 31, 2019**
Net profit attributable to equity holders	3,555	3,936	15,083	16,330
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Basic earnings per share (EUR)	**0.35**	**0.39**	**1.50**	**1.62**
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Diluted earnings per share (EUR)	**0.35**	**0.39**	**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)

20. 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

21. 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*	7,8	248,850	265,475	*16,625*
Intangible assets		59	59	-
Current tax liabilities, net	5	(72)	(72)	-
Non-financial instruments		**248,837**	**265,462**	***16,625***
Cash and cash equivalents	3	46,492	46,492	-
Trade receivables	4	1,292	1,292	-
Other current assets	6	2,295	2,295	-
Trade payables	9	(678)	(678)	-
Other short-term liabilities	10	(4,973)	(4,973)	-
Loans	11	(108,627)	(108,627)	-
Other long-term liabilities	12	(5,968)	(5,968)	-
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*	7,8	241,707	264,958	*23,521*
Intangible assets		5	5	-
Current and deferred tax assets, net	5	81	81	-
Non-financial instruments		**241,793**	**265,044**	***23,521***
Cash and cash equivalents	3	5,874	5,874	-
Trade receivables	4	1,450	1,450	-
Other current assets	6	2,504	2,504	-
Trade payables	9	(1,250)	(1,250)	-
Other short-term liabilities	10	(5,124)	(5,124)	-
Loans	11	(72,672)	(72,672)	-
Other long-term liabilities	12	(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.

22. 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.

23. Events after balance sheet date

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, to obtain the authorizations necessary for completing the Transaction. Should the General Meeting approve it, the Company is planning to execute the Transaction on April 3, 2020.

In relation to the legal proceeding disclosed in Note 22, 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.

24. 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.

25. Declaration

Statement of responsibility *- We declare that the Quarterly Report which has been prepared in accordance with International Financial Reporting Standards and to the best of our knowledge, gives a true and fair view of the assets, liabilities, financial position and profit or loss of Graphisoft Park SE and its subsidiaries included in the consolidation, and the Business Report gives a fair view of the position, development and performance of Graphisoft Park SE and its subsidiaries included in the consolidation, together with a description of the principal risks and uncertainties of its business.*