

GRAPHISOFT PARK SE

Interim Management Report – First Half 2022

August 9, 2022



GRAPHISOFT PARK





Executive Summary

The rental revenue for the first half of 2022 was 7.71 million euros, and the pro forma net profit reached 2.78 million euros, exceeding the same period of the previous year by about 6% and 14%, respectively. Based on this, for 2022, increasing the previously published forecast by 200 thousand euros, we expect 15.2 million euros in rental revenue and 5.4 million euros profit after tax, which may exceed the results of the previous year by 6% and 12% respectively.

This result, that exceeds our previous expectations, is among other factors mainly due to the continued increase in utilization. By 2022, the high degree of uncertainty regarding office vacancies that arose because of the coronavirus epidemic has significantly eased. Based on experience, in addition to the rise of home office and hybrid working, there is also a perceptible need for personal presence and joint work in the long term. This is proven by the fact that, starting from the second half of 2021, the demand for Graphisoft Park's office space, located in an inspiring, green environment and with many communal spaces, is showing a steady increase again, the **occupancy rate** has already **increased to 98%** by the end of the first half of 2022. At the same time, the drastic increase in the price of energy sources poses another challenge for the office market: utility costs multiply, which places extra burdens on tenants. As a result, we must count with a possible decrease in demand for office space and an increase in the vacancy rate. Graphisoft Park supports tenants in achieving optimal office use with investments, renovations and modernizations that support energy efficiency, as well as by exploring opportunities to reduce energy consumption in each building.

In May 2022, based on the resolution of the AGM, a **dividend of 4.4 million euros** was paid, corresponding to 90% of the previous year's pro forma result. After the dividend payment, the **cash balance** available to the Company and generated during the operation exceeded **8 million euros by the end of 2022 H1**, which ensures the long-term safe operation of the company, the financing of certain tenant designs, building upgrades and renovations, as well as provides a reserve for any possible negative effects of the recession. In the meantime, the Company's outstanding **loan portfolio** continued to decrease, **from a value exceeding 97 million euros** at the end of the previous year **to below 94 million euros**. In addition, while the international interest rate environment is tightening, the increase in the value of the IRS transactions of our fixed low-interest loans improves the Company's equity. As a result of all this, despite the fact that the fair value of the **real estate portfolio** (including especially the northern development area) **decreased significantly by around 7 million euros as a result of external factors** (see below for more details), the **net asset fair value** of the Company still exceeded the prior year amount by around 1 million euros, reaching a value of **152 million euros**.

Property portfolio and fair value of net assets

At the end of H1 2022, the independent valuer estimated the **fair value of the real estate portfolio at 234 million euros**, which represents a decrease of cca. 7 million euros compared to the end of 2021.

The fair value of the completed and delivered properties did not change significantly, it decreased by 328 thousand euros compared to the previous year end. As a result of economic recession prospects, a drastic increase in energy prices, rising inflation and general market uncertainty, the risk factors and the yield quantifying them are higher; however, thanks to the stable tenant base in the office park and the further increasing utilization of the buildings, this together caused only a slight decrease in the property fair value.

At the same time, the **value of the development lands decreased by around 6.5 million euros**. The decrease is primarily due to the further uncertainty of the remediation of the Northern Development Area (refer to our announcement on June 21, 2022); but the lack of capacity in the construction industry and the drastic increase in raw material and energy prices, which make the estimated cost and time of constructions longer and riskier, also contributed to the decrease.



[thousands of EUR]

	Dec 31, 2021	June 30, 2022
Completed, delivered properties	218,256	217,928
Development lands	22,860	16,340
Estimated fair value of the entire property portfolio	241,116	234,268
Net asset value at estimated fair value	150,876	151,620
Net asset value at fair value per share (EUR)	15.0	15.0

Due to the fact, that instead of persistently low interest rates in the euro area, market forecasts already point to rising euro interest rates, the fair value of the Company's IRS deals concluded to fix the floating interest rate of the euro-denominated loans has increased¹, which is reflected in equity (net asset fair value). In addition to the current decrease in the fair value of the real estate of nearly 7 million euros and the paid dividend of about 4.4 million euros, based on the net result achieved, the development of the fair value of the IRS transactions and the current period loan repayments, the **net asset fair value** at the end of the first half of 2022 is **152 million euros**, almost 1 million euros higher than at the end of the previous year.

Pro forma results

Our 2022 H1 “pro forma” results developed more favorable than expected: due to the favorable utilization rate, revenues were 420 thousand euros, about 6% higher than in the same period last year. The increase in operating costs is largely related to personal payments, but at the same time, the increase in the price of certain services was offset by the weakening of the forint. Most of the other income reflects the results of rental developments and renovations in the period, while depreciation decreased slightly compared to the previous year due to the depletion of some older assets. The increase in the net interest expense is the combined result of two effects: on the one hand, the interest payable on the principal due to loan repayments decreased, and the interest income on forint assets also developed more favorably. On the other hand, in the first half of this year, the exchange rate loss due to the impairment of our forint-denominated assets reduced the financial result due to the hectic FX movement of the forint. As a result of the above, in the first half of 2022 EBITDA is 380 thousand euros, about 5.6%, and profit after tax is 330 thousand euros, 13.6% higher than in the same period of the previous year.

(million euros)	2021 H1 actual	2022 H1 actual
Rental revenue	7.29	7.71
Other income (net)	0.32	0.39
Operating expense	(0.76)	(0.87)
EBITDA	6.85	7.23
Depreciation	(3.56)	(3.47)
Operating profit	3.29	3.76
Net financial result	(0.83)	(0.97)
Profit before tax	2.46	2.79
Income tax expense	(0.01)	(0.01)
Net profit	2.45	2.78

¹ The fair value of hedges is influenced by several external factors (HUF/EUR exchange rate, monetary policy measures, interest rate expectations), the development of which may result in significant and in some cases unpredictable changes in the fair value.



Forecast

From the second half of 2021, considering the increasing utilization and the increasing, euro-based indexation of rental contracts, the rental income may reach around 15.2 million euros this year, exceeding the previous forecast by another 200 thousand euros, which means an increase of almost 4% compared to 2021. The planned increase of cca. 200 thousand euros in operating costs compared to the previous year is partly related to wage-related expenses, and partly explained by built-in inflationary expectations and the expanding volume of purchased services. Most of the other income reflects the results of the rental developments and renovations of the period, which are not expected to change significantly compared to previous years. Based on the above, EBITDA in 2022 may reach a level exceeding last year's level of 14.2 million euros. Depreciation has not changed significantly in recent years but is expected to decrease by almost 200 thousand euro this year due to the depletion of some older assets. As a result of the continuous loan repayments, the interest payable on the principal amount will decrease, so in 2022 we expect a decrease in the net interest expense of approximately 100 thousand euro. As a result, the pro forma net profit for 2022, increasing by about 11.6%, could reach 5.4 million euro.

(million euros)	2020 actual	2021 actual	2022 plan
Rental revenue	14.54	14.66	15.2
Other income (net)	0.59	0.56	0.5
Operating expense	(1.41)	(1.27)	(1.5)
EBITDA	13.72	13.95	14.2
Depreciation	(7.09)	(7.17)	(7.0)
Operating profit	6.63	6.78	7.2
Net financial result	(2.18)	(1.92)	(1.8)
Profit before tax	4.45	4.86	5.4
Income tax expense	(0.02)	(0.02)	(0.0)
Net profit	4.43	4.84	5.4

We are right in our pursuit of the “micro Silicon Valley” concept articulated some 25 years ago. Even during recessionary economic prospects and long-term changing and transforming office use needs, it is worth focusing on a well-defined customer base in real estate development, in our case, domestic and international companies dealing with technological development. Attracting talent is the key to success in this area. This is greatly enhanced by the high-quality and environmentally conscious architecture, a uniquely quiet park rich in ancient trees, on the truly green bank of the Danube, surrounded by the monuments of the former Óbuda Gas Factory and preserved in a modern way.

Bojár Gábor
 Chairman of Board of Directors

Kocsány János
 Chief Executive Officer



Financial highlights

IFRS, consolidated, thousand EUR

Results:

	Results	
	June 30, 2021	June 30, 2022
	6 months ended	
Rental revenue	7,287	7,709
Operating expense	(759)	(867)
Other income (net)	317	389
EBITDA	6,845	7,231
Depreciation and amortization	(3,551)	(3,467)
Operating profit	3,294	3,764
Net interest expense	(879)	(799)
Other financial result	48	(176)
Profit before tax	2,463	2,789
Income tax expense	(16)	(9)
Pro forma profit after tax (1)	2,447	2,780
Pro forma profit after tax per share (EUR) (2)	0.24	0.28
Valuation difference of investment properties	(175)	(751)
Unrecognized depreciation	3,431	3,348
Profit after tax according to financial statements	5,703	5,377
Profit after tax per share according to financial statements (EUR) (2)	0.57	0.53

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

(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).



IFRS, consolidated, thousand EUR

Asset value:

	December 31, 2021	June 30, 2022
Fair value of properties	218,256	217,928
<i>- from this book value (1)</i>	<i>216,723</i>	<i>216,404</i>
Fair value of development lands	22,860	16,340
<i>- from this book value (1)</i>	<i>8,348</i>	<i>8,354</i>
Entire property portfolio at estimated fair value	241,116	234,268
Net asset value at estimated fair value (2)	150,876	151,620
<i>Net asset value at cost (1)</i>	<i>135,854</i>	<i>143,092</i>
Number of ordinary shares outstanding (thousands)	10,083	10,083
Net asset value at fair value per share (euro) (2) (3)	14.96	15.04
<i>Net asset value at book value per share (euro) (1) (3)</i>	<i>13.47</i>	<i>14.19</i>

(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 is presented in the profit or loss.

(2) Estimated net asset fair value contains both development lands and owner-occupied properties on fair value instead of cost.

(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).

Net asset value at book value and net asset value at fair value (equity) are disclosed in Note 22 to the financial statements.



Detailed Analysis

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

- Financial results of 2022 H1 (“pro forma” results and results according to the financial statements),
- Utilization, occupancy,
- Development and modernization plans,
- Financing,
- Forecast for the year 2022.

“Pro forma” results of 2022 H1

“Pro forma” results of the first half of 2022 changed compared to the same period of 2021 because of the following main factors:

- **Rental revenue** (2022: 7,709 thousand euros; 2021: 7,287 thousand euros) grew by 422 thousand euros, nearly 6% compared to the same period of last year, due to the increased utilization of the office park compared to prior year and the continuous euro-based indexation of tenant contracts.
- **Operating expense** (2022: 867 thousand euros; 2021: 759 thousand euros) increased by 108 thousand euros compared to the previous period, mainly related to personal type expenses. The fees for certain services payable in forints also increased, however, due to the weakening of the forint, the value of other operating costs expressed in euros did not change significantly.
- **Other income** (2022: 389 thousand euros; 2021: 317 thousand euros) net amount was 72 thousand euros higher than the base last year. This is largely the result of the developments and refurbishments based on tenant requests.
- **Depreciation charge** (2022: 3,467 thousand euros; 2021: 3,551 thousand euros) is slightly lower than in the previous year, mainly due to the depletion of some older assets.
- **EBITDA** (2022: 7,231 thousand euros; 2021: 6,845 thousand euros) grew by 386 thousand euros, which is 5.6%, while **operating profit** (2022: 3,764 thousand euros; 2021: 3,294 thousand euros) increased by 470 thousand euros, or 14.3% compared to the previous year.
- **Net interest expense** (2022: 799 thousand euros; 2021: 879 thousand euros) decreased by 80 thousand euros compared to prior year partly because of the declining principal amounts due to loan repayments, and partly as a result of the interest income on forint assets in current year.
- **Other financial result** (2022: 176 thousand euros loss; 2021: 48 thousand euros gain) is more unfavorable than in prior year: exchange loss of forint assets worsened the financial result due to the hectic movement of the Hungarian forint.
- The balance of **income tax expense** (2022: 9 thousand euros; 2021: 16 thousand euros) is minimal as the Group – except for Graphisoft Park Engineering & Management Kft. – has “SziT” status and as such is not subject to corporate income tax and local business tax.
- Overall, **net profit** (2022: 2,780 thousand euros; 2021: 2,447 thousand euros) is 333 thousand euros, or 13.6% higher compared to the same period of last year.



2022 H1 results according to the financial statements

In 2022 H1, results according to the financial statements are 2,597 thousand euros higher than the “pro forma” results due to the following two factors: unrecognized depreciation expense of investment properties increased the results by 3,348 thousand euros, while fair value losses decreased the results by 751 thousand euros. The energy price explosion is expected to affect the entire office market in the coming periods, just like the economic situation caused by covid before. According to the calculations of the independent appraiser, the already noticeable uncertainty and recession forecasts have resulted in a smaller decrease in fair value for now.

In the same period of 2021, results according to the financial statements are 3,256 thousand euros higher than the “pro forma” results: unrecognized depreciation expense of investment properties increased the results by 3,431 thousand euros, while fair value losses decreased the results by 175 thousand euros. In the comparative period the slight decrease in fair value was caused by the uncertain business environment due to the pandemic, the higher market yields, and the more regular usage of home office, which long term factors were considered by the independent appraiser.

Details of changes in fair values are disclosed in Note 9 (Investment property) to the financial statements.

Utilization, occupancy

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

Period:	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2
Occupancy of gross leasable area (%):	94%	94%	95%	96%	97%	98%
Gross leasable area (m ²):	82,000	82,000	82,000	82,000	82,000	82,000

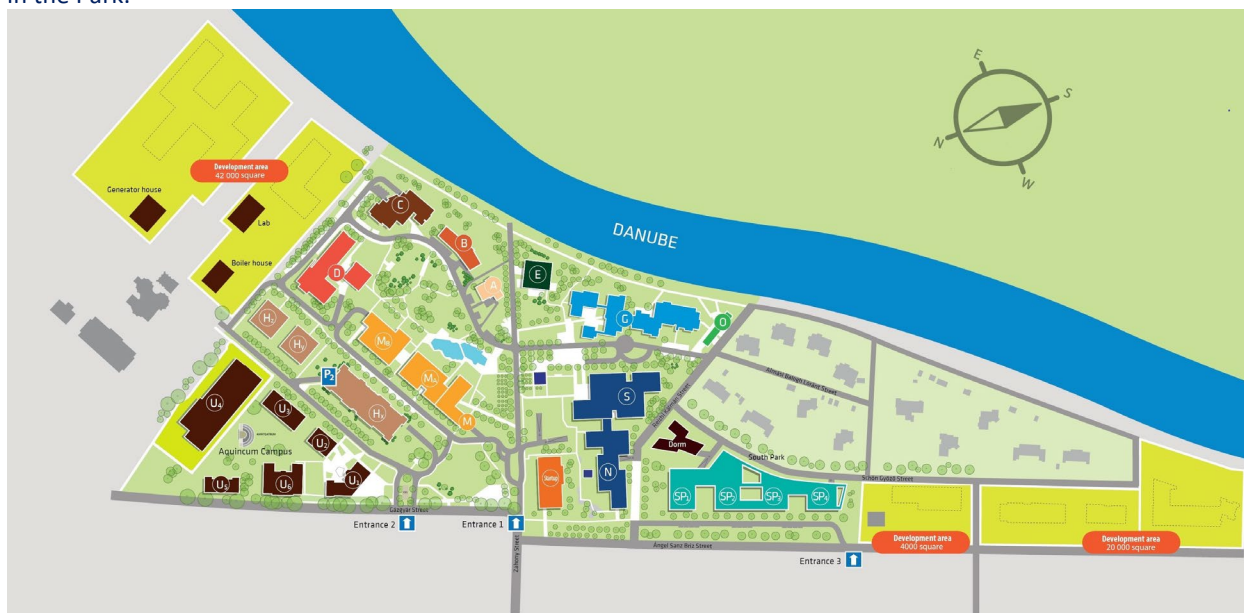
During 2020, the previously persistently high utilization rate declined slightly to 94%, partly due to the economic downturn caused by the coronavirus epidemic and partly to individual tenant needs. In the first half of 2021, despite the protracted crisis, the level of occupancy remained stable; the declining space requirements of some tenants when renewing due leases provided an opportunity to meet the growth needs of other tenants. In the second half of 2021, occupancy increased again, and this tendency continued also this year: it reached 98% in the end of the second quarter, proving the significant and lasting need for an office park dominated by a green environment as a workplace.

Graphisoft Park’s tenants 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. Due to the peculiarities of the Park, we can meet the growth needs of the tenants: start-ups can become tenants of the Park even with a 1 year contract, and later they will also have the opportunity to expand in line with their growth path. 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 **14.3 years**, and in case of existing lease contracts the weighted average lease term to expiry is **3.2 years**.



Development and modernization plans

By the completion of the new developments from September 2018, Graphisoft Park has **82,000 m² gross leasable area** as well as **underground parking for around 2,000 cars** available for its tenants, ensuring the green dominance in the Park.



In 2020 the Company submitted a tender for the acquisition of a development land located directly between the already built-in South Park I and the development area named South Park II. The tender for the approximately 1,200 m² (Budapest III. 19333/60 hrsz.) land was approved by the local governmental body (Budapest Capital City III. district Óbuda-Békásmegyér Local Government Representative Body Resolution Nr. 613/2020. (IX.24.)). The related sale and purchase agreement came into force in January 2021. This area, combined with the other plots already owned by the Company, enables the development of an additional 4,000 m² of leasable office space, for which we began preparations for the building permitting process in 2022. However, the Company will decide on the initiation of the project at a later date, taking into account the conditions and the possibilities of the construction, in particular the development of raw material and energy prices, the possible capacity limitations and the general economic prospects, in addition to the requests of the tenants.

In addition, the southernmost part of the southern development area, named South Park II, offer room for another 20,000 m² potential development. The preparatory works were finished in 2020 to deliver new buildings on this area even within 18 months if demand would arise.

In the northern area no further preparatory work or development is allowed until MVM Next Energiakereskedelmi Zrt. completes its mandated rehabilitation duties in the area (see details below in the “Main risk factors associated with the areas” section). After the remediation, this northern development area together with the unused part of the monument area will provide room for another 42,000 m² gross leasable area. Altogether this gives development potential of around additional 66,000 m² gross leasable area, and as such, the gross leasable area might increase to 148,000 m² in the whole Graphisoft Park.

In 2017 we have started the systematic modernization and refurbishing of the buildings of the nearly 25 years old office park. In 2017 and 2018 costs related the refurbishment of nearly 13,000 m² 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 2019-2021 we have refurbished several smaller office and service buildings, including engineering modernization on nearly 12,000 m², which amounted to 1,600 thousand euro. Continuing this, from 2022 the technological refurbishment of certain buildings in the core area is planned to continue, at a cost of additional 0.5-1 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”. 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 competitiveness 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 (12.6 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, the Company 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. To fix the interest rate, the new loan facility was also complemented by an interest rate swap agreement (IRS) for its entire term.

At the end of the period the notional value of the outstanding loan liability amounted to 94 million euro, which is about 40% 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.



Bank	Initial loan value (thousand euros)	Due date	Outstanding loan amount on June 30, 2022 (thousand euros)
Erste Bank Hungary Zrt	15,600	27.12.2025	9,322
UniCredit Bank Hungary Zrt	24,000	23.12.2026	18,400
Erste Bank Hungary Zrt	40,000	31.12.2027	32,591
UniCredit Bank Hungary Zrt	40,000	15.12.2029	33,550
Sum	119,600		93,863

Forecast for 2022

Based on the occupancy rate achieved, increasing our previous forecasts for this year by 200 thousand euros, we expect rental revenue of 15.2 million euro. Considering rising inflation, we plan to have significant operating expenses for the rest of the year, 25% higher than last year. However, based on the actual results of the first half, we can achieve a pro forma result of 5.4 million euro in 2022.

(million euros)	2020 actual	2021 actual	2022 plan
Rental revenue	14.54	14.66	15.2
Other income (net)	0.59	0.56	0.5
Operating expense	(1.41)	(1.27)	(1.5)
EBITDA	13.72	13.95	14.2
Depreciation	(7.09)	(7.17)	(7.0)
Operating profit	6.63	6.78	7.2
Net financial result	(2.18)	(1.92)	(1.8)
Profit before tax	4.45	4.86	5.4
Income tax expense	(0.02)	(0.02)	(0.0)
Net profit	4.43	4.84	5.4

- Based on the current stable occupancy level and the rent indexation, we expect to reach 15.2 million euros **rental revenue** in 2022, which is an increase of more than 500 thousand euros compared to 2021 revenues.
- We count with no significant change of **other income (net)**, which mainly contain net result of developments and refurbishments based on tenant requests.
- In 2022, based on the significant increase in the fees for the services used and the general inflation expectations, we expect the **operating expenses** – of which a significant part will be incurred in HUF – to increase by 200 thousand euros, which is more than in the previous years.
- According to our current estimation, due to all of the above, **EBITDA** is expected to amount to 14.2 million euros in 2022, which is a higher than to the 2021 figure.



- In prior years, due to new developments and refurbishments there was a significant increase in **depreciation** to 7.1 million euros (which does not affect the consolidated accounts according to the SzIT rules). In 2022 we expect that depreciation will decrease by around 200 thousand euros due to depletion of certain older assets.
- From 2020, due to the increased outstanding loan liabilities **net interest expense** significantly exceeded prior year interest expense, while in 2022 the regular capital repayments and the interest realized on the forint assets of the Company the net interest expense will probably decrease to 1.8 million euros. The Company's forint assets are in line with the conservative investment policy and the required asset portfolio prescribed by the SzIT regulation.
- As a result, **net profit** is forecasted to be 5.4 million euros in 2022, which is 12% higher than in the prior year.

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 MVM Next Energiakereskedelmi Zrt.). After the final administrative judgment made on December 12, 2019, the Pest County Government Office conducted new proceedings. In the resolution received on April 30, 2020, the Pest County Government Office notified us about the repeated prolongation of the completion deadline of the rehabilitation in the northern development area, and stated new deadlines of May 31, 2021 and September 30, 2022.

Government Decree nr. 286/2021 (V. 27.) on the establishment of rules related to certain administrative authority procedures was published on May 27, 2021. Pursuant to Section 1 of the Government Decree in force between May 28, 2021, and June 24, 2021, the polluter became entitled to request an extension of the deadline for remediation from the environmental authority, which was obliged to grant the extension. MVM Next Energiakereskedelmi Zrt. submitted the relevant request, which was approved by the authority and the decree ruled out the possibility of an appeal, so the current deadline for carrying out remediation and submitting the final documentation is December 31, 2022.

We requested information from MVM Next Energiakereskedelmi Zrt. about its implementation plans related to the current deadline, to which we received the following information in response. MVM Next Energiakereskedelmi Zrt. still has the necessary permits to call for the construction tender and start construction, and has prepared the necessary documentation for the tender, however, despite its best intentions, it cannot make any responsible statement about the expected completion date of the remediation. Based on all of this, Graphisoft Park considers the date of the actual start and end of the remediation to be uncertain, and therefore does not see it possible to start developments in the northern development area within the foreseeable future.

- 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.
- Since the properties in Graphisoft Park are mainly rented by stable companies, operating in research & development, which are less affected by the crisis caused by the coronavirus epidemic, the utilization of the office park has decreased only slightly and temporarily as a direct effect of the crisis and is currently at 98% again. At the same time, temporary or longer-term vacancies may occur again soon because of the change in tenant behavior due to the weakening of the forint, the increase in the inflation rate and the energy price explosion: this means that we must once again consider the demands for reducing office space and the permanent transformation of office use. Considering the risks affecting the rental revenue and the recession forecasts, we cannot exclude a more permanent devaluation of the property fair value either, as a result of the increasing market yield expectations.



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.

Other factors significantly affecting results are changes in the HUF/EUR exchange rate (of which effects on the Company's results are unpredictable due to year-on-year fluctuations), the inflation rate and the regulatory environment with special regards to the tax regulations. In this forecast we calculate with an exchange rate of 400 HUF/EUR till the end of 2022, euro inflation rate of 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 Half-year 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, August 9, 2022

Bojár Gábor
Chairman of Board of Directors

Kocsány János
Chief Executive Officer



GRAPHISOFT PARK SE

HALF-YEAR REPORT

for the half-year ended June 30, 2022

in accordance with International Financial Reporting Standards (IFRS)

(consolidated, unaudited)

Budapest, August 9, 2022

Kocsány János
Chief Executive Officer

Farkas Ildikó
Chief Financial Officer

GRAPHISOFT PARK SE
HALF-YEAR REPORT
JUNE 30, 2022

CONTENTS:

	Page(s)
Consolidated Balance Sheet	3
Consolidated Statement of Income	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Changes in Shareholders' Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Quarterly Report	8-26

GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET

JUNE 30, 2022

(all amounts in thousands of euros unless otherwise indicated)

	Notes	December 31, 2021	June 30, 2022
Cash and cash equivalents	3	10,066	8,046
Trade receivables	4	555	591
Current tax receivable	5	163	121
Other current assets	6	2,581	2,659
Current assets		13,365	11,416
Investment property	9	225,071	224,758
(Owner-occupied) Property, Plant and Equipment	7	1,441	1,325
Intangible assets	8	91	72
Long-term financial assets	12	26	4,961
Non-current assets		226,629	231,116
TOTAL ASSETS		239,994	242,532
Short-term loans	12	5,235	5,256
Trade payables	10	572	543
Current tax liability	5	304	280
Other short-term liabilities	11	3,131	2,717
Current liabilities		9,242	8,796
Long-term loans	12	89,392	86,250
Other long-term liabilities	13	5,506	4,394
Non-current liabilities		94,898	90,644
TOTAL LIABILITIES		104,140	99,440
Share capital	1.3	250	250
Retained earnings		140,390	141,401
Treasury shares	21	(988)	(972)
Cash flow hedge reserve	12	(1,440)	4,813
Revaluation reserve of properties		681	681
Accumulated translation difference		(3,039)	(3,081)
Shareholders' equity		135,854	143,092
TOTAL LIABILITIES & EQUITY		239,994	242,532

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF INCOME

JUNE 30, 2022

(all amounts in thousands of euros unless otherwise indicated)

	Notes	3 months ended		6 months ended	
		June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
Property rental revenue		3,646	3,887	7,287	7,709
Revenue	14	3,646	3,887	7,287	7,709
Property related expense	15	(24)	(31)	(48)	(55)
Employee related expense	15	(355)	(474)	(494)	(617)
Other operating expense	15	(101)	(109)	(217)	(195)
Depreciation and amortization	7, 15	(58)	(66)	(120)	(119)
Operating expense		(538)	(680)	(879)	(986)
Valuation gains / (losses) from investment property	9	108	(671)	(175)	(751)
Other income	16	113	268	317	389
OPERATING PROFIT		3,329	2,804	6,550	6,361
Interest income	17	13	16	20	61
Interest expense	17	(446)	(431)	(899)	(860)
Exchange rate difference	18	58	(16)	48	(176)
Financial result		(375)	(431)	(831)	(975)
PROFIT BEFORE TAX		2,954	2,373	5,719	5,386
Income tax expense	19	(8)	(2)	(16)	(9)
PROFIT FOR THE PERIOD		2,946	2,371	5,703	5,377
Attributable to equity holders of the parent		2,946	2,371	5,703	5,377
Basic earnings per share (EUR)	20	0.29	0.24	0.57	0.53
Diluted earnings per share (EUR)	20	0.29	0.24	0.57	0.53

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 JUNE 30, 2022
 (all amounts in thousands of euros unless otherwise indicated)

	Notes	3 months ended		6 months ended	
		June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
Profit for the period		2,946	2,371	5,703	5,377
Cash-flow hedge valuation reserve*		370	2,811	1,146	6,253
Translation difference**		21	(40)	20	(42)
Other comprehensive income		391	2,771	1,166	6,211
COMPREHENSIVE INCOME		3,337	5,142	6,869	11,588
Attributable to equity holders of the parent		3,337	5,142	6,869	11,588

* 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
 JUNE 30, 2022
 (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, 2020	250	139,322	(972)	(3,237)	681	(3,033)	133,011
Profit for the period	-	5,703	-	-	-	-	5,703
Translation difference	-	-	-	-	-	20	20
Revaluation reserve	-	-	-	1,146	-	-	1,146
Purchase of treasury shares	-	-	(18)	-	-	-	(18)
Dividend	-	(9,972)	-	-	-	-	(9,972)
Treasury share transfer	-	(2)	2	-	-	-	-
June 30, 2021	250	135,051	(988)	(2,091)	681	(3,013)	129,890
December 31, 2021	250	140,390	(988)	(1,440)	681	(3,039)	135,854
Profit for the period	-	5,377	-	-	-	-	5,377
Translation difference	-	-	-	-	-	(42)	(42)
Revaluation reserve	-	-	-	6,253	-	-	6,253
Treasury share transfer	-	(25)	25	-	-	-	-
Dividend	-	(4,341)	-	-	-	-	(4,341)
Purchase of treasury shares	-	-	(9)	-	-	-	(9)
June 30, 2022	250	141,401	(972)	4,813	681	(3,081)	143,092

* Treasury share details are disclosed in Note 21.

** Cash flow hedge transaction details are disclosed in Note 12 (Loans).

*** Revaluation surplus on leasing a part of owner-occupied property, i.e., transfers from owner-occupied property to investment property.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CASH FLOWS

JUNE 30, 2022

(all amounts in thousands of euros unless otherwise indicated)

	3 months ended		6 months ended	
	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
OPERATING ACTIVITIES				
Income before tax	2,954	2,373	5,719	5,386
Fair value change of investment properties	(108)	671	175	751
Depreciation and amortization	58	66	120	119
Interest expense	446	431	899	860
Interest income	(13)	(16)	(20)	(61)
Unrealized foreign exchange loss / (gain)	85	(153)	105	(155)
Changes in working capital:				
Decrease / (increase) in receivables and other current assets	140	1,211	(95)	(70)
Increase / (decrease) in liabilities	179	(504)	465	(276)
Corporate income tax paid	(1)	(10)	(11)	(11)
Net cash from operating activities	3,740	4,069	7,357	6,543
INVESTING ACTIVITIES				
Purchase of investment property	(78)	(334)	(683)	(358)
Purchase of other tangible assets and intangibles	(10)	(12)	(22)	(13)
Interest received	13	16	20	62
Net cash used in investing activities	(75)	(330)	(685)	(309)
FINANCING ACTIVITIES				
Loan repayments	(1,445)	(1,462)	(2,886)	(2,931)
Interest paid	(445)	(432)	(896)	(859)
Treasury share purchase	(18)	(9)	(18)	(9)
Dividend paid	(9,972)	(4,341)	(9,972)	(4,341)
Net cash used in financing activities	(11,880)	(6,244)	(13,772)	(8,140)
Increase in cash and cash equivalents	(8,215)	(2,505)	(7,100)	(1,906)
Cash and cash equivalents at beginning of period	17,036	10,659	15,908	10,066
Exchange rate gain / (loss) on cash and cash equivalents	130	(108)	143	(114)
Cash and cash equivalents at end of period	8,951	8,046	8,951	8,046

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
 FOR THE HALF-YEAR ENDED JUNE 30, 2022
 (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 the software development company 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 June 30, 2022.

1.2. Properties

The total area of Graphisoft Park is nearly 18 hectares. Over the past 25 years, 82,000 m² gross leasable area (offices, laboratories, educational area and auxiliary facilities) have been developed and occupied by tenants. Belonging to them underground parking facilities for around 2,000 cars are available. The remaining area provides the opportunity to develop an additional 66,000 m² of gross leasable area together with underground parking and auxiliary facilities.

The real estate is categorized as follows:

Area	Property	
Gross leasable area	Office area	58,000 sqm
	Laboratory	7,000 sqm
	Educational area	8,000 sqm
	Storage	6,000 sqm
	Service area	3,000 sqm
	Underground parking	2,000 pcs
Development area	Northern development area (after rehabilitation)	42,000 sqm
	Southern development area	24,000 sqm

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED JUNE 30, 2022
(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:

Shareholder	December 31, 2021			June 30, 2022		
	Shares (pcs)	Share (%)	Voting right (%)	Shares (pcs)	Share (%)	Voting right (%)
ORDINARY SHARES:	10,631,674	100.00	94.23	10,631,674	100.00	87.92
Directors and management	1,789,082	16.83	16.72	1,789,082	16.83	15.60
Bojár Gábor - Chairman of the BoD	1,685,125	15.85	15.75	1,685,125	15.85	14.69
Dr. Kálmán János - Member of the BoD	13,500	0.13	0.13	13,500	0.13	0.12
Kocsány János - Member of the BoD, CEO	90,457	0.85	0.85	90,457	0.85	0.79
Shareholders over 5% share	2,938,288	27.64	27.46	2,948,017	27.73	25.71
HOLD Alapkezelő Zrt.	662,704	6.23	6.19	700,433	6.59	6.11
AEGON Magyarország Befektetési Alapkezelő Zrt.	775,584	7.30	7.25	747,584	7.03	6.52
B.N.B.A. Holding Zrt.	1,500,000	14.11	14.02	1,500,000	14.11	13.08
Other shareholders	5,355,228	50.37	50.05	5,345,499	50.28	46.61
Treasury shares*	549,076	5.16	-	549,076	5.16	-
EMPLOYEE SHARES**:	1,876,167	-	5.77	1,876,167	-	12.08
Kocsány János - Member of the BoD, CEO***	518,443	-	4.85	1,384,819	-	12.08
Bihari Sándor – CFO***	99,262	-	0.93	-	-	-
Employee treasury shares*	1,258,462	-	-	491,348	-	-
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 21.

** 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.

*** As announced on March 21, 2022, the Company transferred 866,376 employee shares to Kocsány János, CEO and 392,086 employee shares to Bihari Sándor, CFO. Following this, based on the Company's announcement of June 30, 2022, Bihari Sándor's employee shares (491,348 pieces) have been bought back due to his retirement.

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
 FOR THE HALF-YEAR ENDED JUNE 30, 2022
 (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, 2026
Dr. Kálmán János	Member	August 21, 2006	May 31, 2026
Kocsány János	Member	April 28, 2011	May 31, 2026
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2026
Szigeti András	Member	July 21, 2014	May 31, 2026
Hornung Péter	Member	April 20, 2017	May 31, 2026

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. According to the resolution of the AGM held on April 21, 2022, the members of the Board of Directors and the Audit Committee have been re-elected until May 31, 2026.

2. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year (see Notes to the Consolidated Annual Financial Statements of 2021), with the following differences:

Seasonality of business

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

Exchange rates used

Exchange rates used are as follows:

	6 months ended June 30, 2021	6 months ended June 30, 2022
EUR/HUF opening:	365.13	369.00
EUR/HUF closing:	351.90	396.75
EUR/HUF average:	357.93	375.07

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
 FOR THE HALF-YEAR ENDED JUNE 30, 2022
 (all amounts in thousands of euros unless otherwise indicated)

3. Cash and cash equivalents

	December 31, 2021	June 30, 2022
Cash in hand	1	2
Cash at banks	10,065	8,044
Cash and bank	10,066	8,046

4. Trade receivables

	December 31, 2021	June 30, 2022
Trade receivables	555	590
Provision for doubtful debts	-	-
Trade receivables	555	590

Trade receivables are on 8-30 day average payment terms.

5. Current tax receivables and liabilities

	December 31, 2021	June 30, 2022
Current tax receivables	163	121
Current tax liabilities	(304)	(280)
Current tax (liabilities), net	(141)	(159)

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED JUNE 30, 2022
(all amounts in thousands of euros unless otherwise indicated)

6. Other current assets

	December 31, 2021	June 30, 2022
Accrued income	264	188
Prepaid expense	78	99
Bank security accounts	2,227	2,358
Other receivables	12	14
Other current assets	2,581	2,659

7. (Owner-occupied) Property, Plant and Equipment

	(Owner-occupied) Property	Plant and Equipment	(Owner-occupied) Property, Plant and Equipment
Net value:			
December 31, 2020	1,102	518	1,620
Gross value:			
December 31, 2020	1,373	1,114	2,487
Addition	2	42	44
Scrapping	-	(13)	(13)
Translation difference	-	(8)	(8)
December 31, 2021	1,375	1,135	2,510
Depreciation:			
December 31, 2020	271	596	867
Addition	81	137	218
Scrapping	-	(13)	(13)
Translation difference	-	(3)	(3)
December 31, 2021	352	717	1,069
Net value:			
December 31, 2021	1,023	418	1,441

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED JUNE 30, 2022
(all amounts in thousands of euros unless otherwise indicated)

Gross value:

December 31, 2021	1,375	1,135	2,510
Addition	-	12	12
Scrapping	-	(3)	(3)
Translation difference	-	(57)	(57)
June 30, 2022	1,375	1,087	2,462

Depreciation:

December 31, 2021	352	717	1,069
Addition	41	63	104
Scrapping	-	(3)	(3)
Translation difference	-	(33)	(33)
June 30, 2022	393	744	1,137

Net value:

June 30, 2022	982	343	1,325
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8. Intangible assets

	Software	Intangible assets		Software	Intangible assets
Net value:			Net value:		
December 31, 2020	93	93	December 31, 2021	91	91
Gross value:			Gross value:		
December 31, 2020	114	114	December 31, 2021	137	137
Addition	25	25	Addition	1	1
Translation difference	(2)	(2)	Translation difference	(9)	(9)
December 31, 2021	137	137	June 30, 2022	129	129
Depreciation:			Depreciation:		
December 31, 2020	21	21	December 31, 2021	46	46
Addition	26	26	Addition	15	15
Translation difference	(1)	(1)	Translation difference	(4)	(4)
December 31, 2021	46	46	June 30, 2022	57	57
Net value:			Net value:		
December 31, 2021	91	91	June 30, 2022	72	72

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED JUNE 30, 2022
(all amounts in thousands of euros unless otherwise indicated)

9. Investment property

	Development Land*	Completed investment property*	Investment property
Book value:			
December 31, 2020	<u>7,887</u>	<u>216,510</u>	<u>224,397</u>
Addition	461	934	1,395
Change in fair value	-	(721)	(721)
December 31, 2021	<u>8,348</u>	<u>216,723</u>	<u>225,071</u>
Addition	6	432	438
Change in fair value	-	(751)	(751)
June 30, 2022	<u>8,354</u>	<u>216,404</u>	<u>224,758</u>

* 4,471 thousand EUR has been reclassified from the value of development lands to completed investment properties.

In the first half of 2022 additions in construction in progress of 438 thousand EUR comprise the following:

- refurbishment of buildings in progress in the core area (144 thousand EUR),
- fit-out works in completed investment properties upon tenant's requests (237 thousand EUR) and
- other developments in progress (57 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.

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED JUNE 30, 2022
(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, 2021	June 30, 2022
Rental area	<ul style="list-style-type: none"> • office, laboratory, and related service areas • education area • Dormitory 	73,000 m ²	73,000 m ²
		6,000 m ²	6,000 m ²
		3,000 m ² / 85 persons	3,000 m ² / 85 persons
Development lands	<ul style="list-style-type: none"> • rentable area which can be developed 	66,000 m ²	66,000 m ²
Long term occupancy		80-95%	80-95%
Growth factor		1%	1%
Average discount factor		6.80%	6.96%

10. Trade payables

	December 31, 2021	June 30, 2022
Trade payables – domestic	572	543
Trade payables	572	543

11. Other short-term liabilities

	December 31, 2021	June 30, 2022
Amounts due to employees and related tax liabilities	81	62
Deposits from tenants	718	843
Fair value difference of loans*	604	571
Other payables and accruals	1,728	1,241
Other short-term liabilities	3,131	2,717

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

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
 FOR THE HALF-YEAR ENDED JUNE 30, 2022
 (all amounts in thousands of euros unless otherwise indicated)

12. Loans

12.1. Loan details

	December 31, 2021	June 30, 2022
Short-term	5,235	5,256
Long-term	89,392	86,250
Loans	94,627	91,506

Loans provided by Erste Bank Hungary Zrt.:

Loan number 1. (Erste)

	December 31, 2021	June 30, 2022
Short-term	729	707
Long-term	8,903	8,052
Loan 1 / Erste Bank Hungary Zrt.	9,632	8,759

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 as follows: mortgage on real estate, revenue assignment and bank account pledge.

As of June 30, 2022, the outstanding capital of the forint-based facility amounts to 2.87 billion HUF (7,234 thousand EUR); and the euro-based facility amounts to 2,088 thousand EUR. The fair value of the loans (calculated using market interest rates) is 8,759 thousand EUR (see details under point 12.2 below).

In order to manage exchange rate risks associated with the forint-based loan, we have executed a cash flow hedge (CCIRS) transaction agreement on June 24, 2016, covering the entire loan amount and cash flows from the beginning of the loan repayment period until the expiration of the loan contract (from end of 2017 until end of 2025), by which we have converted the forint-based capital and interest payment obligations onto euro base. As of June 30, 2022, the fair value of the cash flow hedge transaction is presented among long-term financial liabilities in amount of 2,819 thousand EUR.

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED JUNE 30, 2022
(all amounts in thousands of euros unless otherwise indicated)

Loan number 2. (Erste)

	December 31, 2021	June 30, 2022
Short-term	1,907	1,935
Long-term	31,522	30,541
Loan 2 / Erste Bank Hungary Zrt.	<u>33,429</u>	<u>32,476</u>

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., which 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. On June 30, 2022, the fair value of the IRS is 1,356 thousand EUR, which is presented among the long-term financial assets.

The original facility is worth 40 million EUR. Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

Loans provided by UniCredit Bank Hungary Zrt.:

Loan number 1. (Unicredit)

	December 31, 2021	June 30, 2022
Short-term	1,194	1,209
Long-term	16,269	15,661
Loan 1. / UniCredit Bank Hungary Zrt.	<u>17,463</u>	<u>16,870</u>

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 June 30, 2022, the outstanding capital amounts to 18,400 thousand EUR, whose fair value was 16,870 thousand EUR (calculated using market interest rates) (see details under point 12.2 below).

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED JUNE 30, 2022
(all amounts in thousands of euros unless otherwise indicated)

Loan number 2. (Unicredit)

	December 31, 2021	June 30, 2022
Short-term	1,405	1,405
Long-term	32,698	31,996
Loan 2./ UniCredit Bank Hungary Zrt.	34,103	33,401

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 to optimize the Company's capital structure, which has been already drawn on December 30, 2019. To fix the interest rate, the loan facility is complemented by an interest rate swap agreement (IRS) for its entire term. On June 30, 2022, the fair value of the IRS is 3,605 thousand EUR, which is presented among the long-term financial assets.

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

12.2. Analyses

Fair value of the loans:

	December 31, 2021	June 30, 2022
Erste Bank Hungary Zrt. Loan nr. 1.*	9,632	8,759
Erste Bank Hungary Zrt. Loan nr. 2.	33,429	32,476
UniCredit Bank Hungary Zrt. Loan nr. 1.*	17,463	16,870
UniCredit Bank Hungary Zrt. Loan nr. 2.	34,103	33,401
Loans at fair value*	94,627	91,506

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

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED JUNE 30, 2022
(all amounts in thousands of euros unless otherwise indicated)

Loans with preferential interest rate:

As part of its monetary policy instruments, National Bank of Hungary (MNB) launched its Funding for Growth Scheme (NHP) in 2013, Under NHP, 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 NHP broken down by amortized initial fair value (market rate loan liability) and amortized initial fair value difference (interest rate grant) elements as of June 30, 2022:

	Actual loan liability	**Fair value difference	*Fair value
Erste Bank Hungary Zrt.	9,322	563	8,759
UniCredit Bank Hungary Zrt.	18,400	1,530	16,870
Loans (NHP)	27,722	2,093	25,629

* 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 under other short-term liabilities (Note 11) and other long-term liabilities (Note 13) and amortized through profit and loss based on the effective interest rate method.

Fair value of hedges:

	December 31, 2021	June 30, 2022
ERSTE Bank Hungary Zrt. loan nr. 1.	(2,221)	(2,819)
ERSTE Bank Hungary Zrt. loan nr. 2.	(1,397)	1,356
UniCredit Bank Hungary Zrt. loan nr. 2.	26	3,605
Fair value of hedges	(3,592)	2,142
Of which long term financial asset	26	4,961
Of which long term financial liability	(3,618)	(2,819)

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
 FOR THE HALF-YEAR ENDED JUNE 30, 2022
 (all amounts in thousands of euros unless otherwise indicated)

13. Other long-term liabilities

	December 31, 2021	June 30, 2022
Fair value difference of loans*	1,828	1,522
Warranty retention	60	53
Fair value of derivative instruments **	3,618	2,819
Other long-term liabilities	5,506	4,394

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

** Fair value of IRSs as of June 30, 2022. The valuations were prepared by the financing banks.

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED JUNE 30, 2022
(all amounts in thousands of euros unless otherwise indicated)

14. Revenue

	3 months ended		6 months ended	
	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
Property rental revenue	3,646	3,887	7,287	7,709
Revenue	3,646	3,887	7,287	7,709

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

15. Operating expense

	3 months ended		6 months ended	
	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
Property related expense	24	31	48	55
Employee related expense	355	474	494	617
Other operating expense	101	109	217	195
Depreciation and amortization	58	66	120	119
Operating expense	538	680	879	986

Other operating expense consists of the following items:

	3 months ended		6 months ended	
	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
Office and telecommunication	2	1	3	2
Legal and administration	50	50	103	84
Other	49	58	111	109
Other operating expense	101	109	217	195

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED JUNE 30, 2022
(all amounts in thousands of euros unless otherwise indicated)

16. Other income (expense)

	3 months ended		6 months ended	
	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
Income from recharged construction expenses	41	135	200	300
Recharged construction expenses	(32)	(116)	(182)	(266)
Income from recharged operation expenses	1,240	1,400	2,452	2,960
Recharged operation expenses	(1,125)	(1,295)	(2,227)	(2,736)
Others	(11)	144	74	131
Other income	113	268	317	389

17. Interest income and interest expense

	3 months ended		6 months ended	
	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
Interest income	13	16	20	61
Interest expense on loans	(445)	(426)	(893)	(851)
Other interest expense	(1)	(5)	(6)	(9)
Net interest expense	(433)	(415)	(879)	(799)

18. Other financial result

	3 months ended		6 months ended	
	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
Exchange rate gain / (loss) realized	10	(83)	9	(250)
Exchange rate gain not realized	48	35	39	42
Ineffective part of hedge*	-	32	-	32
Other financial result	58	(16)	48	(176)

*Ineffective part of IRS deal relating to loan nr. 2. provided by Erste Bank Hungary Zrt.

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED JUNE 30, 2022
(all amounts in thousands of euros unless otherwise indicated)

19. Income taxes

	3 months ended		6 months ended	
	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
Current income tax	(8)	(2)	(16)	(9)
Income tax expense	(8)	(2)	(16)	(9)

Based on the business activity, Graphisoft Park Engineering & Management Kft 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 2021 and 2022.

20. Earnings per share

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

	3 months ended		6 months ended	
	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022
Net profit attributable to equity holders	2,946	2,371	5,703	5,377
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Basic earnings per share (EUR)	0.29	0.24	0.57	0.53
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Diluted earnings per share (EUR)	0.29	0.24	0.57	0.53

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.

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED JUNE 30, 2022
(all amounts in thousands of euros unless otherwise indicated)

21. Treasury shares

Graphisoft Park SE treasury share details are as follows:

	December 31, 2021	June 30, 2022
Number of ordinary shares	549,076	549,076
Number of employee shares	1,258,462	491,348
Face value per share (EUR)	0.02	0.02
Total face value (EUR)	36,151	20,808
Total value of treasury shares (at historical cost)	988	972

As announced on March 21, 2022, the Company transferred 866,376 employee shares to Kocsány János, CEO and 392,086 employee shares to Bihari Sándor, CFO. Following this, based on the Company's announcement of June 30, 2022, Bihari Sándor's employee shares (491,348 pieces) have been bought back due to his retirement.

22. Net asset value

Book value and fair value of assets and liabilities as of June 30, 2022:

	Note	Book value June 30, 2022	Fair value June 30, 2022	<i>Difference</i>
Investment property and other tangible assets*	7,9	226,083	234,611	8,528
Intangible assets	8	72	72	-
Current tax liabilities, net	5	(159)	(159)	-
Non-financial instruments		225,996	234,524	8,528
Cash and cash equivalents	3	8,046	8,046	-
Trade receivables	4	590	590	-
Other current assets	6	2,659	2,659	-
Other long term financial assets	12	4,961	4,961	-
Trade payables	10	(543)	(543)	-
Other short-term liabilities	11	(2,717)	(2,717)	-
Loans	12	(91,506)	(91,506)	-
Other long-term liabilities	13	(4,394)	(4,394)	-
Financial instruments		(82,904)	(82,904)	-
Net asset value		143,092	151,620	8,528

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 234,268 thousand euros as of June 30, 2022.

GRAPHISOFT PARK SE
NOTES TO THE HALF-YEAR REPORT
FOR THE HALF-YEAR ENDED JUNE 30, 2022
(all amounts in thousands of euros unless otherwise indicated)

Book value and fair value of assets and liabilities as of December 31, 2021:

	Note	Book value Dec 31, 2021	Fair value Dec 31, 2021	Difference
Investment property and other tangible assets*	7,9	226,512	241,534	15,022
Intangible assets	8	91	91	-
Current tax liabilities, net	5	(141)	(141)	-
Non-financial instruments		226,462	241,484	15,022
Cash and cash equivalents	3	10,066	10,066	-
Trade receivables	4	555	555	-
Other current assets	6	2,581	2,581	-
Other long term financial assets	12	26	26	-
Trade payables	10	(572)	(572)	-
Other short-term liabilities	11	(3,131)	(3,131)	-
Loans	12	(94,627)	(94,627)	-
Other long-term liabilities	13	(5,506)	(5,506)	-
Financial instruments		(90,608)	(90,608)	-
Net asset value		135,854	150,876	15,022

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 241,116 thousand euros as of December 31, 2021.

23. Remediation of the northern development area

Due to the prior gas production activity the northern development area is still contaminated. The rehabilitation of this area is the duty of the polluter Capital City Gas Works (currently MVM Next Energiakereskedelmi Zrt.). After the final administrative judgment made on December 12, 2019, the Pest County Government Office conducted new proceedings. In the resolution received on April 30, 2020, the Pest County Government Office notified us about the repeated prolongation of the completion deadline of the rehabilitation in the northern development area, and stated new deadlines of May 31, 2021, and September 30, 2022.

Government Decree nr. 286/2021 (V. 27.) on the establishment of rules related to certain administrative authority procedures was published on May 27, 2021. Pursuant to Section 1 of the Government Decree in force between May 28, 2021, and June 24, 2021, the polluter became entitled to request an extension of the deadline for remediation from the environmental authority, which was obliged to grant the extension. MVM Next Energiakereskedelmi Zrt. submitted the relevant request, which was approved by the authority and the decree ruled out the possibility of an appeal, so the current deadline for carrying out remediation and submitting the final documentation is December 31, 2022.

We requested information from MVM Next Energiakereskedelmi Zrt. about its implementation plans related to the current deadline, to which we received the following information in response. MVM Next Energiakereskedelmi Zrt. still has the necessary permits to call for the construction tender and start construction, and has prepared the necessary documentation for the tender, however, despite its best intentions, it cannot make any responsible statement about the expected completion date of the remediation. Based on all of this, Graphisoft Park considers the date of the actual start and end of the remediation to be uncertain, and therefore does not see it possible to start developments in the northern development area within the foreseeable future.

24. Events after the balance sheet date

As of July 1, 2022, Ildikó Farkas is the Company's new Chief Financial Officer and Investor Relations, as Sándor Bihari, the Company's former CFO, retired on June 30, 2022.

25. Approval of financial statements, dividend

On April 21, 2022, the Annual General Meeting of Graphisoft Park SE approved the 2021 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 239,994 thousand EUR and a profit for the year of 11,042 thousand EUR. Together with the approval of the consolidated financial statements for issue, the AGM approved dividend distribution of 160 HUF per ordinary share, 1,613,216 thousand HUF in total (4,341 thousand EUR on the MNB exchange rate of April 21, 2022), and in total 100,118 thousand HUF on employee shares (269 thousand EUR on the MNB exchange rate of April 21, 2022). The starting date for dividend payments was May 11, 2022. The Company paid out the dividends to the shareholders identified by shareholder's registration as of May 4, 2022.

26. Declaration

Statement of responsibility - *We declare that the Half-year 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.*