GRAPHISOFT PARK SE ANNUAL REPORT 2017

Dear shareholders,

With the additional revenue coming in from the buildings delivered in 2017 and leased at almost 100%, in 2017 we have reached a revenue figure surpassing the previous year by 1.1 million euros while the operational expenses increased by 400 thousand euros. With this, EBITDA is 700 thousand euros higher than the previous year's base figure, it rose to 9.5 million euros. Operating profit increased to a lesser extent, by 300 thousand euros compared to the previous year due to higher depreciation figures. Financial results did not change significantly, therefore profit before taxes also rose by 300 thousand euros compared to the year before. Tax liability decreased by 300 thousand euros compared to the base period because the Company had been registered as a regulated real estate investment pre-company effective as of July 31, 2017, therefore it was subject to company income and local business tax liabilities only until that date within the current reporting period. For all the above, in 2017 we have achieved a net profit surpassing the previous year by 600 euros at 3.8 million euros.

Graphisoft Park SE was registered as a regulated real estate investment company (SZIT) effective as of January 1, 2018. In order to comply with the rules of this status, the IFRS consolidated balance sheet and statement of income will not be presented based on the historical cost of real estate less depreciation, but – unlike in our previous practice – based on the actual fair value, determined quarterly by an independent appraiser. Graphisoft Park SE's individual financial statement will still remain the basis for calculating dividend, whose figures has been largely convergent to the consolidated statement calculated with the previous method, thus it was suitable for estimating dividends. With the newly applicable dividend payment and SZIT rules, the consolidated statement may be greatly diverging; therefore it will not be a suitable basis for estimating dividends in the future. With regards to this, we will publish the financial statement made following the previous practice (where real estate is presented at historical cost less depreciation cost) along with the SZIT compliant consolidated statement. The "pro forma" report's figures will demonstrate the Group result, and according to management's intention this will serve as basis of calculating dividend, which will also take into account the full compliance with the SZIT rules. Our forecasts for the future will be made exclusively following the previous practice, partly for guiding the shareholders' dividend expectations (dividends will be 90% of the net profit under the rules of the SZIT status) and partly for avoiding making guesses about the future changes in real estate appraisals, which have a large impact on the results calculated under the new rules.

As it was announced on December 18, 2017, starting from 2018 Graphisoft Park Engineering & Management Kft., established for this purpose, will carry out the Company's real estate development, operations and administrative activities; therefore the real estate development related expenditures will be capitalized in the "pro forma" consolidated reports as well (similarly to the industry practice). This change will result in a 300 thousand euros decrease in the Company's operating expenses, which will be accounted later within depreciation costs. With this, the accordingly updated forecast for 2018 will be presented below. Further, with regards to the developments on the southern area affecting the results in 2018 only in the second half of the year, thus making 2019 the first year when the revenues from the new developments and the related depreciation costs will appear for the entire period, we will publish estimates for 2019 already in the current report (unlike in our previous or future practice), based on the lease contracts already concluded and expected to be concluded shortly.

(million euros)	2016 actual	2017 actual	*2018 forecast*	*2019 estimate*
Rental revenue	9.52	10.62	*12.3*	*13.8*
Other income (net)	0.35	0.44	*0.6*	*0.4*
Operating expense	(1.13)	(1.55)	*(1.2)*	*(1.3)*
EBITDA	8.74	9.51	*11.7*	*12.9*
Depreciation	(4.18)	(4.60)	*(6.4)*	*(7.4)*
Operating profit	4.56	4.91	*5.3*	*5.4*
Net interest expense	(0.83)	(0.90)	*(1.2)*	*(1.1)*
Profit before tax	3.73	4.01	*4.1*	*4.3*
Income tax expense	(0.56)	(0.22)	*0.0*	*0.0*
Net profit	3.17	3.79	*4.1*	*4.3*

Due partly to the new buildings delivered and leased in 2017 and to the progress of the developments on the southern area and the signed letters of intent; and partly to the tax benefits adherent to the SZIT status, the fair value of the Company's real property assets were estimated at 246 million euros at the end of 2017, significantly higher than the 189 million euros figure at the end of 2016, also considering the continuing trend in the rise of construction costs above our expectations. The higher value of loans relating to this makes the net asset value at fair value standing at 185 million euros. In the current forecast we have not modified our estimates for future rental revenues applying a conservative estimation method, which is not counting the value from the expected rise in rental revenues following the increase in construction costs.

These results prove that we are right in our pursuit of the "micro-silicon-valley" concept articulated some 20 years ago: targeting a well-defined market - Hungarian and international technology companies pursuing innovation - and focusing real estate developments to cater to their needs. The key to success in their fields is attracting talent. We are aiming to contribute to this with quality and environmentally conscious architecture, in a uniquely quiet setting on the green banks of the river Danube surrounded by the Park's state-of-the art renovated industrial monument buildings preserving the marvelous ambiance of the old Óbuda Gas Works. Our achievements prove that the leading companies in the technology field appreciate this; therefore we are continuing the development along the lines of the same concept.

Kocsány János

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

Financial highlights

IFRS, consolidated, thousand EUR

Results:

	IFRS 2016 thousand EUR	IFRS 2017 thousand EUR
A) Results from ordinary activities:		
Revenue	**9,525**	**10,624**
Operating expense	(1,131)	(1,549)
Other income (expense)	349	437
EBITDA	**8,743**	**9,512**
Depreciation and amortization	(4,183)	(4,604)
Operating profit	**4,560**	**4,908**
Net interest expense	(825)	(802)
Other financial result	(4)	(100)
Profit before tax	**3,731**	**4,006**
Income tax expense	(559)	(217)
Profit for the period	**3,172**	**3,789**
B) Other results (one-time write-off):		
Other income (expense)	(123)	-
Income tax expense	12	582
Loss for the period	**(111)**	**582**
A+B) Profit for the period	**3,061**	**4,371**

In 2016 “Other results” contain the net result of one-off demolition costs required because of new developments (111 thousand euros loss including corporate income tax effect in the first quarter of 2016).

Effective from July 31, 2017 the Company became regulated real estate investment pre-company (see the “Other key issues” section in the management report) and as such the Company was subject to corporate income tax and local business tax only till this date. Till July 31, 2017 (till the Company became regulated real estate investment pre-company) in the Group’s consolidated accounts deferred tax assets and liabilities were accounted according to IFRS. As of January 1, 2017 the Group had on consolidated level net deferred tax position of 582 thousand euros liability.

As after receiving the regulated real estate investment pre-company status Group companies are not subject to income taxes (corporate income tax and local business tax), net deferred tax liabilities were released against current year results as of this date. This one-off profit on consolidated level does not create basis for dividend (distributable profit), as the basis for dividend payable is Graphisoft Park SE's standalone annual IFRS financial statements. Deferred taxes in comparative figures are presented under "Results from ordinary activities".

Financial Highlights are presented in "Results from ordinary activities" / "Other results" breakdown. Periodic comparative analyses in this business report are prepared using "Results from ordinary activities", which do not include the one-off items.

IFRS, consolidated, thousand EUR

Asset value:

	IFRS December 31, 2016 thousand EUR	IFRS December 31, 2017 thousand EUR
Investment property at book value	**69,655**	**87,417**
Investment property at fair value*	**188,919**	**246,247**
Net asset value at book value	**23,529**	**26,040**
Net asset value at fair value**	**143,082**	**185,037**
Number of ordinary shares outstanding (thousands)***	10,083	**10,083**
Net asset value at fair value per share (euro)	**14.2**	**18.4**

* Investment property fair value estimates are disclosed in the attached Consolidated Financial Statements, Note 9.

** Net asset value at book value and net asset value at fair value (equity) are disclosed in the attached Consolidated Financial Statements, Note 24.

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

Management Report

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

- Financial results of 2017,
- Utilization, occupancy,
- New development activities and future development potential,
- Financing,
- Other key issues,
- Forecast for the years 2018 and 2019.

Financial results of 2017

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

- **Revenue** (2017: 10,624 thousand euros; 2016: 9,525 thousand euros) rose by 1,099 thousand euros, or 11.5% compared to the previous year due to the rental revenues derived from the new developments handed over in the first and third quarter of 2017 (SAP new wing and Startup building) (see details in the „New development activities" section).

- **Operating expense** (2017: 1,549 thousand euros; 2016: 1,131 thousand euros) grew by 418 thousand euros, or 37% compared to the previous year due to the increase in employee related and other expenses (the development programs required additional staff, and the ongoing organizational development projects required additional expenditures). Property related expense stayed at the level of last year.

- **Other income** (2017: 437 thousand euros; 2016: 349 thousand euros) net amount was 88 thousand euros, or 25% higher than the base last year.

- **Depreciation** (2017: 4,604 thousand euros; 2016: 4,183 thousand euros) increased by 421 thousand euros, or 10% compared to the previous year because depreciation amount (1) increased by 22% due to the depreciation of the new developments (SAP new wing and Startup building; see "New development activities" section for details) delivered in the first and third quarter of 2017, and (2) decreased by 12% due to depreciation ending for older assets.

- **EBITDA** (2017: 9,512 thousand euros; 2016: 8,743 thousand euros) grew by 769 thousand euros, or 9%, while **operating profit** (2017: 4,908 thousand euros; 2016: 4,560 thousand euros) rose by 348 thousand euros, or 8% compared to the previous year due to the factors mentioned above.

- **Net interest expense** (2017: 802 thousand euros; 2016: 825 thousand euros) decreased by 23 thousand euros, or 3% due to the following factors: (1) interest expense fell by 216 thousand euros as a result of lower loan interest rates and lower principal amounts of earlier loans, (2) interest on loans borrowed to finance the new developments (see details in the "Financing" section) increased interest expense by 193 thousand euros.

- **Other financial result** (2017: 100 thousand euros loss; 2016: 4 thousand euros loss) were 96 thousand euros less favorable compared to prior year, mainly due to the fact, that 83 thousand euro loss was accounted on the yearend foreign exchange revaluation on certain deposits held in forints because of the construction activities.

- **Income tax expense** (2017: 217 thousand euros; 2016: 559 thousand euros) decreased by 342 thousand euros, or 61% compared to the base period due to the fact that in the current period on July 31, 2017 the Company received regulated real estate investment pre-company status and as such the Company was subject to corporate income tax and local business tax only till this date (see the "Other key issues" section in the management report).

- **Net profit** (2017: 3,789 thousand euros; 2016: 3,172 thousand euros) grew by 617 thousand euros that is 20% in 2017 compared to 2016 because of the factors explained in the previous points.

Utilization, occupancy

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

Period:	**2016 Q1**	**2016 Q2**	**2016 Q3**	**2016 Q4**	**2017 Q1**	**2017 Q2**	**2017 Q3**	**2017 Q4**
Occupancy (%):	**100%**	**100%**	**100%**	**100%**	**100%**	**99%**	**99%**	**99%**
Area (m^2):	53,000	53,000	53,000	53,000	58,500	58,500	61,000	61,000

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

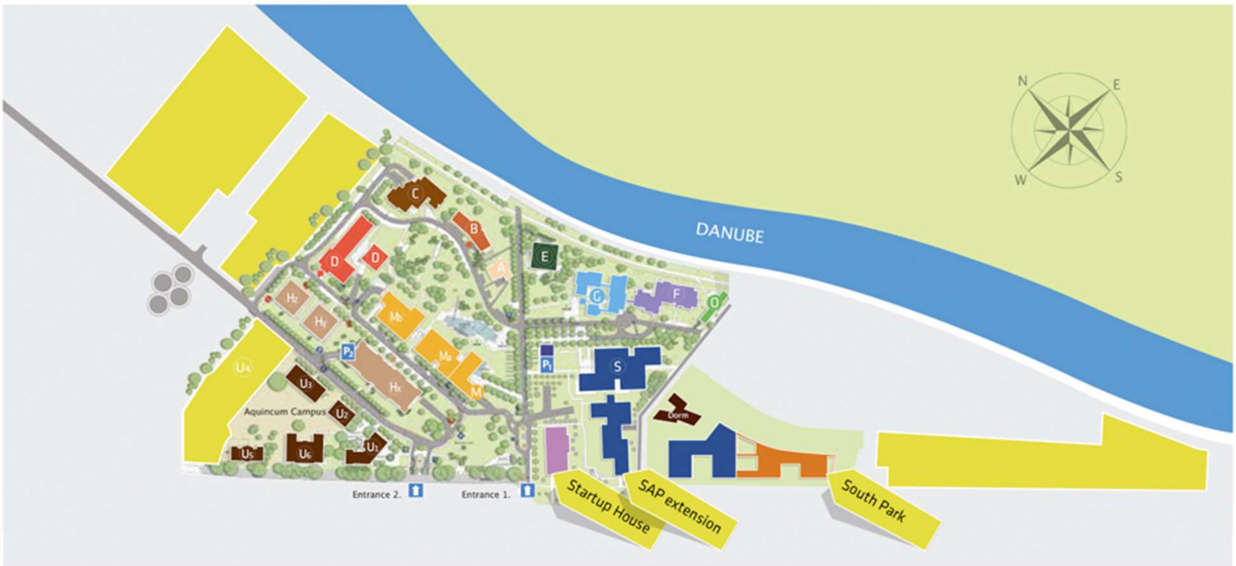
With the completion of the new SAP wing in February 2017 within the first phase of developments on the core area, rentable office, laboratory and educational space grew by 5,500 m^2 to a total of 58,500 m^2. The new wing's entire floor space was rented by SAP from March 2017. The completion of the startup building in the second phase of developments in July 2017 – in which currently there is no rentable area – increased the rentable office, laboratory and educational space by a further 2,500 m^2 to a total of 61,000 m^2. Until the completion of the developments on the southern area in 2018 (see details in the "New development activities" section below), effectively there is no rentable area available in Graphisoft Park, unless one of the current tenants decides not to extend their lease after expiration.

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

Rented area (m^2)		**Area**	**Tenant number**	**Average**
from	**to**	**distribution**	**distribution**	**lease term (year)***
<	500	13%	68%	**5.9**
500	1000	11%	15%	**7.1**
1000	1500	8%	6%	**15.9**
1500	5000	30%	9%	**7.5**
5000	<	38%	3%	**12.6**
	Total	**100%**	**100%**	**9.9**

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

New development activities



The total area of Graphisoft Park is nearly 18 hectares covering the office park located in the core area, the campus formed in the monument area, and development areas north and south of these as well. During the development of the Park since 1997 altogether 55,000 m^2 office, laboratory and educational space and underground parking for 1,250 cars were constructed on 11 hectares until the end of 2014. New developments started in 2016 resulted in the construction of 8,000 m^2 new office space and underground parking for 300 cars in 2017 in two phases. Construction of a new wing of 5,500 m^2 directly adjacent to SAP's main building (marked S on the map above) has been completed. In addition to this another building with 2,500 m^2 floor space optimized for the needs of smaller companies and start-ups has been completed. At the same time demolition of a few smaller office and warehouse buildings with less economical uses reduced rentable space by 2,000 m^2 in the office park, therefore the net expansion is 6,000 m^2 in 2017. With the completion of these two phases of the new developments, by August, 2017 Graphisoft Park has 61,000 m^2 office, laboratory and educational space as well as underground parking for 1,550 cars available for its tenants coupled with 4 restaurants and 6 snack and coffee shops in the Park.

Startup House (Architect: RADIUS B+S Stúdió)

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

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

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

15 million euros occurred until the end of 2017 out of the planned total cost of this development phase. Due to the current capacity shortages in the building industry and growing prices, 5-10% cost increase is expected till the finalization of the development in the southern development area.

South Park (Architect: RADIUS B+S Stúdió)

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

In 2017 we have started the systematic modernization and refurbishing of the buildings of the nearly 20 years old office park. The cost for this amounted to 3.2 million euros in 2017, where the major part of these costs (occurred based on individual requests) are financed by the tenants.

During the development and refurbishment projects we pay particular attention to the environment protection.

Future development potential

After completing the development phases outlined above, other parts of the southern development area offer room for another 18,000 m2 potential development, while the monument and northern development areas provide room for another 36,000 m2 of potential office and educational space development. In the latter area no further preparatory work or development is planned until the clean-up projects planned by the Capital City Gas Works are finished.

Capital City Gas Works, the obligor of the environmental clean-up had started the procurement process with a call for proposals on December 9, 2016, but cancelled the tender on March 1, 2017 and plans to relaunch the process with a new call according to their information. According to the written information of the Capital City Gas Works, the environmental clean-up is expected to start in 2019.

Financing

We have executed a loan agreement with Erste Bank Hungary Zrt. in December 2015 with 10 years maturity to finance the ongoing development in the core area (see “New development activities” section for details). In accordance with the loan agreement and its modification in December 2016 Erste Bank makes a 4 billion HUF (12.9 million EUR) credit facility available to Graphisoft Park within Pillar I of the second phase of the National Bank of Hungary’s Funding for Growth Scheme and another 3 million EUR credit facility within Pillar II of the third phase of the Funding for Growth Scheme. In order to hedge exchange rate risk associated with the forint-based loan, we have executed a cash flow hedge (CCIRS) agreement in June 2016 covering the entire loan amount and cash flows from the beginning of the loan repayment period until the expiration of the loan contract, by which we have converted the forint-based capital and interest payment obligations onto euro base.

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

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

Other key issues

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

The designation of the regulated real estate investment company (SZIT) as a new company form for doing business was introduced by the Act 102 of 2011. SZIT is the Hungarian equivalent of the foreign concept of the REIT (Real Estate Investment Trust), which first appeared in the United States in the sixties and spread across Europe afterwards.
The regulated real estate investment company (SZIT), as well as the regulated real estate investment pre-company (SZIE) are public companies limited by shares that fulfill the requirements of the governing law (Act 102 of 2011 on regulated real estate investment companies) and are therefore eligible for registration with the national tax authority as SZIT or SZIE and are registered as such upon request from the company, which entitles them to certain tax benefits. SZIE designation is essentially the "waiting room" of the SZIT designation, meaning a company that does not fulfill all the requirements for the SZIT designation but undertakes to fulfill them and promises to acquire SZIT designation.

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

(a) the company's business activities are restricted to a number of real estate related activities (buying and selling/renting/operating of own real estate, management of real estate, facilities support activities, asset management),
(b) the company is not under voluntary or court ordered winding-up, termination or bankruptcy proceedings;
(c) pays dividend at least at the amount of 90% of its results, or if the company's liquid funds are less than that, then the company shall pay 90% of its liquid funds in dividends, unless a loan agreement concluded with a credit institution restricts such payments,
(d) the company owns no shares in other businesses other than in its own project companies (subsidiaries), in different regulated real estate investment companies (maximum 10% share ownership) and in companies organizing construction projects,
(e) the direct and combined voting rights of credit institutions and insurance companies are limited to 10% of all voting rights within the company,
(f) it has at least 5 billion HUF (consolidated) initial capital,
(g) it is publicly listed and issues only ordinary and employee shares,
(h) at least 25% of the total number of shares is owned by shareholders, of whom no individual shareholder owns – directly or indirectly – more than 5% of the total number of shares.

The requirements for SZIE designation are to fulfill points (a) through (e) in the list above.

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

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

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

Graphisoft Park SE had started evaluating the possibility of acquiring SZIT designation since the introduction of the legislation, but the provisions of the Act 102 of 2011 before its 2017 modifications had several conditions and restrictions in place that were not feasible or bearable for Graphisoft Park. The National Assembly approved the modifications on June 13, 2017. The Board of Directors then examined the modifications, and it concluded that Graphisoft Park is capable of fulfilling all the requirements of the modified legislation and therefore it is recommended for the Company to apply for the SZIT designation with the necessary modifications to the Articles of

Association proposed to the General Meeting. The Company's General Meeting convened on July 14, 2017 and approved the proposals of the Board.

The registration under the SZIT designation was carried out in two steps:

- The Company has already fulfilled the requirements to be registered under the SZIE designation, and by its own request the national tax authority registered the Company as a regulated real estate investment pre-company (SZIE) under the Act 102 of 2011 by the date of July 31, 2017. The effects of the tax benefits prescribed by the law are kicking in from the day of registration.
- After fulfilling all the legal requirements, the Company has been registered as SZIT as of January 1, 2018.

Realization of the educational function

As we discussed in detail in previous reports in order to realize the full potential of Graphisoft Park's "science park" features with the purchase of land contract concluded with the Municipality of Budapest in 2008 we have undertook the duty to carry out the development for educational purpose by renovating the protected monument parts of the purchased property. To secure the realization of this duty a pledge in the value of 1 billion forints had been recorded. The realization of the educational function was in part carried out by the founding of the Aquincum Institute of Technology (AIT-Budapest), owned by 10% by the Company; and through the International Business School's (IBS) relocation to Graphisoft Park. Our petition for acknowledgement of the complete fulfillment of the duty was granted by the competent trial court, and later the Debrecen Regional Court of Appeal, acting as the appeal court hearing the Municipality's appeal against the previous ruling decided for Graphisoft Park again on March 30, 2017, ordering the removal of the pledge with immediate effect. After the complete realization of the educational function the Company sold its stake in the Aquincum Institute of Technology.

Creating the start-up ecosystem

The demand for floor space generated by evolving companies has already been a driving force behind Graphisoft Park's expansion. Graphisoft Park supports the start-up companies by leasing office and laboratory space, and by providing business development advice from Gábor Bojár, founder of Graphisoft, Graphisoft Park and AIT-Budapest.

Recognition

Graphisoft Park received two prestigious awards appreciating the results of prior year:

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

Main risk factors and limitations associated with the areas

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

Forecast for the years 2018 and 2019

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With the newly applicable SZIT rules, the consolidated statement may be greatly diverging; therefore it will not be a suitable basis for estimating dividends in the future. With regards to this, we will publish the financial statement made following the previous practice (where real estate is presented at historical cost less depreciation cost) along with the SZIT compliant consolidated statement. The "pro forma" report's figures will demonstrate the Group result and serve as basis of calculating dividend. Our forecasts for the future will be made exclusively following the previous practice, partly for guiding the shareholders' dividend expectations (dividends will be 90% of the net profit under the rules of the SZIT status) and partly for avoiding making guesses about the future changes in real estate appraisals, which have a large impact on the results calculated under the new rules.

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Depreciation	(4.18)	(4.60)	*(6.4)*	*(7.4)*
Operating profit	**4.56**	**4.91**	***5.3***	***5.4***
Net interest expense	(0.83)	(0.90)	*(1.2)*	*(1.1)*
Profit before tax	**3.73**	**4.01**	***4.1***	***4.3***
Income tax expense	(0.56)	(0.22)	*0.0*	*0.0*
Net profit	**3.17**	**3.79**	***4.1***	***4.3***

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

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

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

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

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

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

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

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

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

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

General information

Graphisoft Park Group

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

Corporate Governance

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

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

General Meeting

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

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

Board of Directors

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

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

Meetings of the Board of Directors are held at least four times a year. Meetings of the Board of Directors require the presence of 3 for a quorum. Each member has one vote. The Board of Directors passes resolutions by simple majority vote.

Members of the Board of Directors:

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

Audit Committee

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

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

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

Members of the Audit Committee:

Name	Position	From	Until
Dr. Kálmán János	Chairman	August 21, 2006	May 31, 2018
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2018
Szigeti András	Member	July 21, 2014	May 31, 2018

Stock information

Graphisoft Park SE's share capital consists of 10,631,674 class "A" ordinary shares of 0.02 euro face value, each representing equal and identical rights, and 1,876,167 class "B" employee shares of 0.02 euro face value.

Ordinary shares of the Company are publicly traded at Budapest Stock Exchange from August 28, 2006. The share ownership structure is the following according to the Company's shareholder records:

Shareholder	December 31, 2016 Shares (pcs)	December 31, 2016 Share (%)	December 31, 2017 Shares (pcs)	December 31, 2017 Share (%)
ORDINARY SHARES:	**10,631,674**	**85.00**	**10,631,674**	**85.00**
Shareholders over 5% share	**5,793,531**	**46.33**	**5,681,269**	**45.43**
Bojár Gábor	3,185,125	25.47	3,185,125	25.47
HOLD Zrt. (previously named Concorde Zrt.)	1,602,963	12.82	1,449,701	11.59
AEGON Zrt.	1,005,443	8.04	1,046,443	8.37
Other shareholders	**4,289,067**	**34.28**	**4,401,329**	**35.18**
Treasury shares*	**549,076**	**4.39**	**549,076**	**4.39**
EMPLOYEE SHARES:**	**1,876,167**	**15.00**	**1,876,167**	**15.00**
Kocsány János	1,250,778	10.00	1,250,778	10.00
Hajba Róbert***	625,389	5.00	-	-
Treasury shares***	-	-	625,389	5.00
SHARES TOTAL:	**12,507,841**	**100.00**	**12,507,841**	**100.00**

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

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

***Effective from October 31, 2017, Hajba Róbert, the Company's CFO by common assent is not in this position. At the same date employee shares owned by him were redeemed by the Company.

Human resources

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

Events after the balance sheet date

Proposed dividend by the Board

The annual financial statements of the Company for the year 2017 prepared in accordance with International Financial Reporting Standards (IFRS) are authorized for issue in accordance with the resolution of the Board of Directors on March 22, 2018. The Board proposes dividend distribution of 93 HUF per ordinary share, and 31 HUF per employee share to be approved by the Annual General Meeting of Graphisoft Park SE of April 26, 2018. The Annual General Meeting has the power to amend the annual financial statements.

Change in management

From January 15, 2018 the Company's CFO is Ormosy Gábor. The previous CFO's, Hajba Róbert's employee shares were redeemed by the Company on face value.

Registration as regulated real estate development company

Effective from January 1, 2018 the Company and its project subsidiaries were registered as regulated real estate development companies (SZIT) by the Hungarian National Tax Authority (NAV). At the same date the real estate developer pre-company status of the group companies' was terminated.

The SZIT status affects the following group companies:

- Graphisoft Park SE
- Graphisoft Park South I. Kft.
- Graphisoft Park South II. Development Kft.
- Graphisoft Park Kft.
- Graphisoft Pak Services Kft.

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

Budapest, March 22, 2018

Kocsány János

Ormosy Gábor	Kocsány János
Chief Financial Officer	Chief Executive Officer

GRAPHISOFT PARK SE

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2017

in accordance with International Financial Reporting Standards (IFRS)

(audited)

Budapest, March 22, 2018

Kocsány János

Ormosy Gábor
Chief Financial Officer

Kocsány János
Chief Executive Officer

GRAPHISOFT PARK SE
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

CONTENTS:

Building a better working world

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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of Graphisoft Park SE Ingatlanfejlesztő Európai Részvénytársaság

Report on the audit of the consolidated annual financial statements

Opinion

We have audited the accompanying 2017 consolidated annual financial statements of Graphisoft Park SE Ingatlanfejlesztő Európai Részvénytársaság ("the Company") and its subsidiaries (altogether "the Group"), which comprise the consolidated balance sheet as at 31 December 2017 - showing a balance sheet total of EUR 103,912 thousand and a total comprehensive income for the year of EUR 5,035 thousand -, the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in Shareholders' equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated annual financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and has been prepared, in all materials respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for consolidated annual financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated annual financial statements" section of our report.

We are independent of the Group in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants

(IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

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

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated annual financial statements section" of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated annual financial statements.

Determination of fair value of investment properties

The Group's investment properties represent 84% of total assets carried at cost. Fair value is prepared by management annually for disclosure purposes and also represents a key factor in performing the impairment review. Valuation of investment properties is a significant judgmental area and it is highly dependent on estimates relating to future rental revenue, inflation and occupancy rates. Property valuations are performed by management once a year. Based on this we consider the valuation of investment properties significant to our audit and a key audit matter.	Our audit procedures included, among others, using a valuation expert to assist us in evaluating the assumptions and methodologies used by management, testing input data of the valuation model and also evaluating management's qualification for performing such valuation. We assessed completeness and adequacy of the Group's disclosures about those assumptions to which the outcome of the valuation model is most sensitive. The Group's disclosures about its investment properties are included in Note 2.10 and Note 9 which specifically explains the key assumptions used when determining fair value.

Other information

Other information consists of the 2017 business report of the Group, which is part of the annual report. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the consolidated annual financial statements does not cover the other information.

In connection with our audit of the consolidated annual financial statements, our responsibility is to read the business report and, in doing so, consider whether 1) the business report is materially inconsistent with the consolidated annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Our opinion on the business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available.

In our opinion, the business report of the Group, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2017 is consistent, in all material respects, with the 2017 consolidated annual financial statements of the Group and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Group further requirements with regard to its business report, we do not express opinion in this regard.

We also confirm that the Group have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Group and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the business report, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated annual financial statements in accordance with the EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated annual financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual

financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual financial statements, including the disclosures, and whether the consolidated annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the consolidated annual financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of Graphisoft Park SE Ingatlanfejlesztő Európai Részvénytársaság by the General Assembly of Shareholders' of the Company on 20 April 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 10 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the consolidated annual financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the consolidated business report and in the consolidated annual financial statements, no other services were provided by us to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Szabó Gergely.

Budapest, 22 March 2018

(The original Hungarian language version has been signed.)

Szabó Gergely
engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No.: 001165

Szabó Gergely
Registered auditor
Chamber membership No.: 005676

GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2017
(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2016	December 31, 2017
Cash and cash equivalents	4	2,621	4,239
Trade receivables	5	1,083	856
Current tax receivable	6	271	802
Other current assets	7	5,681	9,589
Current assets		**9,656**	**15,486**
Investment property	8, 9	69,655	87,417
Other tangible assets	8	247	312
Intangible assets		-	2
Investments	10	100	-
Long-term financial assets		-	695
Deferred tax asset	14	11	-
Non-current assets		**70,013**	**88,426**
TOTAL ASSETS		**79,669**	**103,912**
Short-term loans	13	3,516	4,520
Trade payables	11	4,190	5,305
Current tax liability	6	279	274
Other short-term liabilities	12	1,661	3,490
Current liabilities		**9,646**	**13,589**
Long-term loans	13	44,313	59,952
Deferred tax liability	14	593	-
Other long-term liabilities	15	1,588	4,331
Non-current liabilities		**46,494**	**64,283**
TOTAL LIABILITIES		**56,140**	**77,872**
Share capital	1.3	250	250
Retained earnings		27,174	29,033
Treasury shares	23	(962)	(974)
Cash flow hedge reserve	13	-	665
Accumulated translation difference		(2,933)	(2,934)
Shareholders' equity		**23,529**	**26,040**
TOTAL LIABILITIES & EQUITY		**79,669**	**103,912**

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

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2016	December 31, 2017
Property rental revenue	16	9,525	10,624
Revenue		**9,525**	**10,624**
Property related expense	17	(49)	(56)
Employee related expense	17	(759)	(961)
Other operating expense	17	(323)	(532)
Depreciation and amortization	8, 9, 17	(4,183)	(4,604)
Operating expense		**(5,314)**	**(6,153)**
Other income (expense)	18	226	437
OPERATING PROFIT		**4,437**	**4,908**
Interest income	19	3	-
Interest expense	19	(828)	(802)
Other financial result	20	(4)	(100)
Financial expense		**(829)**	**(902)**
PROFIT BEFORE TAX		**3,608**	**4,006**
Income tax expense	21	(547)	365
PROFIT FOR THE YEAR		**3,061**	**4,371**
Attributable to equity holders of the parent		3,061	4,371
Basic earnings per share (EUR)	22	0.30	0,43
Diluted earnings per share (EUR)	22	0.30	0,43

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

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(all amounts in thousands EUR unless otherwise stated)

	Notes	December 31, 2016	December 31, 2017
Profit for the year		**3,061**	**4,371**
Revaluation reserve*	13	-	665
Translation differences**		-	(1)
Other comprehensive income		**-**	**664**
COMPREHENSIVE INCOME		**3,061**	**5,035**
Attributable to equity holders of the parent		3,061	**5,035**

* Effective part of fair value change in cash-flow hedge. Will be reclassified to profit or loss in subsequent periods.

** Translation difference of subsidiaries with functional currency other than the EUR; will not be reclassified to profit or loss in subsequent periods.

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

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
(all amounts in thousands EUR unless otherwise stated)

	Share capital	Retained earnings	Treasury shares*	Cash flow hedge reserve	Accum. translation difference	Total equity
December 31, 2015	**250**	**26,446**	**(962)**	**-**	**(2,933)**	**22,801**
Profit for the period	-	3,061	-	-	-	**3,061**
Dividend	-	(2,333)	-	-	-	**(2,333)**
December 31, 2016	**250**	**27,174**	**(962)**	**-**	**(2,933)**	**23,529**
Profit for the period	-	4,401	-	(30)	-	**4,371**
Revaluation reserve***	-	(30)	-	695	-	**665**
Translation difference	-	-	-	-	(1)	**(1)**
Purchase of treasury shares	-	-	(12)	-	-	**(12)**
Dividend**	-	(2,512)	-	-	-	**(2,512)**
December 31, 2017	**250**	**29,033**	**(974)**	**665**	**(2,934)**	**26,040**

* Treasury share details are disclosed in Note 22.
** Dividend details are disclosed in Note 29.
*** Effective part of fair value change in cash-flow hedge.

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

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(all amounts in thousands EUR unless otherwise stated)

	Note	December 31, 2016	December 31, 2017
OPERATING ACTIVITIES			
Profit before tax		3,608	4,006
Depreciation and amortization	8	4,183	4,604
Loss / (gain) on sale of tangible assets		3	(1)
Disposal of tangible assets		123	-
Interest expense		828	782
Interest income		(3)	-
Unrealized foreign exchange (gains) / losses		(13)	84
Changes in working capital:			
(Increase) in receivables and other current assets		(6,547)	(4,070)
Increase in payables and accruals		950	2,095
Corporate income tax paid		(406)	(359)
Net cash from operating activities		**2,726**	**7,141**
INVESTING ACTIVITES			
Purchase of tangible assets and intangibles		(11,382)	(21,623)
Sale of tangible assets		-	18
Interest paid - capitalized		(76)	(77)
Sale of investments	25	-	100
Interest received		3	-
Net cash used in investing activities		**(11,455)**	**(21,582)**
FINANCING ACTIVITIES			
Proceeds from receipt of loans		12,956	22,821
Loan repayments		(3,282)	(3,435)
Interest paid		(810)	(815)
Purchase of treasury shares		-	(12)
Dividend paid	29	(2,305)	(2,512)
Net cash from financing activities		**6,559**	**16,047**
Decrease in cash and cash equivalents		(2,170)	1,606
Cash and cash equivalents at beginning of year		4,794	2,621
Exchange rate gain / (loss) on cash and cash equivalents		(3)	12
Cash and cash equivalents at end of year		**2,621**	**4,239**

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

(all amounts in thousands EUR unless otherwise stated)

1. General information

1.1. Graphisoft Park Group

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

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

Graphisoft Park SE was established through a demerger from Graphisoft SE on August 21, 2006. The purpose of the restructuring was to spin off a new company, dedicated to real estate development and management. Graphisoft Park SE operates as a holding having five 100% owned subsidiaries.

The real estate development is performed by 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 will be responsible for the Group's certain property management, engineering and administration activities from January 1, 2018.

Average headcount of the Group was 26 in 2017 and 19 in 2016.

1.2. Properties

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

The real estate is categorized as follows:

Area	**Property**
Core area	modern office park spreading over 8.5 hectares of land, comprising 51,000 m^2 completed office and laboratory space
Monument area	2.4 hectares of land comprising 13,000 m^2 of total rentable net internal area of the monument buildings, out of which 7,000 m^2 has been renovated
Development areas	6.8 hectares of development land, on which a 3,000 m^2 floor area dormitory has been constructed, and further 12,500 m^2 office space is under construction

(all amounts in thousands EUR unless otherwise stated)

1.3. Stock information

Graphisoft Park SE's share capital consists of 10,631,674 class "A" ordinary shares of 0.02 euro face value, each representing equal and identical rights, and 1,876,167 class "B" employee shares of 0.02 euro face value.

Ordinary shares of the Company are publicly traded at Budapest Stock Exchange from August 28, 2006. The share ownership structure is the following according to the Company's shareholder records:

	December 31, 2016		December 31, 2017	
Shareholder	**Shares (pcs)**	**Share (%)**	**Shares (pcs)**	**Share (%)**
ORDINARY SHARES:	**10,631,674**	**85.00**	**10,631,674**	**85.00**
Directors and management	**3,890,272**	**31.11**	**3,829,082**	**30.61**
Bojár Gábor - Chairman of the BoD	3,185,125	25.47	3,185,125	25.47
Dr. Kálmán János - Member of the BoD	13,500	0.11	13,500	0.11
Szigeti András - Member of the BoD	126,000	1.01	126,000	1.01
Hornung Péter – Member of the BoD	466,190	3.73	414,000	3.31
Kocsány János - Member of the BoD, CEO	90,457	0.72	90,457	0.72
Hajba Róbert***	9,000	0.07	-	-
Shareholders over 5% share	**2,608,406**	**20.86**	**2,496,144**	**19.96**
HOLD Zrt. (previously named Concorde Zrt.)	1,602,963	12.82	1,449,701	11.59
AEGON Magyarország Befektetési Alapkezelő Zrt.	1,005,443	8.04	1,046,443	8.37
Other shareholders	**3,583,920**	**28.64**	**3,757,372**	**30.04**
Treasury shares*	**549,076**	**4.39**	**549,076**	**4.39**
EMPLOYEE SHARES:**	**1,876,167**	**15.00**	**1,876,167**	**15.00**
Kocsány János - Member of the BoD, CEO	1,250,778	10.00	1,250,778	10.00
Hajba Róbert***	625,389	5.00	-	-
Treasury shares***	-	-	625,389	5.00
SHARES TOTAL:	**12,507,841**	**100.00**	**12,507,841**	**100.00**

* Treasury shares possessed by the Company do not pay dividend and bear no voting rights. For details, see Note 23.

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

***Effective from October 31, 2017, Hajba Róbert, the Company's CFO by common assent is not in this position. At the same date employee shares owned by him were redeemed by the Company.

(all amounts in thousands EUR unless otherwise stated)

1.4. Corporate Governance

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

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

General Meeting

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

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

Board of Directors

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

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

Meetings of the Board of Directors are held at least four times a year. Meetings of the Board of Directors require the presence of 3 for a quorum. Each member has one vote. The Board of Directors passes resolutions by simple majority vote.

Members of the Board of Directors:

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

(all amounts in thousands EUR unless otherwise stated)

Audit Committee

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

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

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

Members of the Audit Committee:

Name	Position	From	Until
Dr. Kálmán János	Chairman	August 21, 2006	May 31, 2018
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2018
Szigeti András	Member	July 21, 2014	May 31, 2018

2. Accounting policies

2.1. Basis of preparation

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

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

2.2. Changes in accounting policies

Adoption of new or modified standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2017:

IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments): The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. The Amendments have no effect on the Company.

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

IFRS 9 Financial Instruments: Classification and Measurement: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard is effective retrospectively for annual periods beginning on or after January 1, 2018, but comparative information is not compulsory. Management anticipates that adoption of the first phase of IFRS 9 will have no significant effect on the Company.

IFRS 15 Revenue from Contracts with Customers: IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. The standard is effective for annual periods beginning on or after January 1, 2018. According to the Company's assessment, adoption of IFRS 15 will have no significant effect on the Company's financial statements.

IFRS 15: Revenue from Contracts with Customers (Clarifications): The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Management anticipates that the clarification will have no significant effect on the Company.

IFRS 16 leases: IFRS 16 was issued in January 2016 which requires lessees to recognize assets and liabilities for most leases. The standard will be effective for annual periods beginning on or after January 1, 2019. The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The Company is assessing the possible effects of adoption of IFRS 16.

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

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments): The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. Management anticipates that these amendments will have no effect on the Company.

IAS 40: Transfers to Investment Property (Amendments): The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. Management anticipates that these amendments will have no effect on the Company.

IFRS 9: Prepayment features with negative compensation (Amendment): The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. These Amendments have not yet been endorsed by the EU. Management anticipates that the amendment will have no effect on the Company.

IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments): The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. Management anticipates that these Amendments have not yet been endorsed by the EU. Management anticipates that these amendments will have no effect on the Company.

IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration: The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. Management anticipates that the adoption of the interpretation will have no significant effect on the Company.

The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. The following annual improvement has not yet been endorsed by the EU. This improvement does not have an effect on the Company's financial statements.

- IFRS 12 Disclosure of Interests in Other Entities: The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs: The amendments are effective for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU.

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Management anticipates that the adoption of the improvements will have no significant effect on the Company.

IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments: The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This

(all amounts in thousands EUR unless otherwise stated)

Interpretation has not yet been endorsed by the EU. Management anticipates that the adoption of the interpretation will have no significant effect on the Company.

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU.

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

Management anticipates that the adoption of the improvements will have no significant effect on the Company.

2.3. Consolidated financial statements

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

Graphisoft Park South I. Kft. and Graphisoft Park South II. Development Kft. demerged from Graphisoft Park Kft. on September 30, 2016.

The following subsidiaries were consolidated in 2016 (Graphisoft Park SE is the sole owner of all companies):

Subsidiary	Date of foundation	Registered capital HUF thousand	Registered capital EUR
Graphisoft Park Kft.	November, 2005	-	1,846,108
Graphisoft Park Services Kft.	October, 2008	10,000	-
Graphisoft Park South I. Kft.	September, 2016	-	20,000
Graphisoft Park South II. Development Kft.	September, 2016	-	20,000

On December 14, 2017 Graphisoft Park SE established Graphisoft Park Engineering & Management Kft., which entity will be responsible for the Group's certain property management, engineering and administration activities from January 1, 2018.

The following subsidiaries were consolidated in 2017 (Graphisoft Park SE is the sole owner of all companies):

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

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

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

2.4. Foreign currency translations

Functional and presentation currency:

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

	December 31, 2016	December 31, 2017
Graphisoft Park SE	EUR	EUR
Graphisoft Park Kft.	EUR	EUR
Graphisoft Park Services Kft.	HUF	HUF
Graphisoft Park South I. Kft.	EUR	EUR
Graphisoft Park South II. Development Kft.	EUR	EUR
Graphisoft Park Engineering & Management Kft.	-	HUF

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

(all amounts in thousands EUR unless otherwise stated)

Transactions and balances:

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

Group companies:

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

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

Exchange rates used were as follows:

Rate	2016	2017
EUR/HUF opening:	313.12	311.02
EUR/HUF closing:	311.02	310.14
EUR/HUF average:	311.46	309.21

2.5. Cash and cash equivalents

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

2.6. Derivative financial instruments

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

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

2.7. Hedges

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

- fair value hedges or
- cash-flow hedges.

At the inception of the hedge or the hedge relationship the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting. The documentation also contains the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be effective (80-125%) in achieving offsetting changes in fair value or cash flows. These hedges are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they were designated.

Hedge accounting is accounted as follows:

- Fair value hedges

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

- Cash-flow hedges

Cash-flow hedges are hedges of the exposure to variability in cash flows which is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect the profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in the other comprehensive income, while the ineffective portion is recognized in the profit or loss.
Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects the profit or loss. Where the hedged item is the cost of a non-financial asset or liability, the amounts previously taken to the other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.
If the forecast transaction is no longer expected to occur, amounts previously recognized in other comprehensive income are transferred into the profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked by the Company, amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is accounted into the profit or loss.

2.8. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the underlying arrangement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments as well as historical collections are considered indicators that the trade receivable may have been impaired.

2.9. Investment property and other tangible assets

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

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

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

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

Type of asset	Depreciation
Assets in the course of construction	not depreciated
Land	not depreciated
Park infrastructure	50 years
Buildings – rented	20 years
Machinery and equipment	3-7 years
Office equipment	3-7 years
Vehicles	5 years - 20% residual value

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

2.10. Fair value of investment property

The Group determines the fair value of investment property on the basis of internal valuations prepared annually.

Fair value determination principles:

The fair value of investment property is determined on the basis of the income generating potential of the property.

Fair value determination methods:

The valuations are carried out using the income approach, discounted cash flow method. This method involves the projection of a series of periodic cash flows. To this projected cash flow series, a market derived discount rate, which reflects the yield expectations (capital cost) of the investors and creditors, is applied to establish an indication of the present value of the income stream associated with the property.

For buildings, the calculated periodic cash flow is estimated as gross income less expense related to the operation and maintenance of the property. A series of periodic net operating incomes, along with an estimate of the terminal value anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the fair value of the building.

For development areas (building sites), the calculated periodic cash flow is estimated - based on a development plan determined by the Group - as gross income less expenses related to the operation and maintenance of the property, less expense related to the realization of the development (infrastructure, landscaping, cost of construction of the building and other expenses), and less expenses related to the development land incurring until the expected realization of the development (property tax and other costs). A series of periodic net operating incomes, along with an estimate of the terminal value anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the fair value of the development land.
Fair value hierarchy:

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

Investment property fair value estimates are disclosed in Note 9.

2.11. Intangible assets

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

2.12. Borrowing costs

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

2.13. Impairment of assets

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

2.14. Leases

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

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

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

Group as a lessee:

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Group as a lessor:

Finance lease is where the Group transfers substantially all the risks and benefits of ownership of the asset. Assets held under a finance lease are presented in the balance sheet as a receivable at an amount equal to the net investment in the lease. Finance incomes are recognized in the income statement.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. Initial indirect cost incurred while concluding an operating lease agreement are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

2.15. Loans and other borrowings

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

Fair value hierarchy:

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

2.16. Trade and other payables

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

2.17. Provisions

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

2.18. Pensions

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

2.19. Treasury shares

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

2.20. Employee shares

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

2.21. Earnings per share

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

2.22. Income taxes

Current taxes:

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

Deferred taxes:

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

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

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

2.23. Dividend

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

2.24. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized.

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

Sale of goods:
Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

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

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

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

2.25. Operating profit

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

2.26. Segment information

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

2.27. Government grants

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

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

2.28. Reclassification of comparative information

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

3. Critical accounting estimates and judgments

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

3.1. Functional and presentation currency

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

Functional and presentation currency details are disclosed in Note 2.4.

3.2. Impairment of investment property, other tangibles and intangibles

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

3.3. Fair value of investment property

As investment property fair value determination is based on estimates and assumptions, the actual results may be significantly different from the results of these estimates, especially in case of development land.

Investment property fair value estimates are disclosed in Note 9.

3.4. Provisions

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

(all amounts in thousands EUR unless otherwise stated)

4. Cash and cash equivalents

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

5. Trade receivables

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

Trade receivables are on 8-30 day payment terms.

Trade receivables' aging is as follows:

	December 31, 2016	December 31, 2017
Not overdue	881	700
Overdue less than 3 months	107	133
Overdue between 3 and 12 months	93	21
Overdue over 12 months	2	2
Trade receivables	**1,083**	**856**

(all amounts in thousands EUR unless otherwise stated)

6. Current tax receivables and liabilities

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

7. Other current assets

	December 31, 2016	December 31, 2017
Accrued income	126	189
Prepaid expense	19	120
Bank security accounts	1,406	1,724
Construction fund manager accounts	4,121	7,403
Other receivables	9	153
Other current assets	**5,681**	**9,589**

(all amounts in thousands EUR unless otherwise stated)

8. Investment property and other tangible assets

The table shows movements of investment property and other tangible assets:

	Land and buildings	Constr. in progress	**Invest-ment property**	Machinery and equipm.	Vehicles	Constr. in progress	**Other tangible total**	**Tangible assets**
Net value:								
December 31, 2015	58,009	2,245	**60,254**	132	141	-	**273**	**60,527**
Gross value:								
December 31, 2015	92,911	2,245	**95,156**	494	240	-	**734**	**95,890**
Addition	-	13,843	**13,843**	-	-	55	**55**	**13,898**
Capitalization	372	(372)	**-**	55	-	(55)	**-**	**-**
Sale	(220)	-	**(220)**	-	-	-	**-**	**(220)**
Disposal	(274)	-	**(274)**	-	-	-	**-**	**(274)**
Translation diff.	-	-	-	2	-	-	**2**	**2**
December 31, 2016	92,789	15,716	**108,505**	551	240	-	**791**	**109,296**
Depreciation:								
December 31, 2015	34,902	-	**34,902**	362	99	-	**461**	**35,363**
Addition	4,101	-	**4,101**	52	30	-	**82**	**4,183**
Sale	(2)	-	**(2)**	-	-	-	**-**	**(2)**
Disposal	(151)	-	**(151)**	-	-	-	**-**	**(151)**
Translation diff.	-	-	**-**	1	-	-	**1**	**1**
December 31, 2016	38,850	-	**38,850**	415	129	-	**544**	**39,394**
Net value:								
December 31, 2016	53,939	15,716	**69,655**	136	111	-	**247**	**69,902**
Gross value:								
December 31, 2016	92,789	15,716	**108,505**	551	240	-	**791**	**109,296**
Addition	-	22,288	**22,288**	-	-	161	**161**	**22,449**
Capitalization	20,641	(20,641)	**-**	52	109	(161)	**-**	**-**
Sale	-	-	**-**	(6)	(48)	-	**(54)**	**(54)**
Disposal	-	-	**-**	-	-	-	**-**	**-**
Translation diff.	-	-	**-**	-	-	-	**-**	**-**
December 31, 2017	113,430	17,363	**130,793**	597	301	-	**898**	**131,691**
Depreciation:								
December 31, 2016	38,850	-	**38,850**	415	129	-	**544**	**39,394**
Addition	4,526	-	**4,526**	47	31	-	**78**	**4,604**
Sale	-	-	**-**	(5)	(31)	-	**(36)**	**(36)**
Disposal	-	-	**-**	-	-	-	**-**	**-**
Translation diff.	-	-	**-**	-	-	-	**-**	**-**
December 31, 2017	43,376	-	**43,376**	457	129	-	**586**	**43,962**
Net value:								
December 31, 2017	70,054	17,363	**87,417**	140	172	-	**312**	**87,729**

Additions in construction in progress of 22,288 thousand EUR comprise the following:
- new developments handed over in the core area (5,781 thousand EUR),
- new developments in progress in the core area (3,203 thousand EUR),
- new developments in progress in the southern development area (13,076 thousand EUR) and
- other property developments and procurements (228 thousand EUR).

Capitalizations in the value of 20,641 thousand EUR comprise the following:
- new developments (Building S new wing and Startup Building) finalized in the core area (18,051 thousand EUR),
- refurbishment of buildings in the core area (2,376 thousand EUR) and
- other developments finalized (214 thousand EUR).

Construction in progress totaling 17,363 thousand EUR comprises the following:
- historical buildings to be renovated in the monument area and the northern development area (1,145 thousand EUR),
- refurbishment of buildings in progress in the core area (842 thousand EUR),
- new developments in progress in the southern development area (15,362 thousand EUR) and
- other developments in progress (14 thousand EUR).

The Company capitalized 77 thousand EUR interest expense on construction in progress in 2017.

Investment property **fair value** estimates are disclosed in Note 9.

(all amounts in thousands EUR unless otherwise stated)

9. Fair value of investment property

The table below presents investment property fair value estimates:

	December 31, 2016	December 31, 2017
Office park	127,230	175,987
Office park - under construction	52,784	38,352
Campus	15,530	16,767
Buildings	**195,544**	**231,106**
Development areas	**20,324**	**30,779**
Estimated value of buildings	**215,868**	**261,885**
Cost to completion of buildings under construction	(26,949)	(15,638)
Fair value	**188,919**	**246,247**

Changes in the fair value of investment property in 2017 reflect the effects of the main factors below:

- In 2017 the SAP new wing and the Startup building were finalized and filled up with tenants (8,000 m^2 new office space and underground parking for 300 cars).
- In line with the fall in Budapest office market yields in 2017 the assumed cost of capital used in the valuations was lowered by 25 basis points. The valuation as of December 31, 2017 was calculated with the assumed cost of capital of 6.5% for the buildings and 7.5% for the development areas, while the valuation of December 31, 2016 was calculated with the assumed cost of capital of 6.75% for the buildings and 7.75% for the development areas.
- Considering the prevailing trend of the effective full occupancy of the Park, the forecast for the long term occupancy rate for the buildings was modified upwards (95% from 90%).
- With regards to the higher demand experienced among the tenants the Group used less conservative estimates for the utilization of the new developments.
- The Group considered the increasing rental fees on the office market, that is fundamentally determined by the raising construction costs of current and future developments and renovations.
- The Group also considered the Company’s registration as a regulated real estate investment company and the consequent tax advantages (exemption from corporate income and local business tax).

Investment property, valuation principles, methods and assumptions as well as related analyses are disclosed in detail later within this note.

9.1. Investment property

The development of the office park within the 8.5 hectares core area of Graphisoft Park had begun in 1996; the first buildings were completed in 1998.

At the beginning of 2016 altogether 45,000 m^2 office and laboratory space as well as underground parking for 1,250 cars were available in the office park.

New developments began in 2015 relating to increase in staff of Graphisoft Park's largest tenant SAP Hungary Kft., currently renting over 10,000 m^2 office space, which resulted in construction of 8,000 m^2 new office space and underground parking for 300 cars in several phases in 2017. In addition to the new wing of 5,500 m^2 directly adjacent to SAP's main building (marked S on the map below), another building with 2,500 m^2 floor space optimized for the needs of smaller companies and start-ups was completed. The new wing adjacent to the SAP building was delivered in March, 2017, while the Startup building was delivered at the end of the third quarter of 2017.

The new developments required the demolition and remodeling of older buildings with less economical uses of space under the current conditions. Demolition and remodeling works temporarily reduced rentable space by 2,000 m2 in the office park, therefore the net expansion is 6,000 m^2.

From the completion of the new development in 2017, the office park has 51,000 m^2 office and laboratory space as well as underground parking for 1,550 cars available for its tenants.

With regards to the recent expansion needs articulated by the tenants in 2016 and to the occupancy levels in the Park near their effective cap, the Group started the construction of a new string of office building blocks with 12,000 m^2 floor space and of an underground parking facility for 450 cars on the part of the southern development area that is already prepared for construction. The buildings are expected to be delivered in the middle of 2018.

By the completion of the new developments expected in 2018, the office park will have 63,000 m^2 office and laboratory space as well as underground parking for 2,000 cars available for its tenants.

Occupancy rates in the office buildings stood at 99% on December 31, 2017 and are the same at the time of writing this report.

Campus:

In the 2.4 hectares monument area of Graphisoft Park the Group completed the renovation and repurposing of 7,000 m^2 historical buildings of the old Gasworks' (buildings U1, U2, U3, U5 and U6) into a state-of-the-art university campus since 2010 in several phases. In relation to the education program, the Group constructed a 3,000 m^2 dormitory building with 76 rooms, housing 85 persons in the southern development area. Occupancy rate in the campus and the dormitory was 100% on December 31, 2017 and is the same at the time of writing this report.
Renovation of the largest building of the monument area (building U4) has not begun at the time of writing this report. This building along with the attached land is considered to be development area until renovation starts.

Development areas:

The 7 hectares of free development land in Graphisoft Park (the southern development area without the dormitory, the northern development area and building U4 in the monument area not yet renovated) allowed for the development of a combined total of 70,000 m^2 leasable office space at the beginning of 2016. Due to the new development started in 2016 in the southern development area and the related plot restructuring and change the free development land area decreased to 52,000 m^2 which allows for the development of 54,000 m^2 office space according to the zoning plan in effect.

9.1. Valuation principles, methods and assumptions

Valuation principles:

The fair value of investment property is determined on the basis of the income generating potential of the property.

Valuation methods:

The valuations are carried out using the income approach, discounted cash flow method.

This method involves the projection of a series of periodic cash flows. To this projected cash flow series, a market derived discount rate, which reflects the yield expectations (capital cost) of the investors and creditors, is applied to establish an indication of the present value of the income stream associated with the property.

For buildings, the calculated periodic cash flow is estimated as gross income less expenses related to the operation and maintenance of the property. A series of periodic net operating incomes, along with an estimate of the terminal value anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the fair value of the building.

For development areas (building sites), the calculated periodic cash flow is estimated - based on a development plan determined by the Group - as gross income less expenses related to the operation and maintenance of the property, less expense related to the realization of the development (infrastructure, landscaping, cost of construction of the building and other expenses), and less expenses related to the development land incurring until the expected realization of the development (property tax and other costs). A series of periodic net operating incomes, along with an estimate of the terminal value anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the fair value of the development land.

Investment property fair value determination principles and methods are disclosed in detail in Note 2.9 (Accounting policies).

(all amounts in thousands EUR unless otherwise stated)

Assumptions:

Valuations of December 31, 2017 and December 31, 2016 were performed by the Group.

Key assumptions in the valuations are set out below:

- For the duration of executed and operative contracts rental rates were calculated as provided in the contracts, while after expiration actual (indexed) market rental fees were used.
- Operating expenses related to the property were planned at then current cost levels of the Group (6% of gross income because of the tax advantages of SZIT in 2017; 11% of gross income in 2016).
- Property maintenance expenses were determined with regards to actual (indexed) market reinstatement rates (2% per year).
- When calculating reinstatement costs actual (indexed) specific market building rates were used.
- In the December 31, 2017 and 2016 valuations the Group assumed 100% long-term occupancy rate for the campus in line with the leases concluded. With the office park did not use the current occupancy rate of nearly 100% there for long-term estimates, but the 90% occupancy rate used in 2016 in accordance with the previous practice was increased to 95% in 2017.
- The Group anticipates office space development in the development areas. Due to the new development started in 2016 and more favorable office market trends the Group assumed a full build-up time of 15 years in the December 31, 2017 and in the December 31, 2016 valuations.
- The valuations of the buildings (office park and campus) were calculated with an assumed capital cost (discount rate) of 6.5% as of December 31, 2017 and 6.75% as of December 31, 2016. With the valuation of the development areas, higher capital cost (discount rates) of 7.5% and 7.75% was used than for the completed buildings to reflect the risks inherent with incomplete developments.

Main input data sources for the valuations are summarized in the tables below:

		December 31, 2016	December 31, 2017
BUILDINGS COMPLETED:			
Leasable area	• office area	43,000 m2	51,000 m2
	• educational area	7,000 m2	7,000 m2
	• dormitory	3,000 m2 / 85 persons	3,000 m2 / 85 persons
Rent	• contracted	as provided in the contract	as provided in the contract
	• forecast	market rate	market rate
Occupancy	• office park actual	100%	100%
	• office park forecast	90%	95%
	• campus actual	100%	100%
	• campus forecast	100%	100%
Rental revenue	• one year forecast	9.4 million EUR (in 2017)	11 million EUR (in 2018)
	• long term forecast	9.4 million EUR	11 million EUR
	• maximum	10.2 million EUR	11.9 million EUR
Expenses	• operation	11% of rental revenue	6% of rental revenue
	• maintenance	2% of constr. cost yearly	2% of constr. cost yearly

(all amounts in thousands EUR unless otherwise stated)

		December 31, 2016	December 31, 2017
BUILDINGS UNDER CONSTRUCTION:			
Leasable area	• office area	20,000 m2	12,000 m2
Rent	• contracted	as provided in the contract	as provided in the contract
	• forecast	market rate	market rate
Occupancy	• forecast 1st year	60%	60%
	• forecast from 2nd year	90%	95%
Rental revenue	• long term forecast	3.9 million EUR	2.6 million EUR
	• maximum	4.3 million EUR	2.8 million EUR
Expenses	• operation	11% of rental revenue	6% of rental revenue
	• maintenance	2% of constr. cost yearly	2% of constr. cost yearly
DEVELOPMENT AREAS:			
Development area	land plot	5.2 hectares	5.2 hectares
	development potential	54,000 m2	54,000 m2
	development plan	constant, full build up in 15 years (2018-2032)	constant, full build up in 15 years (2019-2033)
Rent	forecast	market rate	market rate
Occupancy	forecast 1st year	60%	60%
	forecast 2nd year	75%	75%
	forecast from 3rd year	90%	95%
Rental revenue	long term forecast	10.3 million EUR	11.5 million EUR
	maximum	11.4 million EUR	12.2 million EUR
Expenses	operation	11% of rental revenue	6% of rental revenue
	maintenance	2% of constr. cost yearly	2% of constr. cost yearly
	construction	actual market rate indexed	actual market rate indexed
FINANCIAL:			
Capital cost	buildings	6.75%	6.5%
(discount rate)	development areas	7.75%	7.5%
Inflation rate		0.3% (2017) – 1.8% (from 2020)	0.3% (2018) – 1.8% (from 2021)

Management judgment on fair value determination is disclosed in Note 3.3 (Critical accounting estimates and judgments).

(all amounts in thousands EUR unless otherwise stated)

9.2. Sensitivity analysis

Valuation as of December 31, 2017

The fair value of investment property varies by the capital cost (discount rate) and the long term occupancy rate as follows (with a 100% long term occupancy rate in the buildings of the campus):

Capital cost / buildings:		**6.25 %**	**6.50 %**	**6.75 %**
Capital cost / development areas:		**7.25 %**	**7.50 %**	**7.75 %**
Long term	**100 %**	282,731	263,856	246,909
occupancy	**95 %**	264,037	***246,247**	230,279
/ buildings:	**90 %**	245,343	228,638	213,648

* Value calculated based on assumptions considered realistic by the management at the time of the valuation.

Valuation as of December 31, 2016

The fair value of investment property varies by the capital cost (discount rate) and the long term occupancy rate as follows (with a 100% long term occupancy rate in the buildings of the campus):

Capital cost / buildings:		**6.50 %**	**6.75 %**	**7.00 %**
Capital cost / development areas:		**7.50 %**	**7.75 %**	**8.00 %**
Long term	**95 %**	219,322	204,351	190,849
occupancy	**90 %**	202,981	***188,919**	176,239
/ buildings:	**85 %**	185,121	172,051	160,271

* Value calculated based on assumptions considered realistic by the management at the time of the valuation.

(all amounts in thousands EUR unless otherwise stated)

10. Investments

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

The Company acquired a 10 % ownership share (100 thousand EUR) in AIT-Budapest Aquincum Institute of Technology Kft. in 2009. After the complete realization of the educational function (see details in Note 26), in June 2017 the Company sold its stake to the AIT-Budapest Aquincum Institute of Technology.

11. Trade payables

	December 31, 2016	December 31, 2017
Trade payables - domestic	4,190	5,305
Trade payables	**4,190**	**5,305**

The Group settles trade payables within the payment term, and had no overdue payables as of December 31, 2017 and 2016.

(all amounts in thousands EUR unless otherwise stated)

12. Other short-term liabilities

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

* Fair value difference of loans with preferential interest rate due within one year. Details are disclosed in Note 13 (Loans).
** Fair value difference of the IRS connected to Loan number 2. provided by Erste Bank Zrt. The valuation was made by Erste Bank Zrt.

13. Loans

13.1. Loan details

	December 31, 2016	December 31, 2017
Short-term	3,516	4,520
Long-term	44,313	59,952
Loans	**47,829**	**64,472**

(all amounts in thousands EUR unless otherwise stated)

Loans provided by Westdeutsche ImmobilienBank AG:

	December 31, 2016	December 31, 2017
Short-term	3,516	3,575
Long-term	33,181	29,606
Loans / Westdeutsche ImmobilienBank AG	**36,697**	**33,181**

The total original capital amount of the loans provided by Westdeutsche ImmobilienBank AG (in 2017 the bank was acquired by Aareal Bank Group) from 2007 is 58 million EUR. The loan contract expires in 2019. The loans are denominated and due in EUR. Part of the loans is subject to fixed interest rate and part to a floating rate. Main collaterals provided for the bank are: mortgage on real estate (up to 58 million EUR), revenue assignment and bank account pledge. The Group had no undrawn borrowing facilities as of the balance sheet date.

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

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

The Company executed a loan agreement with Erste Bank Hungary Zrt. on December 28, 2015 with 10 years maturity to finance the ongoing development in the core area. In accordance with the loan agreement and its modification on December 29, 2016 Erste Bank makes a 4 billion HUF (12.6 million EUR) credit facility available to Graphisoft Park within Pillar I of the second phase of the National Bank of Hungary's Funding for Growth Scheme and another 3 million EUR credit facility within Pillar II of the third phase of the Funding for Growth Scheme. Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

Both the forint based facility (4 billion HUF equals to 12,897 thousand EUR on exchange rate of December 31, 2017) and the euro based facility (3 million EUR) has been drawn down till December 31, 2017. The initial fair value of the loan is 14,037 thousand EUR (see details under point 13.2 below). Borrowing costs of the loan have been capitalized on construction in progress until the completion of the new developments.

In order to manage exchange rate risks associated with the forint-based loan, we have executed a cash flow hedge (CCIRS) transaction agreement on June 24, 2016 covering the entire loan amount and cash flows from the beginning of the loan repayment period until the expiration of the loan contract (from end of 2017 until end of 2025), by which we have converted the forint-based capital and interest payment obligations onto euro base. In this construction, the initial change of capital took place at the commencement of the cash flow hedge transaction (on December29, 2017), therefore, we have also executed a related forward exchange rate agreement (forward forint purchase) to provide the forint coverage required to the initial change of capital.

(all amounts in thousands EUR unless otherwise stated)

On December 29, 2017, at the commencement of the cash flow hedge transaction, the related forward exchange rate agreement has been closed down. The gain on the forward transaction has been credited into the profit or loss in amount of 205 thousand EUR. As of December 31, 2017 fair value of the cash flow hedge transaction is presented among long-term financial assets in amount of 695 thousand EUR; unrealized gains related to the transaction are presented within the equity (Valuation reserve) in amount of 665 thousand EUR.

From 2018 until the end of 2025 the Company will make quarterly loan and interest payments, which will be recognized in profit or loss.

Loan number 2. (Erste)

	December 31, 2016	December 31, 2017
Short-term	-	257
Long-term	-	1,743
Loan 2 / Erste Bank Hungary Zrt.	**-**	**2,000**

On November 30, 2017, based on the decision of the Board of Directors, the Company concluded a new euro-based, 10 years to maturity loan facility with Erste Bank Hungary Zrt., for the refinancing of the previous loan facility before its maturity, concluded with Westdeutsche ImmobilienBank AG in 2007 with expiration in May 2019. The new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term from the second half of 2018, thus the interest rate is fixed for the entire term from that time – unlike the facility to be redeemed with partly variable interest rates.
The new facility is worth 40 million EUR, whose bulk is to be used for the repayment of the entire debt to Westdeutsche ImmobilienBank AG, while the remaining smaller part will be used to finance the refurbishment of the older buildings of Graphisoft Park. 2,000 thousand EUR free usage facility was drawn till December 31, 2017.
Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

Loan provided by UniCredit Bank Hungary Zrt.:

	December 31, 2016	December 31, 2017
Short-term	-	-
Long-term	1,753	15,254
Loans / UniCredit Bank Hungary Zrt.	**1,753**	**15,254**

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

(all amounts in thousands EUR unless otherwise stated)

17,911 thousand EUR was drawn from the credit facility until December 31, 2017, whose initial fair value was 15,254 thousand EUR (see details under point 12.2 below). Borrowing costs of the loan will be capitalized on construction in progress until the completion of the new developments in 2018.

13.2. Analyses

Maturity profile of the loans:

	December 31, 2016	December 31, 2017
Due within 1 year	3,516	4,520
Due between 1-5 years	35,190	38,301
Due over 5 years	9,123	21,651
Loans	**47,829**	**64,472**

Fair value of the loans:

	December 31, 2016	December 31, 2017
Westdeutsche ImmobilienBank AG	36,398	33,414
Erste Bank Hungary Zrt. Loan nr. 1.	9,379	14,037
Erste Bank Hungary Zrt. Loan nr. 2.	-	2,000
UniCredit Bank Hungary Zrt.	1,753	15,524
Loans at fair value*	**47,540**	**64,305**

* Calculated at a 2.5% effective interest rate for the fixed interest period of the loans as of December 31, 2016 and 2017.

The weighted average interest rate of the loans was 1.02% as of December 31, 2017 and as of the date of the approval of these financial statements (2016: 1.4%).

(all amounts in thousands EUR unless otherwise stated)

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, 2017:

	Actual loan liability	**Fair value difference	*Fair value
Erste Bank Hungary Zrt.	15,897	1,860	14,037
UniCredit Bank Hungary Zrt.	17,911	2,657	15,254
Loans (FGS)	**33,808**	**4,517**	**29,291**

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

** Fair value difference of loans with preferential interest rate (government grant received through the Funding for Growth Scheme compensating expenses) are shown at other short-term liabilities (Note 12) and other long-term liabilities (Note 15) and amortized to the profit and loss statement based on the effective interest rate method.

14. Deferred taxes

	December 31, 2016	**December 31, 2017**
Development reserve	757	-
Depreciation	(20)	-
Loss carried forward	(155)	-
Deferred tax liability, net	**582**	**-**

Effective from July 31, 2017 the Company became regulated real estate investment pre-company (see the “Other key issues” section in the management report) and as such the Company was subject to corporate income tax and local business tax only till this date. As a result deferred tax assets and liabilities were released against current year results as of this date. This one-off profit on consolidated level does not create basis for dividend (distributable profit). The basis for dividend payable is Graphisoft Park SE’s standalone annual financial statements, where the release of deferred taxes resulted in a one-off 10 thousand euros loss.

(all amounts in thousands EUR unless otherwise stated)

15. Other long-term liabilities

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

* Fair value differences of loans with preferential interest rate due over one year. Details are disclosed in Note 13 (Loans).

16. Revenue

	December 31, 2016	December 31, 2017
Property rental	9,525	10,624
Revenue	**9,525**	**10,624**

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

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

	December 31, 2016	December 31, 2017
Within 1 year	9,170	10,285
1– 5 years	13,876	28,749
Over 5 years	8,294	16,040
	31,340	**55,074**

(all amounts in thousands EUR unless otherwise stated)

17. Operating expense

	December 31, 2016	December 31, 2017
Property related expense	49	56
Employee related expense	759	961
Other operating expense	323	532
Depreciation and amortization	4,183	4,604
Operating expense	**5,314**	**6,153**

Other operating expense consists of the following items:

	December 31, 2016	December 31, 2017
Office and telecommunication	13	14
Legal and administration	162	347
Marketing	33	16
Other	115	155
Other operating expense	**323**	**532**

(all amounts in thousands EUR unless otherwise stated)

18. Other income (expense)

	December 31, 2016	December 31, 2017
Income from recharged construction expenses	812	1,564
Recharged construction expenses	(786)	(1,435)
Income from recharged operation expenses	3,578	4,092
Recharged operation expenses	(3,264)	(3,733)
Disposal of tangible assets*	(123)	-
Others	9	(51)
Other income	**226**	**437**

* New developments began in Graphisoft Park in 2015, which resulted in the construction of 8,000 m2 new office space by 2017. The construction of the new buildings required the demolition of older buildings. The demolition of Building K started in 2016 and accordingly net book value (123 thousand euros) of this building has been written off in the first quarter of 2016.

19. Interest

	December 31, 2016	December 31, 2017
Interest received	3	-
Interest income	**3**	**-**
Interest paid on loans	(900)	(876)
Other interest paid	(4)	(3)
Borrowing cost capitalized	76	77
Interest expense	**(828)**	**(802)**
Net interest expense	**(825)**	**(802)**

(all amounts in thousands EUR unless otherwise stated)

20. Other financial result

	December 31, 2016	December 31, 2016
Exchange rate (loss) / gain realized	(14)	(8)
Exchange rate gain / (loss) not realized	10	(83)
Profit on sale of investments*	-	20
Realized gain on derivative transaction**	-	205
Change in far value on derivative transaction***	-	(234)
Exchange rate gain (loss)	**(4)**	**(100)**

*Profit on sale of 10% share in AIT-Budapest Kft; details are disclosed in Note 25.
** Realized gain on closed forward transaction; details are disclosed in Note 13 (Loans).
*** Change in fair value on IRS agreement relating to the loan Nr. 2. provided by Erste Bank Hungary Zrt. as of December 31, 2017.

21. Income taxes

	December 31, 2016	December 31, 2017
Current income tax	(355)	(217)
Deferred income tax	(192)	582
Income tax (expense) / benefit	**(547)**	**365**

Applicable tax rates are: 10% corporate income tax in 2016 and 9% in 2017; 2% local business tax in 2016, 2017.

(all amounts in thousands EUR unless otherwise stated)

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

	December 31, 2016	December 31, 2017
Profit before tax	**3,608**	**4,006**
Tax at statutory rate	**361**	**361**
Effect of change in tax rate*	(65)	-
Release of deferred tax of prior periods**	-	(582)
Non-taxable items**	-	(177)
Unrecognized deferred tax**	-	(108)
Translation difference	(7)	(2)
Others	-	(23)
Corporate income tax	**289**	**(531)**
Local business tax	**258**	**166**
Tax expense	**547**	**(365)**
Effective tax rate	**15.2%**	**(9.1%)**

* Corporate income tax rate reduction (from 10% to 9%) effective from 2017 decreased deferred tax by 65 thousand euros.

**Effective from July 31, 2017 the Company became regulated real estate investment pre-company and as such the Company was subject to corporate income tax and local business tax only till this date. As a result deferred tax assets and liabilities were released against current year results as of this date (582 thousand euros). This one-off profit on consolidated level does not create basis for dividend (distributable profit). The Group is not subject to corporate income tax after tax base from August 1, 2017 (177 thousand euros). The unrecognized deferred taxes amount to 108 thousand euro.

The effective tax rate is largely influenced by the local business tax expense, which is calculated on a gross margin basis.

(all amounts in thousands EUR unless otherwise stated)

22. Earnings per share

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

	December 31, 2016	December 31, 2017
Net profit attributable to equity holders of the parent	3,061	4,371
Weighted average number of ordinary shares outstanding	10,082,598	10,082,598
Basic earnings per share (EUR)	**0.30**	**0.43**
Weighted average number of ordinary shares outstanding	10,082,598	10,082,598
Diluted earnings per share (EUR)	**0.30**	**0.43**

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

Share ownerships details are disclosed in Note 1.3.

23. Treasury shares

Graphisoft Park SE treasury share details are as follows:

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

(all amounts in thousands EUR unless otherwise stated)

24. Net asset value

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

	Note	Book value December 31, 2017	Fair value December 31, 2017	*Difference*
Investment property	8, 9	87,417	246,247	*158,830*
Other tangible assets	8	312	312	-
Intangible assets		2	2	-
Current tax liability, net	6	528	528	-
Non-financial instruments		**88,259**	**247,089**	***158,830***
Cash and cash equivalents	4	4,239	4,239	-
Trade receivables	5	856	856	-
Other current assets	7	9,589	9,589	-
Long-term financial assets		695	695	-
Trade payables	11	(5,305)	(5,305)	-
Other short-term liabilities	12	(3,490)	(3,490)	-
Loans	13	(64,472)	(64,305)	*167*
Other long-term liabilities	15	(4,331)	(4,331)	-
Financial instruments		**(62,219)**	**(62,052)**	***167***
Net asset value		**26,040**	**185,037**	***158,997***

(all amounts in thousands EUR unless otherwise stated)

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

	Note	Book value December 31, 2016	Fair value December 31, 2016	*Difference*
Investment property	8, 9	69,655	188,919	119,264
Other tangible assets	8	247	247	0
Investments	10	100	100	0
Current tax liability, net	6	(8)	(8)	0
Non-financial instruments		**69,994**	**189,258**	**119,264**
Cash and cash equivalents	4	2,621	2,621	0
Trade receivables	5	1,083	1,083	0
Other current assets	7	5,681	5,681	0
Trade payables	11	(4,190)	(4,190)	0
Other short-term liabilities	12	(1,661)	(1,661)	0
Loans	13	(47,829)	(47,540)	289
Deferred tax liability, net	14	(582)	(582)	0
Other long-term liabilities	15	(1,588)	(1,588)	0
Financial instruments		**(46,465)**	**(46,176)**	**289**
Net asset value		**23,529**	**143,082**	**119,553**

(all amounts in thousands EUR unless otherwise stated)

25. Related party disclosure

Transactions with related parties:

Graphisoft Park SE did not hold interests in entities other than its consolidated subsidiaries (100%) and AIT-Budapest Kft. (10%) in 2017 and 2016. After the complete realization of the educational function in 2017 (details are disclosed in Note 26.) the Company sold its stake in the AIT-Budapest Aquincum Institute of Technology.

AIT-Budapest Kft., Graphisoft SE and vintoCON Kft. are deemed related parties of the Group in 2017 and 2016 in view of the following facts:

- Chairman of the Board of Directors of Graphisoft Park SE (Bojár Gábor) is Managing Director at AIT-Budapest Kft.,
- Chairman of the Board of Directors of Graphisoft Park SE (Bojár Gábor) is member of the Board of Directors of Graphisoft SE,
- Member of the Board of Directors of Graphisoft Park SE (Szigeti András) is member of the executive management of vintoCON Kft.

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

Item	December 31, 2016	December 31, 2017
Sales to related parties	1,681	1,921
Profit on sale of investments	-	20
Purchases from related parties	4	5
Receivables from related parties	2	3
Liabilities to related parties	-	614

Transactions with the related parties were as follows in 2017 and 2016:

- AIT-Budapest Kft., Graphisoft SE and vintoCON Kft. leased a total office space of 6,740 m^2 in Graphisoft Park in 2017 and 6,100 m^2 in 2016,
- Graphisoft Park SE provided financial and administration services for AIT-Budapest Kft. until 31 July, 2017 and in 2016,
- vintoCON Kft. provided software administration services for Graphisoft Park Services Kft. in 2017 and 2016,
- Graphisoft SE provided software administration services for Graphisoft Park Kft. in 2017 and 2016,
- in connection with the renovation of the building rented by Graphisoft SE, Graphisoft Park Kft. has advances in amount of 614 thousand euros at the end of 2017,
- the profit on sale of 10% share in AIT-Budapest Kft was 20 thousand euros (the selling price was 100 thousand euros).

Transactions (sales to and purchases from) with the related parties are made at market prices. Office lease rent and service charges are similar to other tenants of the Group. No guarantees were provided or received for any related party receivables or payables. In 2017 and 2016, the Group has not recorded any impairment loss relating to amounts owed by related parties.

(all amounts in thousands EUR unless otherwise stated)

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

	December 31, 2016	December 31, 2017
Remuneration of the Board of Directors	64	78
Compensation of key management personnel	267	340
Total	**331**	**418**

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

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

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

	December 31, 2016		December 31, 2017	
Shareholder	**Shares (pcs)**	**Shares (pcs)**	**Shares (pcs)**	**Share (%)**
ORDINARY SHARES:	**3,890,272**	**31.11**	**3,829,082**	**30.61**
Bojár Gábor - Chairman of the BoD	3,185,125	25.47	3,185,125	25.47
Dr. Kálmán János - Member of the BoD	13,500	0.11	13,500	0.11
Szigeti András - Member of the BoD	126,000	1.01	126,000	1.01
Kocsány János - Member of the BoD, CEO	90,457	0.72	90,457	0.72
Hornung Péter – Member of BoD	466,190	3.73	414,000	3.31
Hajba Róbert - CFO	9,000	0.07	-	-
EMPLOYEE SHARES:	**1,876,167**	**15.00**	**1,250,778**	**10.00**
Kocsány János - Member of the BoD, CEO	1,250,778	10.00	1,250,778	10.00
Hajba Róbert - CFO	625,389	5.00	-	-
SHARES TOTAL:	**5,766,439**	**46.11**	**5,079,860**	**40.61**

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

26. Commitments, contingencies

Realization of the educational function

As we discussed in detail in previous reports in order to realize the full potential of Graphisoft Park's "science park" features with the purchase of land contract concluded with the Municipality of Budapest in 2008 we have undertook the duty to carry out the development for educational purpose by renovating the protected monument parts of the purchased property. To secure the realization of this duty a pledge in the value of 1 billion forints had been recorded. The realization of the educational function was in part carried out by the founding of the AIT-Budapest Aquincum Institute of Technology, owned by 10% by the Company; and through the International Business School's (IBS) relocation to Graphisoft Park. Our petition for acknowledgement of the complete fulfillment of the duty was granted by the competent trial court, and later the Debrecen Regional Court of Appeal, acting as the appeal court hearing the Municipality's appeal against the previous ruling decided for Graphisoft Park again on March 30, 2017, ordering the removal of the pledge with immediate effect. After the complete realization of the educational function the Company sold its stake in the AIT-Budapest Aquincum Institute of Technology.

27. Financial risk management

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

Market risk:

Office rental price risk:

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

Currency risk:

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

Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term loans with floating interest rates (8.6 million EUR as of December 31, 2017 and 9.7 million EUR as of December 31, 2016).

To manage interest rate risk, the major part of the bank loans of the Group are subject to fixed interest rates. Conditions and balances of bank loans are disclosed in Note 13.

(all amounts in thousands EUR unless otherwise stated)

Credit risk:

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

Tenant receivables:

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

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

Revenue from 2 tenants (SAP Hungary Kft., Graphisoft SE) exceeded 10% of the total revenue of the Group in 2017 and 2016 (separately). Revenue from these 2 tenants represented 38% of the total revenue in 2017 and 33% in 2016.

Cash deposit and financial investments:

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

Liquidity risk:

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

The Group settles its payment obligations within the payment term, and had no overdue payables as of December 31, 2017 and 2016.

The two tables below summarize the maturity profile of financial liabilities based on contractual undiscounted payments as of December 31, 2017 and 2016.

December 31, 2017	**Overdue**	**Due within 1 year**	**Due between 1-5 years**	**Due over 5 years**	**Total**
Loans*	-	5,222	41,977	23,350	**70,549**
Trade payables	-	5,305	-	-	**5,305**
Current tax liability	-	274	-	-	**274**
Other liabilities	-	2,876	100	,	**2,976**
Financial liabilities	**-**	**13,677**	**42,077**	**23,350**	**79,104**

(all amounts in thousands EUR unless otherwise stated)

December 31, 2016	Overdue	Due within 1 year	Due between 1-5 years	Due over 5 years	Total
Loans*	-	4,069	37,109	9,935	**51,113**
Trade payables	-	4,190	-	-	**4,190**
Current tax liability	-	279	-	-	**279**
Other liabilities	-	1,424	-	-	**1,424**
Financial liabilities	**-**	**9,962**	**37,109**	**9,935**	**57,006**

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

28. Capital risk management

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

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

29. Approval of financial statements

Following the recommendation of the Board of Directors, the Annual General Meeting on April 20, 2017 approved the 2016 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 79,669 thousand EUR and a profit for the year of 3,061 thousand EUR. Together with the approval of the consolidated financial statements for issue, the Annual General Meeting approved dividend distribution of 78 HUF per ordinary share, 786,443 thousand HUF in total (2,512 thousand EUR on the exchange rate of April 20, 2017), and 26 HUF per employee share, 48,780 thousand HUF in total (156 thousand EUR on the exchange rate of April 20, 2017). The starting date for dividend payments was May 22, 2017. The Company paid out the dividends to the shareholders identified by shareholder's registration.

(all amounts in thousands EUR unless otherwise stated)

30. Events after the balance sheet date

Proposed dividend by the Board:

The annual financial statements of the Company for the year 2017 prepared in accordance with International Financial Reporting Standards (IFRS) are authorized for issue in accordance with the resolution of the Board of Directors on March 22, 2018. The Board proposes dividend distribution of 93 HUF per ordinary shareand 31 HUF per employee share to be approved by the Annual General Meeting of Graphisoft Park SE of April 26, 2018. The Annual General Meeting has the power to amend the annual financial statements.

Change in management:

From January 15, 2018 the Company's CFO is Ormosy Gábor. The previous CFO's, Hajba Róbert's employee shares were redeemed by the Company on face value.

Registration as regulated real estate development company:

Effective from January 1, 2018 the Company and its project subsidiaries were registered as regulated real estate development companies (SZIT) by the Hungarian National Tax Authority (NAV). At the same date the real estate developer pre-company status of the group companies' was terminated.

The SZIT status affects the following group companies:
- Graphisoft Park SE
- Graphisoft Park South I. Kft.
- Graphisoft Park South II. Development Kft.
- Graphisoft Park Kft.
- Graphisoft Pak Services Kft.

31. Additional presentations according to the Hungarian Accounting Law

Persons responsible for signing and preparing the financial statements:

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

Name:	Kocsány János
Position:	Chief Executive Officer
Address:	H-1031 Budapest, Almási Balogh Loránd utca 1. D.
Name:	Ormosy Gábor
Position:	Chief Financial Officer
Address:	H-2096 Üröm, Gábor Áron sétány 1.

The person responsible for supervising transactional accounting and preparation of financial statements according to IFRS:
Name: Goór Ágnes
IFRS registration number: 192592

(all amounts in thousands EUR unless otherwise stated)

Statutory auditor and audit fees:

The Company is subject to statutory audit. The Company's auditor is Ernst & Young Könyvvizsgáló Kft. (address: H-1132 Budapest, Váci út 20.). The person responsible for signing the audit report:

Name:	Szabó Gergely
Registration number:	005676

The audit fee for the Company's stand alone and consolidated financial statements as of December 31, 2017 is 22,000 euro, the interim and final audit fee for the subsidiaries was 38,000 euro. Audit related fees amounted to 13,000 euro, the tax advisory fees were 1,083 euro for 2017.

32. Declarations

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

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