

GRAPHISOFT PARK SE

Interim Management Report – Fourth Quarter 2020

February 23, 2021



GRAPHISOFT PARK





Dear Shareholders,

In 2020, the **pro forma net profit is 4.43 million euros**, about 230 thousand euros higher than the forecast. Despite the coronavirus epidemic that determined the year 2020 and the resulting economic crisis, rental income increased by approximately 300 thousand euros, while EBITDA increased by almost 400 thousand euros compared to 2019. Majority of our tenants are highly prestigious and financially stable IT and biotechnology companies, and as a result general impacts affecting the office market had less effect on Graphisoft Park during this year. The occupancy rate of the office park was permanently 97% until the end of the first half of 2020, which decreased slightly by 3% in the second half of the year but remained more favorable than the average vacancy rate in the Budapest office market. From 2020 onwards, the interest expense related to the loan taken at the end of last year for the extraordinary dividend increased, and as such reducing the net profit, which in total was around 500 thousand euros lower than in 2019.

We do not expect a significant further decline in occupancy in 2021, although we will have to count with smaller area reduction demands when renewing leases during the year. The more frequent usage of home office is affecting the demand for offices, but many tenants are still waiting, rethinking the amount of office space needed in the future. At the same time, the declining space requirements of these tenants also provide an opportunity to meet the further growth needs of other tenants. Based on our expectations, there will be a need for a personal presence in the longer term, especially for large offices surrounded by green space that serve the requirement of social distance well. According to our calculations, we continue to maintain the forecast **for 2021** published in the previous quarterly report: we expect **rental revenue of 14.5 million euros** and a **pro forma result of 4.3 million euros**, taking into account the current occupancy level.

In 2020, in addition to 90% of the 2019 pro forma result, an additional dividend of 25.5 million euros was paid out of the amount allocated for the structured share repurchase transaction, which was canceled considering the situation caused by the coronavirus epidemic. The Board of Directors proposes to pay an additional dividend in 2021 from the reserve justified by the extremely uncertain market situation at that time: in addition to the dividend of 4 million euros corresponding to 90% of the pro forma net profit of 2020, the Board of Directors **plans to propose** to the General Meeting the payment of an additional dividend of approximately 6 million euros, i.e. a **dividend of altogether 10 million euros**. According to our calculations, the remaining available cash balance ensures the further safe operation of the Company in the current situation, as well as the financing of the preparation of certain refurbishments requested by tenants and potential future developments.

Property portfolio and fair value of net assets

Given the prolonged economic downturn caused by the COVID 19 epidemic and its short- and long-term effects, the independent valuer reduced the **fair value of the property portfolio** by an additional 1.8% compared to the end of the previous quarter. Accordingly, the estimated fair value of properties of 246 million euros as of September 30, 2020 has decreased to **241 million euros** as of December 31, 2020. The decrease is 23.8 million euros compared to the end of the previous year. This decline quantifies the steadily rising yield expectations due to the uncertain market environment caused by the crisis, as well as the estimated long-term change in risk factors specifically affecting the office market. As a result of the coronavirus epidemic, generally the occupancy rate in the office market shows decrease in 2020; and in the longer term, the independent valuer also calculated with more regular usage of home office, with the possible non-renewal of certain lease agreements, with the protracted re-leasing and the transformation of office use, as well as the need to reduce certain leased areas.



[thousands of EUR]

	Dec 31, 2019	March 31, 2020	June 30, 2020	Sept 30, 2020	Dec 31, 2020
Completed, delivered properties	241,310	239,544	239,486	222,166	218,041
Development lands	23,630	23,390	23,390	23,400	23,100
Estimated fair value of the entire property portfolio	264,940	262,934	262,876	245,566	241,141
Net asset value at estimated fair value	195,295	194,877	165,586	150,601	148,653
Net asset value at fair value per share (EUR)	19.4	19.3	16.4	14.9	14.7

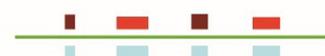
As of December 31, 2020, value of completed, delivered properties is 218 million euros, representing a decrease of nearly 23.3 million euros compared to the 2019 yearend figure. Future developments will be delayed because of the current uncertain economic conditions, which is partly compensated by the weakening Hungarian forint, but altogether these effects resulted 500 thousand euros decrease in fair value of development lands compared to 2019.

In 2020 fair value of net assets decreased from 195 million euros to **149 million euros**, this is partly due to the increase in net assets with the net profit and loan installments, and partly due to the decrease in net assets with the dividend payment of 30 million euros in June 2020 and devaluation of investment properties by 24 million euros.

Pro forma results and forecast

Our 2020 “pro forma” results developed satisfactory: despite the economic crisis caused by the corona virus, we achieved rental income of 14.54 million euros, which was 290 thousand euros higher than in previous year. By the end of 2020, utilization has decreased slightly, however, according to our current expectations, in 2021, as previously forecasted, revenue is expected to be the same as in 2020. With a similar level of operating expenses, EBITDA exceeded the 2019 amount by 370 thousand euros in 2020. At the same time, by 2021, we expect an increase in operating costs as the significant growth of the Park in recent years necessitates some reorganization of financial management and related IT infrastructure. As a result, EBITDA is expected to decline to 13.3 million euros representing the 2019 EBITDA level. Following the completion of improvements and renovations in previous years, depreciation did not change significantly in 2020 and is expected to remain at 7.1 million euros in 2021. Due to the interest expenses related to the higher loan portfolio and the weakening of the forint, the exchange rate loss of assets denominated in forint significantly reduced the financial result in 2020. The interest expense and exchange rate loss realized in the current period is almost 2.2 million euros, which will decrease to 1.9 million euros by 2021 due to continuous repayments. We present as one-off item the 747 thousand euros foreign exchange loss realized in the second quarter, which relates to the 30 million euros dividend paid in HUF¹.

¹ HUF significantly strengthened between the date of the dividend declaration (April 30, 2020) and the date of the dividend payment (June 8, 2020), which date was relatively far from the date of the declaration due to regulations introduced relating to the epidemiological situation. This resulted that on the payment date the dividend declared in HUF amounted to 31.0 million euros instead of the planned 30.3 million euros. According to IFRS the difference is to be accounted as foreign exchange loss. The Company presents this loss as one-off item and does not plan to reduce the pro forma result with this amount which will be the basis of the next year’s dividend payment.



Consequently, this one-off loss will not decrease the 2020 pro forma net result, which will be the basis of the dividend payment². Based on the above, in the current period we have reached 4.43 million euros net result which is nearly 510 thousand euros less than the net profit of prior period mainly due to the interest expenses relating to the increased level of loans payable. The 2021 forecasted “pro forma” profit is 4.3 million euros, which is around 130 thousand euros less than the 2020 profit.

(million euros)	2019 actual	2020 actual	2021 forecast
Rental revenue	14.25	14.54	14.5
Other income (net)	0.51	0.59	0.5
Operating expense	(1.41)	(1.41)	(1.7)
EBITDA	13.35	13.72	13.3
Depreciation	(7.13)	(7.09)	(7.1)
Operating profit	6.22	6.63	6.2
Net interest expense	(1.26)	(2.18)	(1.9)
Profit before tax	4.96	4.45	4.3
Income tax expense	(0.02)	(0.02)	(0.0)
Net profit	4.94	4.43	4.3

We are right in our pursuit of the “micro-silicon-valley” concept articulated some 20 years ago: even during a long-lasting economic downturn it is worth targeting a well-defined market - Hungarian and international technology companies pursuing innovation - and focusing real estate developments to cater to their needs. The key to success in their fields is attracting talent. We are aiming to contribute to this with quality and environmentally conscious architecture, in a uniquely quiet setting on the green banks of the river Danube surrounded by the Park’s state-of-the art renovated industrial monument buildings preserving the marvelous ambiance of the old Óbuda Gas Works.

Bojár Gábor
 Chairman of Board of Directors

Kocsány János
 Chief Executive Officer

² Please refer to Financial Highlights/Results: B) Other results



Financial highlights

IFRS, consolidated, thousand EUR

Results:

	"Pro forma" results (1)		Results according to financial statements	
	12 months ended	12 months ended	12 months ended	12 months ended
	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020
A) Results from ordinary activities:				
Rental revenue	14,249	14,539	14,249	14,539
Operating expense	(1,408)	(1,406)	(1,408)	(1,406)
Other income (net)	512	590	512	590
EBITDA	13,353	13,723	13,353	13,723
Valuation gains / (losses) from investment property	-	-	4,452	(24,315)
Depreciation and amortization	(7,131)	(7,087)	(196)	(229)
Operating profit	6,222	6,636	17,609	(10,821)
Net interest expense	(1,216)	(1,963)	(1,216)	(1,963)
Other financial result	(39)	(216)	(39)	(216)
Profit / (loss) before tax	4,967	4,457	16,354	(13,000)
Income tax expense	(24)	(23)	(24)	(23)
Profit / (loss) for the period	4,943	4,434	16,330	(13,023)
Earnings / (loss) per share (EUR) (2)	0.49	0.44	1.62	(1.29)
B) Other results (one-off items):				
Exchange rate loss realized (3)	-	(747)	-	(747)
(Loss) for the period	-	(747)	-	(747)
A+B) Profit / (loss) for the period	4,943	3,687	16,330	(13,770)
Earnings per share (EUR) (2)	0.49	0.37	1.62	(1.37)

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

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

(3) The 747 thousand euros exchange rate loss relating to the 30 million euros dividend paid in HUF is presented among one-off items.



IFRS, consolidated, thousand EUR

Asset value:

	December 31, 2019	December 31, 2020
Fair value of properties	241,310	218,041
<i>-from this book value (1)</i>	<i>235,091</i>	<i>212,039</i>
Fair value of development lands	23,630	23,100
<i>- from this book value (1)</i>	<i>12,044</i>	<i>12,358</i>
Entire property portfolio at estimated fair value	264,940	241,141
Net asset value at estimated fair value (2)	195,295	148,653
<i>Net asset value at cost (1)</i>	<i>178,670</i>	<i>133,011</i>
Number of ordinary shares outstanding (thousands)	10,083	10,083
Net asset value at fair value per share (euro) (2) (3)	19.37	14.74
<i>Net asset value at cost per share (euro) (1) (3)</i>	<i>17.72</i>	<i>13.19</i>

(1) Investment properties and investment properties under construction are fair valued in the financial statements, while development lands and owner-occupied property are stated at cost. Development lands are presented under "Investment properties" and owner-occupied properties under "(Owner-occupied) Property, plant and equipment" in the balance sheet. As a result, instead of accounting depreciation, current period change in fair value are presented in the profit or loss.

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

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

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



Management Report

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

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

“Pro forma” results of 2020

“Pro forma” results of 2020 changed compared to 2019 because of the following main factors:

- **Rental revenue** (2020: 14,539 thousand euros; 2019: 14,249 thousand euros) rose by 290 thousand euros, or 2% compared to the previous period mainly due to the indexation of rental fees and rental fee increases during the renewal of rental contracts.
- **Operating expense** (2020: 1,406 thousand euros; 2019: 1,408 thousand euros) did not change compared to the prior year.
- **Other income** (2020: 590 thousand euros; 2019: 512 thousand euros) net amount was 78 thousand euros, or 15% higher than the base last year, mainly due to developments and refurbishments based on tenant requests.
- **Depreciation** (2020: 7,087 thousand euros; 2019: 7,131 thousand euros) overall did not change in comparison with prior year.
- **EBITDA** (2020: 13,723 thousand euros; 2019: 13,353 thousand euros) grew by 370 thousand euros, or 2.8%, while **operating profit** (2020: 6,636 thousand euros; 2019: 6,222 thousand euros) increased by 414 thousand euros, or 6.7% compared to the previous year due to the factors mentioned above.
- **Net interest expense** (2020: 1,963 thousand euros; 2019: 1,216 thousand euros) increased by 747 thousand euros compared to prior year due to higher amount of outstanding loans.
- **Other financial result** (2020: 963 thousand euros loss; 2019: 39 thousand euros loss) decreased by 924 thousand euros compared to prior year, from which 747 thousand euros exchange rate loss relates to the 30 million euros dividend paid in HUF (refer to footnote 3.).
- The balance of **income tax expense** (2020: 23 thousand euros; 2019: 24 thousand euros) is minimal as the Group – except for Graphisoft Park Engineering & Management Kft. – has SZIT status and as such is not subject to corporate income tax and local business tax.
- **Net profit** (2020: 3,687 thousand euros; 2019: 4,943 thousand euros), except for the one-off exchange rate loss realized on the dividend paid in HUF, decreased by 509 thousand euros and amounts to 4,434 thousand euros in 2020 compared to 2019, because of the factors explained in the previous points.



2020 results according to the financial statements

In 2020 results according to the financial statements are 17,457 thousand euros lower than the “pro forma” results due to the following two factors: unrecognized depreciation expense of investment properties increased the results by 6,858 thousand euros and fair value losses decreased the results by 24,315 thousand euros. Decrease in fair value is caused by the uncertain business environment impacting the yield, the temporary slight decrease of occupancy rate and the more regular usage of home office, which factors were considered by the independent appraiser.

In the same period of 2019 results according to the financial statements were 11,387 thousand euros higher than the “pro forma” results: unrecognized depreciation expense increased the results by 6,935 thousand euros and fair value gains increased the results by 4,452 thousand euros. In the comparative period the fair value gain was caused by the delivery of the development in the southern area, the conclusion of new rental contracts and the increasing occupancy rate.

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

Utilization, occupancy

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

Period:	2019 Q4	2020Q1	2020Q2	2020Q3	2020Q4
Occupancy of gross leasable area (%):	97%	97%	97%	95%	94%
Gross leasable area (m ²):	82,000	82,000	82,000	82,000	82,000

In 2018, due to the delivery of the development in the southern area the rentable area increased to 82,000 sqm from the previous 68,000 sqm. Due expansion needs of certain tenants who moved from the core area to the southern area and the new lease contracts concluded in the previous quarters, from the second half of 2019 the occupancy rate increased to 97% again. Till the end of 2020 the occupancy rate slightly decreased to 94%, partly due to the economic downturn and partly due to tenant requests.

Graphisoft Park’s tenants make longer commitments than the national average. The Park’s unique natural environment and its information technology focus (the “micro silicon-valley” concept) provide the space in which globally acclaimed companies have settled as tenants and expanded continuously over time. Examples for these companies are Microsoft (from 1998), SAP (from 2005) or Servier (from 2007); and the Park’s naming tenant and founder, Graphisoft SE (from 1998), which now operates wholly independently as a software company. It is also important to highlight that smaller tenants are staying in the Park for more than 5 years on average and keep extending (average 1-3 years) their leases after expiration even with rental fees considered premium in the Budapest office market. The average lease term in the Park calculated with the starting date of current tenants’ earliest lease agreements (in certain cases lease agreements concluded with the predecessor of Graphisoft Park Group) is **13.7 years**, and in case of existing lease contracts the weighted average lease term to expiry is **4 years**.

Development and modernization plans

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



The southernmost part of the southern development area, named South Park II, offer room for another 20,000 m² potential development. In the second half of 2019 we have commenced the archeological and landscaping works there on 4,000 m², as well as the preparations for launching possible future projects. The preparatory works were finished in 2020 to deliver new buildings on this area even within 18 months if demand would arise.

In addition, in 2020 the Company submitted a tender for the acquisition of a development land located directly between the already built-in South Park I and the development area named South Park II. The tender for the approximately 1,200 m² (Budapest III. 19333/60 hrsz.) land was approved by the local governmental body (Budapest Capital City III. district Óbuda-Békásmegyér Local Government Representative Body Resolution Nr. 613/2020. (IX.24.)). The related sale and purchase agreement came into force in January, 2021. This area, combined with the other plots already owned by the Company, enables the development of an additional 4,000 m² of leasable office space.

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

In 2017 we have started the systematic modernization and refurbishing of the buildings of the nearly 20 years old office park. In 2017 and 2018 costs related the refurbishment of nearly 13,000 m² office space amounted to around 4 million euros and cca. 6 million euros have been invested by the tenants to implement their individual needs. In 2019 and in 2020 we have refurbished several smaller office and service buildings on 7,000 m², which amounted to 1,200 thousand euro. From 2021 the technological refurbishment of certain aged buildings in the core area is planned to continue, at a cost of additional 0.5-1 million euro per year.



Key characteristic of the Graphisoft Park domestic „Silicon Valley” concept is the sustained synergy between teams of startup entrepreneurs, global IT and Technology focused companies and Higher Educational Institutions as leading edge „knowledge-factories”. Partnering relationships based on tight collaboration between Technology Firms, Startups and Educational Institutions have been shaped among these three main pillars of Graphisoft Park, resulting in mutual support and strengthening and stimulating cooperation. The enhanced physical proximity and meaningful collaboration act as an attractive force and is recognized as a convenient source by all the three sectors. Management of the Park is consciously supporting the balanced presence of all three pillars and application of the full potential offered by their collaboration. We are open to accommodate educational institutions that act as knowledge centers and knowledge factories and fit the Park’s concept.

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

Financing

We have executed a loan agreement with Erste Bank Hungary Zrt. in December 2015 with 10 years maturity to finance the development in the core area. In accordance with the loan agreement Erste Bank made a 4 billion HUF (12.6 million euro) credit facility and another 3 million euro credit facility available to Graphisoft Park within the National Bank of Hungary’s Funding for Growth Scheme. In order to hedge exchange rate risk associated with the forint-based loan, we have executed a cash flow hedge (CCIRS) agreement in June 2016 covering the entire loan amount and cash flows from the beginning of the loan repayment period until the expiration of the loan contract, by which we have converted the forint-based capital and the fixed interest payment obligations onto euro base.

We have executed a loan agreement with UniCredit Bank Hungary Zrt. in November 2016 with 10 years maturity to finance the ongoing development in the southern area. In accordance with the loan agreement UniCredit Bank made a 24 million euro credit facility available to Graphisoft Park within the National Bank of Hungary’s Funding for Growth Scheme. The credit facility has fixed interest rate.

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

On November 19, 2019 we concluded a euro-based, 10 years to maturity loan facility agreement of 40 million euro value with UniCredit Bank in order to optimize the Company’s capital structure and to take advantage of the current very favorable borrowing conditions, which has been drawn on December 30, 2019. From the total amount of the loan 3 million euro was due on March 31, 2020, while from the remaining amount the Company paid to its Shareholders 25,5 million euro as dividend. In order to fix the interest rate, the new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term.

At the end of the period the notional value of the outstanding loan liability amounted to 103.2 million euro, which is about 43% of the property fair value. After concluding the hedge agreements, all of the Company’s outstanding loan liabilities have been switched to fixed interest rates for the 10 year loan term, which further strengthen the Park’s stable operation.



Bank	Initial loan value	Due date	Outstanding loan amount on Dec 31, 2020
	(thousand euros)		(thousand euros)
Erste Bank Hungary Zrt	15,600	2025.12.27	11,328
UniCredit Bank Hungary Zrt	24,000	2026.12.23	20,800
Erste Bank Hungary Zrt	40,000	2027.12.31	35,427
UniCredit Bank Hungary Zrt	40,000	2029.12.15	35,631
Sum	119,600		103,186

Forecast for the year 2021

In view of the economic downturn caused by the COVID 19 epidemic; the expected prolonged effects of it; the expected long-term changes in tenant behavior due to the epidemic; and the resulting rising market yield expectations, the fair value of the property portfolio further slightly decreased by 1.8% in the fourth quarter of 2020. However, taking into account the current vacancy rate, according to our estimation, this decrease does not necessitate to revise our rental fee revenue and net profit forecast for 2021 prepared with due care and published in our quarterly report.

(million euros)	2019 actual	2020 actual	2021 forecast
Rental revenue	14.25	14.54	14.5
Other income (net)	0.51	0.59	0.5
Operating expense	(1.41)	(1.41)	(1.7)
EBITDA	13.35	13.72	13.3
Depreciation	(7.13)	(7.09)	(7.1)
Operating profit	6.22	6.63	6.2
Net interest expense	(1.26)	(2.18)	(1.9)
Profit before tax	4.96	4.45	4.3
Income tax expense	(0.02)	(0.02)	(0.0)
Net profit	4.94	4.43	4.3

- Due to the Coronavirus crisis and other tenant requests the occupancy rate slightly decreased till the end of 2020, at the same time, according to our current estimation we expect the previously forecasted **rental revenue** of 14.5 million euros for 2021, which equals to the rental revenue of 2020.
- We count with no significant change of **other income (net)**, which mainly contain net result of developments and refurbishments based on tenant requests.
- From 2021 we estimate increase in **operation costs** due to the fact, that the significant increase of the Park over the past years require some restructuring of the Company's financial management and the related IT infrastructure.
- According to our current estimation, due to all of the above, **EBITDA** is expected to amount to 13.3 million euros in 2021, which is close to the 2019 figure.



- From 2019, as a result of prior years' new developments and refurbishments there is a significant increase in **depreciation** (which does not affect the consolidated accounts according to the SZIT rules). In 2021 we count with no significant change in depreciation, the expected amount is 7.1 million euros.
- In 2019 the **net interest expense** of the outstanding loan liabilities was 1.26 million euros, while in 2020 the increased amount of loan resulted higher net interest expense. According to the conservative investment policy and the required asset portfolio prescribed by the SZIT regulation, the Company's financial reserves are held in liquid and risk free financial assets, despite the fact, that interest income cannot be realized on these assets in the current circumstances. In 2021 as a result of regular capital repayments the interest expense will decrease to 1.9 million euros compared to 2020.
- As a result, **net profit** is forecasted to be 4.3 million euros in 2021, which is only 3% lower than in the prior year.

Main risk factors associated with the areas

- Due to the prior gasification activity the northern development area is still contaminated. The rehabilitation of this area is the duty of the polluter Capital City Gas Works (currently NKM Földgázszolgáltató Zrt.). According to the resolution of Pest County Government Office, the starting and end dates of the remediation on the former gas factory area are delayed further compared to the original date (see below under section "Legal proceedings").
- Potential flood risk due to the location on the Danube waterfront, which is to be reckoned with for the increasing water level fluctuation, despite the old Gasworks rampart protecting the area even during the historical high floods in 2013.
- We cannot exclude durable devaluation of the investment property portfolio due to the larger than expected and prolonged economic downturn caused by the Coronavirus disease and the growing yield representing such higher level of risk. Furthermore, despite Gaphisoft Park's tenants are mainly stable research & development companies who may be less affected by the economic downturn, we cannot exclude higher than usual vacancy and on longer term changes in office space usage or decreasing demand for office spaces.

Recognition

Graphisoft Park received prestigious recognition again in 2021: on February 16, 2021, Graphisoft Park SE was able to receive the mid-cap special award for issuer transparency for 2020, based on a survey conducted by the Budapest Stock Exchange.

Legal proceedings

Due to the prior gasification activity the northern development area is still contaminated. The rehabilitation of this area is the duty of the polluter Capital City Gas Works (currently NKM Földgázszolgáltató Zrt.). After the final administrative judgment made on December 12, 2019, the Pest County Government Office conducted new proceedings. In the resolution received on April 30, 2020 the Pest County Government Office notified us about the repeated prolongation of the completion deadline of the rehabilitation in the northern development area. The Company investigated the resolution and the possibilities of legal remedy. It would be possible to appeal against the decision, but taking into account all circumstances of the case including the new deadlines of May 31, 2021 and September 30, 2022 as well as the expected duration of such legal proceedings, the Company concluded not to appeal against the new resolution.



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

Other factors significantly affecting results are changes in the EUR/HUF exchange rate, the inflation rate and the regulatory environment with special regards to the tax regulations. In this forecast we calculate with an exchange rate of 360 HUF/EUR till the end of 2021, euro inflation rate of 0.5% and unchanged legal and taxation environment.

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

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

Budapest, February 23, 2021

Bojár Gábor
Chairman of Board of Directors

Kocsány János
Chief Executive Officer



GRAPHISOFT PARK SE

QUARTERLY REPORT

for the quarter ended December 31, 2020

in accordance with International Financial Reporting Standards (IFRS)

(consolidated, unaudited)

Budapest, February 23, 2021

Kocsány János
Chief Executive Officer

Bihari Sándor
Chief Financial Officer

GRAPHISOFT PARK SE
QUARTERLY REPORT
DECEMBER 31, 2020

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GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2020
(all amounts in thousands of euros unless otherwise indicated)

	Notes	December 31, 2019	December 31, 2020
Cash and cash equivalents	3	46,492	15,908
Trade receivables	4	1,292	455
Current tax receivable	5	237	174
Other current assets	6	2,295	2,731
Current assets		50,316	19,268
Investment property	9	247,135	224,397
(Owner-occupied) Property, Plant and Equipment	7	1,715	1,620
Intangible assets	8	59	93
Non-current assets		248,909	226,110
TOTAL ASSETS		299,225	245,378
Short-term loans	12	7,933	5,068
Trade payables	10	678	882
Current tax liability	5	309	178
Other short-term liabilities	11	5,146	3,797
Current liabilities		14,126	9,925
Long-term loans	12	100,634	94,707
Other long-term liabilities	13	5,795	7,735
Non-current liabilities		106,429	102,442
TOTAL LIABILITIES		120,555	112,367
Share capital	1.3	250	250
Retained earnings		183,391	139,322
Treasury shares	21	(974)	(972)
Cash flow hedge reserve	12	(1,708)	(3,237)
Revaluation reserve of properties		681	681
Accumulated translation difference		(2,970)	(3,033)
Shareholders' equity		178,670	133,011
TOTAL LIABILITIES & EQUITY		299,225	245,378

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF INCOME

DECEMBER 31, 2020

(all amounts in thousands of euros unless otherwise indicated)

	Notes	3 months ended		12 months ended	
		Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020
Property rental revenue		3,613	3,581	14,249	14,539
Revenue	14	3,613	3,581	14,249	14,539
Property related expense	15	(14)	(25)	(92)	(101)
Employee related expense	15	(200)	(178)	(806)	(800)
Other operating expense	15	(155)	(62)	(510)	(505)
Depreciation and amortization	7, 15	(55)	(59)	(196)	(229)
Operating expense		(424)	(324)	(1,604)	(1,635)
Valuation gains / (losses) from investment property	9	821	(4,719)	4,452	(24,315)
Other income	16	186	176	512	590
OPERATING PROFIT / (LOSS)		4,196	(1,286)	17,609	(10,821)
Interest income	17	-	8	-	11
Interest expense	17	(300)	(498)	(1,216)	(1,974)
Exchange rate difference	18	53	(21)	(39)	(963)
Financial result		(247)	(511)	(1,255)	(2,926)
PROFIT / (LOSS) BEFORE TAX		3,949	(1,797)	16,354	(13,747)
Income tax expense	19	(13)	(8)	(24)	(23)
PROFIT / (LOSS) FOR THE PERIOD		3,936	(1,805)	16,330	(13,770)
Attributable to equity holders of the parent		3,936	(1,805)	16,330	(13,770)
Basic earnings / (loss) per share (EUR)	20	0.39	(0.18)	1.62	(1.37)
Diluted earnings / (loss) per share (EUR)	20	0.39	(0.18)	1.62	(1.37)

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
DECEMBER 31, 2020
(all amounts in thousands of euros unless otherwise indicated)

	Notes	3 months ended		12 months ended	
		Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020
Profit / (loss) for the period		3,936	(1,805)	16,330	(13,770)
Cash-flow hedge valuation reserve*		660	256	(1,400)	(1,529)
Revaluation reserve of properties**		-	-	150	-
Translation difference**		(1)	(3)	(17)	(63)
Other comprehensive income		659	253	(1,267)	(1,592)
COMPREHENSIVE INCOME		4,595	(1,552)	15,063	(15,362)
Attributable to equity holders of the parent		4,595	(1,552)	15,063	(15,362)

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

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

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
DECEMBER 31, 2020
(all amounts in thousands of euros unless otherwise indicated)

	Share capital	Retained earnings	*Treasury shares	**Cash flow hedge reserve	***Revaluation reserve of properties	Accum. translation difference	Total equity
December 31, 2018	250	170,999	(974)	(308)	531	(2,953)	167,545
Profit for the period	-	16,343	-	(13)	-	-	16,330
Translation difference	-	-	-	-	-	(17)	(17)
Revaluation reserve	-	(13)	-	(1,387)	-	-	(1,400)
Revaluation difference of properties	-	-	-	-	150	-	150
Dividend	-	(3,938)	-	-	-	-	(3,938)
December 31, 2019	250	183,391	(974)	(1,708)	681	(2,970)	178,670
Loss for the period	-	(13,770)	-	-	-	-	(13,770)
Translation difference	-	-	-	-	-	(63)	(63)
Revaluation reserve	-	-	-	(1,529)	-	-	(1,529)
Treasury share buyback	-	-	(22)	-	-	-	(22)
Dividend	-	(30,275)	-	-	-	-	(30,275)
Treasury share transfer	-	(24)	24	-	-	-	-
December 31, 2020	250	139,322	(972)	(3,237)	681	(3,033)	133,011

* Treasury share details are disclosed in Note 21.

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

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

GRAPHISOFT PARK SE**CONSOLIDATED STATEMENT OF CASH FLOWS**

DECEMBER 31, 2020

(all amounts in thousands of euros unless otherwise indicated)

	3 months ended		12 months ended	
	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020
OPERATING ACTIVITIES				
Income / (Loss) before tax	3,949	(1,797)	16,354	(13,747)
Fair value change of investment properties	(821)	4,719	(4,452)	24,315
Depreciation and amortization	55	59	196	229
Revaluation difference of properties	-	-	(150)	-
Loss / (gain) on sale of tangible assets	1	-	2	(6)
Interest expense	300	498	1,216	1,974
Interest income	-	(8)	-	(11)
Unrealized foreign exchange (gain) / loss	(52)	474	(82)	122
Changes in working capital:				
Decrease in receivables and other current assets	206	328	350	458
(Decrease) / increase in liabilities	(31)	(1,347)	105	(1,491)
Corporate income tax refund / (paid)	-	29	(27)	(17)
Net cash from operating activities	3,607	2,955	13,512	11,826
INVESTING ACTIVITIES				
Purchase of investment property	(763)	(310)	(3,116)	(1,181)
Purchase of other tangible assets and intangibles	-	-	(263)	(272)
Sale of tangible assets	2	3	4	41
Interest received	-	8	-	11
Net cash used in investing activities	(761)	(299)	(3,375)	(1,401)
FINANCING ACTIVITIES				
Proceeds from receipt of loans	40,000	-	40,000	-
Loan repayments	(1,088)	(1,435)	(4,345)	(8,697)
Interest paid	(298)	(502)	(1,227)	(1,985)
Purchase of treasury shares	-	-	-	(22)
Dividend paid	-	-	(3,938)	(30,275)
Net cash from / (used in) financing activities	38,614	(1,937)	30,490	(40,979)
Increase / (decrease) in cash and cash equivalents	41,392	675	40,627	(30,554)
Cash and cash equivalents at beginning of period	5,070	15,105	5,874	46,492
Exchange rate gain / (loss) on cash and cash equivalents	30	128	(9)	(30)
Cash and cash equivalents at end of period	46,492	15,908	46,492	15,908

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
 FOR THE QUARTER ENDED DECEMBER 31, 2020
 (all amounts in thousands of euros unless otherwise indicated)

1. General information

1.1. Business activities

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

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

Graphisoft Park SE and subsidiaries are incorporated under the laws of Hungary. Court registration number of Graphisoft Park SE is CG 01-20-000002. Registered address of the Group is H-1031 Budapest, Záhony utca 7., Hungary. Headcount was 27 on December 31, 2020.

1.2. Properties

The total area of Graphisoft Park is nearly 18 hectares. Over the past 20 years, 82,000 m² gross leasable area (offices, laboratories, educational area and auxiliary facilities) have been developed and occupied by tenants. Belonging to them underground parking facilities for around 2,000 cars are available. The remaining area provides the opportunity to develop an additional 62,000 m² of gross leasable area together with underground parking and auxiliary facilities.

The real estate is categorized as follows:

Area	Property	
Gross leasable area	Office area	58,000 sqm
	Laboratory	7,000 sqm
	Educational area	8,000 sqm
	Storage	6,000 sqm
	Service area	3,000 sqm
	Underground parking	2,000 pcs
Development area	Northern development area (after rehabilitation)	42,000 sqm
	Southern development area	20,000 sqm

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2020
(all amounts in thousands of euros unless otherwise indicated)

1.3. Stock information

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

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

Shareholder	December 31, 2019			December 31, 2020		
	Shares (pcs)	Share (%)	Voting right (%)	Shares (pcs)	Share (%)	Voting right (%)
ORDINARY SHARES:	10,631,674	100.00	88.97	10,631,674	100.00	87.92
Directors and management	1,789,082	16.83	15.79	1,789,082	16.83	15.60
Bojár Gábor - Chairman of the BoD	1,685,125	15.85	14.87	1,685,125	15.85	14.69
Dr. Kálmán János - Member of the BoD	13,500	0.13	0.12	13,500	0.13	0.12
Kocsány János - Member of the BoD, CEO	90,457	0.85	0.80	90,457	0.85	0.79
Shareholders over 5% share	3,583,610	33.71	31.62	3,156,576	29.69	27.53
HOLD Alapkezelő Zrt.	972,701	9.15	8.58	653,104	6.14	5.70
AEGON Magyarország Befektetési Alapkezelő Zrt.	1,110,909	10.45	9.80	1,003,472	9.44	8.75
B.N.B.A. Holding Zrt.	1,500,000	14.11	13.24	1,500,000	14.11	13.08
Other shareholders	4,709,906	44.30	41.56	5,136,940	48.32	44.79
Treasury shares*	549,076	5.16	-	549,076	5.16	-
EMPLOYEE SHARES**:	1,876,167	-	11.03	1,876,167	-	12.08
Kocsány János - Member of the BoD, CEO	1,250,778	-	11.03	1,384,819	-	12.08
Employee treasury shares*	625,389	-	-	491,348	-	-
SHARES TOTAL:	12,507,841	100.00	100.00	12,507,841	100.00	100.00

* Treasury shares possessed by the Company do not pay dividend and bear no voting rights. For details refer to Note 21.

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

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
 FOR THE QUARTER ENDED DECEMBER 31, 2020
 (all amounts in thousands of euros unless otherwise indicated)

1.4. Governance

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

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

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

2. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year (see Notes to the Consolidated Annual Financial Statements of 2019), with the following differences:

Seasonality of business

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

Exchange rates used

Exchange rates used are as follows:

	12 months ended	
	Dec 31, 2019	Dec 31, 2020
EUR/HUF opening:	321.51	330.52
EUR/HUF closing:	330.52	365.13
EUR/HUF average:	325.35	351.17

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
 FOR THE QUARTER ENDED DECEMBER 31, 2020
 (all amounts in thousands of euros unless otherwise indicated)

3. Cash and cash equivalents

	December 31, 2019	December 31, 2020
Cash in hand	3	1
Cash at banks	46,489	15,907
Cash and bank	46,492	15,908

4. Trade receivables

	December 31, 2019	December 31, 2020
Trade receivables	1,292	455
Provision for doubtful debts	-	-
Trade receivables	1,292	455

Trade receivables are on 8-30 day payment terms.

5. Current tax receivables and liabilities

	December 31, 2019	December 31, 2020
Current tax receivables	237	174
Current tax liabilities	(309)	(178)
Current tax (liabilities), net	(72)	(4)

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2020
(all amounts in thousands of euros unless otherwise indicated)

6. Other current assets

	December 31, 2019	December 31, 2020
Accrued income	139	200
Prepaid expense	88	8
Bank security accounts	1,978	2,121
Construction fund manager accounts	16	11
Other receivables	74	391
Other current assets	2,295	2,731

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

	(Owner-occupied) Property	Plant and Equipment	(Owner-occupied) Property, Plant and Equipment
Net value:			
December 31, 2018	1,626	448	2,074
Gross value:			
December 31, 2018	1,766	977	2,743
Addition	1	220	221
Sale	-	(55)	(55)
Reclassification to investment properties	(397)	-	(397)
Translation difference	-	(19)	(19)
December 31, 2019	1,370	1,123	2,493
Depreciation:			
December 31, 2018	140	530	670
Addition	82	114	196
Sale	-	(50)	(50)
Reclassification to investment properties	(32)	-	(32)
Translation difference	-	(6)	(6)
December 31, 2019	190	588	778
Net value:			
December 31, 2019	1,180	535	1,715

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2020
(all amounts in thousands of euros unless otherwise indicated)

Gross value:

December 31, 2019	1,370	1,123	2,493
Addition	3	196	199
Sale	-	(65)	(65)
Scrapping	-	(62)	(62)
Translation difference	-	(78)	(78)
December 31, 2020	1,373	1,114	2,487

Depreciation:

December 31, 2019	190	588	778
Addition	81	129	210
Sale	-	(30)	(30)
Scrapping	-	(62)	(62)
Translation difference	-	(29)	(29)
December 31, 2020	271	596	867

Net value:

December 31, 2020	1,102	518	1,620
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8. Intangible assets

	Software	Intangible assets	Software	Intangible assets
Net value:			Net value:	
December 31, 2018	5	5	December 31, 2019	59
Gross value:			Gross value:	
December 31, 2018	16	16	December 31, 2019	71
Addition	58	58	Addition	59
Scrapping	(2)	(2)	Scrapping	(8)
Translation difference	(1)	(1)	Translation difference	(8)
December 31, 2019	71	71	December 31, 2020	114
Depreciation:			Depreciation:	
December 31, 2018	11	11	December 31, 2019	12
Addition	3	3	Addition	18
Scrapping	(2)	(2)	Scrapping	(8)
Translation difference	-	-	Translation difference	(1)
December 31, 2019	12	12	December 31, 2020	21
Net value:			Net value:	
December 31, 2019	59	59	December 31, 2020	93

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2020
(all amounts in thousands of euros unless otherwise indicated)

9. Investment property

	Development Land	Completed investment property	Investment property
Book value:			
December 31, 2018	11,767	227,866	239,633
Addition	277	2,257	2,534
Reclassification	-	516	516
Change in fair value	-	4,452	4,452
December 31, 2019	12,044	235,091	247,135
Addition	314	1,263	1,577
Change in fair value	-	(24,315)	(24,315)
December 31, 2020	12,358	212,039	224,397

In 2020 additions in construction in progress of 1,577 thousand EUR comprise the following:

- refurbishment of buildings in progress in the core area (354 thousand EUR),
- fit-out works in completed investment properties upon tenant's requests (848 thousand EUR),
- archeological and landscaping works in the southernmost area (275 thousand EUR),
- other developments in progress (100 thousand EUR).

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

According to IAS 40 development lands are presented on cost.

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2020
(all amounts in thousands of euros unless otherwise indicated)

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

		December 31, 2019	December 31, 2020
Rental area	<ul style="list-style-type: none"> • office, laboratory and related service areas • education area • Dormitory 	73,000 m ²	73,000 m ²
		6,000 m ²	6,000 m ²
		3,000 m ² / 85 persons	3,000 m ² / 85 persons
Development lands	<ul style="list-style-type: none"> • rentable area which can be developed 	62,000 m ²	62,000 m ²
Long term occupancy		95%	80-95%
Growth factor		1%	1%
Average discount factor		6.08%	6.75%

10. Trade payables

	December 31, 2019	December 31, 2020
Trade payables – domestic	678	882
Trade payables	678	882

11. Other short-term liabilities

	December 31, 2019	December 31, 2020
Amounts due to employees	76	25
Deposits from tenants	606	614
Fair value difference of loans*	706	646
Other payables and accruals	3,758	2,512
Other short-term liabilities	5,146	3,797

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

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2020
(all amounts in thousands of euros unless otherwise indicated)

12. Loans

12.1. Loan details

	December 31, 2019	December 31, 2020
Short-term	7,993	5,068
Long-term	100,634	94,707
Loans	108,627	99,775

Loans provided by Erste Bank Hungary Zrt.:

Loan number 1. (Erste)

	December 31, 2019	December 31, 2020
Short-term	722	701
Long-term	11,272	9,712
Loan 1 / Erste Bank Hungary Zrt.	11,994	10,413

The Company executed a loan agreement with Erste Bank Hungary Zrt. on December 28, 2015 with 10 years maturity to finance the ongoing development in the core area. In accordance with the loan agreement and its modification on December 29, 2016 Erste Bank makes a 4 billion HUF (12.1 million EUR) credit facility available to Graphisoft Park within Pillar I of the second phase of the National Bank of Hungary's Funding for Growth Scheme and another 3 million EUR credit facility within Pillar II of the third phase of the Funding for Growth Scheme. Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

As of December 31, 2020 the outstanding capital of the forint based facility amounts to 3.26 billion HUF (8,921 thousand EUR); and the euro based facility amounts to 2,406 million EUR. The fair value of the loans (calculated using market interest rates) is 10,413 thousand EUR (see details under point 12.2 below).

In order to manage exchange rate risks associated with the forint-based loan, we have executed a cash flow hedge (CCIRS) transaction agreement on June 24, 2016 covering the entire loan amount and cash flows from the beginning of the loan repayment period until the expiration of the loan contract (from end of 2017 until end of 2025), by which we have converted the forint-based capital and interest payment obligations onto euro base. As of December 31, 2020 fair value of the cash flow hedge transaction is presented among long-term financial liabilities in amount of 1,375 thousand EUR.

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
 FOR THE QUARTER ENDED DECEMBER 31, 2020
 (all amounts in thousands of euros unless otherwise indicated)

Loan number 2. (Erste)

	December 31, 2019	December 31, 2020
Short-term	1,798	1,851
Long-term	35,280	33,429
Loan 2 / Erste Bank Hungary Zrt.	37,078	35,280

On November 30, 2017, based on the decision of the Board of Directors, the Company concluded a new euro-based, 10 years to maturity loan facility with Erste Bank Hungary Zrt., which is complemented by an interest rate swap agreement (IRS) for its entire term from the second half of 2018, thus the interest rate is fixed for the entire term. On December 31, 2020 fair value of the IRS is 2,590 thousand EUR, which is presented among the long-term financial liabilities.

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

Loans provided by UniCredit Bank Hungary Zrt.:

Loan number 1. (Unicredit)

	December 31, 2019	December 31, 2020
Short-term	1,140	1,167
Long-term	18,630	17,463
Loan 1. / UniCredit Bank Hungary Zrt.	19,770	18,630

The Company executed a 24 million EUR loan facility agreement with UniCredit Bank Hungary Zrt. on December 18, 2016 with 10 years maturity to finance the ongoing development in the southern area. Main collaterals provided for the bank are mortgage on real estate, revenue assignment and bank account pledge.

As of December 31, 2020 the outstanding capital amounts to 20,800 thousand EUR, whose fair value was 18,630 thousand EUR (calculated using market interest rates) (see details under point 12.2 below).

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
 FOR THE QUARTER ENDED DECEMBER 31, 2020
 (all amounts in thousands of euros unless otherwise indicated)

Loan number 2. (Unicredit)

	December 31, 2019	December 31, 2020
Short-term	4,333	1,349
Long-term	35,452	34,103
Loan 2./ UniCredit Bank Hungary Zrt.	39,785	35,452

On November 19, 2019, the Company concluded a euro-based, 10 years to maturity loan facility agreement of 40 million EUR value with UniCredit Bank to optimize the Company's capital structure, which has been already drawn on December 30, 2019. From the total amount of the loan 3 million EUR was due on March 31, 2020. In order to fix the interest rate, the new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term. On December 31, 2020 fair value of the IRS is 1,232 thousand EUR, which is presented among the long-term financial liabilities.

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

12.2. Analyses

Fair value of the loans:

	December 31, 2019	December 31, 2020
Erste Bank Hungary Zrt. Loan nr. 1.*	11,994	10,413
Erste Bank Hungary Zrt. Loan nr. 2.	37,078	35,280
UniCredit Bank Hungary Zrt. Loan nr. 1.*	19,770	18,630
UniCredit Bank Hungary Zrt. Loan nr. 2.	39,785	35,452
Loans at fair value*	108,627	99,775

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

GRAPHISOFT PARK SE
NOTES TO THE QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2020
(all amounts in thousands of euros unless otherwise indicated)

Loans with preferential interest rate:

As part of its monetary policy instruments, National Bank of Hungary (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, 2020:

	Actual loan liability	**Fair value difference	*Fair value
Erste Bank Hungary Zrt.	11,327	914	10,413
UniCredit Bank Hungary Zrt.	20,800	2,170	18,630
Loans (FGS)	32,127	3,084	29,043

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

** Fair value difference of loans with preferential interest rate (government grant received through the Funding for Growth Scheme compensating expenses) are shown at other short-term liabilities (Note 11) and other long-term liabilities (Note 13) and amortized to the profit and loss statement based on the effective interest rate method.

13. Other long-term liabilities

	December 31, 2019	December 31, 2020
Fair value difference of loans*	3,160	2,438
Warranty retention	192	99
Fair value of derivative instruments **	2,443	5,198
Other long-term liabilities	5,795	7,735

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

** Fair value of IRSs as of December 31, 2020. The valuations were prepared by the financing banks.

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14. Revenue

	3 months ended		12 months ended	
	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020
Property rental revenue*	3,613	3,581	14,249	14,539
Revenue	3,613	3,581	14,249	14,539

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

15. Operating expense

	3 months ended		12 months ended	
	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020
Property related expense	14	25	92	101
Employee related expense	200	178	806	800
Other operating expense	155	62	510	505
Depreciation and amortization	55	59	196	229
Operating expense	424	324	1,604	1,635

Other operating expense consists of the following items:

	3 months ended		12 months ended	
	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020
Office and telecommunication	2	3	10	9
Legal and administration	111	43	323	238
Other	42	16	177	258
Other operating expense	155	62	510	505

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16. Other income (expense)

	3 months ended		12 months ended	
	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020
Income from recharged construction expenses	222	102	419	291
Recharged construction expenses	(200)	(103)	(377)	(266)
Income from recharged operation expenses	1,463	1,375	5,383	5,078
Recharged operation expenses	(1,289)	(1,214)	(4,883)	(4,586)
Others	(10)	16	(30)	73
Other income	186	176	512	590

17. Interest income and interest expense

	3 months ended		12 months ended	
	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020
Interest income	-	8	-	11
Interest expense on loans	(299)	(507)	(1,212)	(1,899)
Other interest expense	(1)	9	(4)	(75)
Net interest expense	(300)	(490)	(1,216)	(1,963)

18. Other financial result

	3 months ended		12 months ended	
	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020
Exchange rate (loss) realized	(15)	(175)	(92)	(1,310)
Exchange rate gain not realized	53	154	40	347
Ineffective portion of hedge*	15	-	13	-
Other financial result	53	(21)	(39)	(963)

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

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19. Income taxes

	3 months ended		12 months ended	
	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020
Current income tax	(13)	(8)	(24)	(23)
Income tax (expense)	(13)	(8)	(24)	(23)

Based on the business activity, Graphisoft Park Engineering & Management Kft does not operate under the "SZIT" regulation and therefore is subject to corporate income tax, local business tax and deferred income tax, if applicable. Applicable tax rates are as follow: corporate income tax at 9% and local business at tax 2% both in 2019 and 2020.

20. Earnings per share

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

	3 months ended		12 months ended	
	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020
Net profit / (loss) attributable to equity holders	3,936	(1,805)	16,330	(13,770)
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Basic earnings / (loss) per share (EUR)	0.39	(0.18)	1.62	(1.37)
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Diluted earnings / (loss) per share (EUR)	0.39	(0.18)	1.62	(1.37)

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

Share ownership details are disclosed in Note 1.3.

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21. Treasury shares

Graphisoft Park SE treasury share details are as follows:

	December 31, 2019	December 31, 2020
Number of ordinary shares	549,076	549,076
Number of employee shares	625,389	491,348
Face value per share (EUR)	0.02	0.02
Total face value (EUR)	23,489	20,808
Total value of treasury shares (at historical cost)	974	972

As announced on May 28, 2020, the Company bought back 1,083,610 employee shares on face value, in order to align the total amount of dividends payable on employee shares with its resolution on dividend payments. As announced on September 30, 2020 the Company transferred 1,217,651 employee shares to János Kocsány, CEO.

22. Net asset value

Book value and fair value of assets and liabilities as of December 31, 2020:

	Note	Book value Dec 31, 2020	Fair value Dec 31, 2020	<i>Difference</i>
Investment property and other tangible assets*	7,9	226,017	241,659	15,642
Intangible assets	8	93	93	-
Current tax liabilities, net	5	(4)	(4)	-
Non-financial instruments		226,106	241,748	15,642
Cash and cash equivalents	3	15,908	15,908	-
Trade receivables	4	455	455	-
Other current assets	6	2,731	2,731	-
Trade payables	10	(882)	(882)	-
Other short-term liabilities	11	(3,797)	(3,797)	-
Loans	12	(99,775)	(99,775)	-
Other long-term liabilities	13	(7,735)	(7,735)	-
Financial instruments		(93,095)	(93,095)	-
Net asset value		133,011	148,653	15,642

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 241,141 thousand euros as of December 31, 2020.

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

	Note	Book value Dec 31, 2019	Fair value Dec 31, 2019	Difference
Investment property and other tangible assets*	7,9	248,850	265,475	16,625
Intangible assets	8	59	59	-
Current tax liabilities, net	5	(72)	(72)	-
Non-financial instruments		248,837	265,462	16,625
Cash and cash equivalents	3	46,492	46,492	-
Trade receivables	4	1,292	1,292	-
Other current assets	6	2,295	2,295	-
Trade payables	10	(678)	(678)	-
Other short-term liabilities	11	(5,146)	(5,146)	-
Loans	12	(108,627)	(108,627)	-
Other long-term liabilities	13	(5,795)	(5,795)	-
Financial instruments		(70,167)	(70,167)	-
Net asset value		178,670	195,295	16,625

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

23. Legal proceedings

Due to the prior gasification activity the northern development area is still contaminated. The rehabilitation of this area is the duty of the polluter Capital City Gas Works (currently NKM Földgázszolgáltató Zrt.). After the final administrative judgment made on December 12, 2019, the Pest County Government Office conducted new proceedings. In the resolution received on April 30, 2020 the Pest County Government Office notified us about the repeated prolongation of the completion deadline of the rehabilitation in the northern development area. The Company investigated the resolution and the possibilities of legal remedy. It would be possible to appeal against the decision, but taking into account all circumstances of the case including the new deadlines of May 31, 2021 and September 30, 2022 as well as the expected duration of such legal proceedings, the Company concluded not to appeal against the new resolution.

24. Approval of financial statements, dividend

The Company's Board of Directors acting in the authority of the General Meeting adopted the following resolutions – based on the Government of Hungary issued Decree No. 102/2020. (IV.10.) on April 10, 2020 – approved the 2019 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 229,225 thousand EUR and a profit for the year of 16,330 thousand EUR. Together with the approval of the consolidated financial statements for issue, the Board of Directors approved dividend distribution of 1,060 HUF per ordinary share, 10,687,553 thousand HUF in total (30,275 thousand EUR on the exchange rate of April 30, 2020), and in total 65,439 thousand HUF on employee shares (185 thousand EUR on the exchange rate of April 30, 2020). The starting date for dividend payments was June 8, 2020. The Company paid out the dividends to the shareholders identified by shareholder's registration as of May 29, 2020.

25. Declaration

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