# **GRAPHISOFT PARK SE**

# Interim Management Report – Third Quarter 2020

# November 10, 2020







## Dear Shareholders,

The second wave of the COVID 19 pandemic might cause much more severe and prolonged economic downturn than expected, however, it does not necessitate a revision of the forecasts for 2020 and 2021 estimated with due care in the Company's half-year report. Majority of our tenants are prestigious and financially stable companies operating in the information technology or biotechnology industry, and therefore Graphisoft Park Group might count with less effect compared to the general forecasts considering the entire office market. The occupancy rate of our office park was permanently 97% till the end of the first half of 2020, which slightly decreased by 2% in the third quarter, but it remained more favorable than the general vacancy trends in the Budapest office market. Currently we do not count with permanent decline in occupancy: based on our tenants' feedbacks personal presence will be still required on longer term, so there is a particular need for large offices surrounded by green area which also serves the requirements of social distancing. Thus, according to our current estimations, we keep up our forecasts for 2020 and 2021 published in our half-year report: besides the slight decrease of the occupancy rate, as a result of the indexation of rental fees and rental fee increases resulting from the renewal of rental contracts, we still expect for this year 14.4 million euros rental revenue and 4.2 million euros pro forma result, while for 2021 14.5 million euros rental revenue and 4.3 million euros pro forma result.

## Property portfolio and fair value of net assets

In view of the second wave of the COVID 19 epidemic, the expected prolonged economic downturn and changing tenant behavior, the independent valuer considered it appropriate to reduce the **fair market value of the property portfolio** by approximately 6.5% compared to the previous quarter end. Accordingly, the estimated fair market value of the property portfolio of 263 million euros as of June 30, 2020 has decreased to **246 million euros** as of September 30, 2020. This decrease represents the continuously increasing yield caused by the uncertain market conditions and the estimated long-term changes in specific risks relating to the office market. The independent appraiser also considered the general decrease in occupancy rates on the office market due to the coronavirus pandemic in 2020; the braking away of "home office" on the long term; the possible cancellation of renewal of certain rental contracts; the changes in office usage; and the need of the decrease of certain rented areas.

		[tho	ousands of EUR]
Dec 31, 2019	March 31, 2020	June 30, 2020	Sept 30, 2020
241,310	239,544	239,486	222,166
23,630	23,390	23,390	23,400
264,940	262,934	262,876	245,566
195,295	194,877	165,586	150,601
19.4	19.3	16.4	14.9
	241,310 23,630 264,940 195,295	241,310       239,544         23,630       23,390         264,940       262,934         195,295       194,877	Dec 31, 2019March 31, 2020June 30, 2020241,310239,544239,48623,63023,39023,390264,940262,934262,876195,295194,877165,586

Value of completed, delivered properties is 222.2 million euros, representing a decrease of nearly 19 million euros compared to the 2019 yearend figure. In 2020 the yield significantly increased because of the uncertain economic conditions caused by the coronavirus disease, in addition – in line with the forecasts – in the third quarter of 2020 the occupancy rate of the office park slightly decreased by 2%. Furthermore, future developments will delay because of the current uncertainties on the market, which is partly compensated by the weakening Hungarian forint, but altogether these effects resulted 200 thousand euros decrease in fair value of development lands compared to 2019.

**GRAPHISOFT PARK SE BUSINESS REPORT** THIRD QUARTER 2020 GRAPHISOFTPARK

During this year fair value of net assets decreased from 195 million euros to **151 million euros**, partly due to the dividend payment of 30 million euros in June 2020 and partly due to the devaluation of investment properties at the end of September 2020.

## Pro forma results

Our 2020 Q1-Q3 "pro forma" results developed satisfactory: we have reached a rental revenue figure of 10.96 million euros surpassing the same period of previous year by 330 thousand euros. EBIDTA, together with some increase of the operating costs, rose by 310 thousand euros compared to the 2019 Q1-Q3 figure. Depreciation charge did not change remarkably, but at the same time interest expense relating to the higher level of outstanding loans and foreign exchange loss of HUF denominated assets significantly decreased the current period financial result. 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 HUF<sup>1</sup>. Consequently, this one-off loss will not decrease the 2020 pro forma net result, which will be the basis of the next year's dividend payment<sup>2</sup>. Based on the above, in the current period we have reached 3.22 million euros net result which is nearly 460 thousand euros less than the net profit of prior period mainly due to the interest expenses relating to the increased level of loans payable.

(million euros)	2019 Q1-Q3	2020 Q1-Q3
Rental revenue	10.63	10.96
Other income (net)	0.33	0.41
Operating expense	(1.04)	(1.14)
EBITDA	9.92	10.23
Depreciation	(5.22)	(5.33)
Operating profit	4.70	4.90
Net interest expense	(1.01)	(1.67)
Profit before tax	3.69	3.23
Income tax expense	(0.01)	(0.01)
Net profit	3.68	3.22
One-off result (exchange rate loss)	-	(0.75)
Net profit (including one-off result)	3.68	2.47

<sup>&</sup>lt;sup>1</sup> 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.

<sup>&</sup>lt;sup>2</sup> Please refer to Financial Highlights/Results: B) Other results

#### Forecast

The second wave of the COVID-19 pandemic will cause more severe than expected and prolonged economic downturn, however, it does not necessitate a revision of the forecasts for 2020 and 2021 estimated with due care in the Company's half-year report. According to the Company's current calculations, based on the rental fee indexations and rental fee increases resulting from the renewal of rental contracts, this year's rental revenue will reach 14.4 million euros, surpassing prior year's figures nearly by 150 thousand euros, while 2021 rental revenue will be 14.5 million euros. We expect that operation costs will increase partly due to one-off expert fees and partly due to higher personnel and other general costs, while we do not count with significant change in depreciation charge. Interest expense, as planned, will be 700 thousand euros higher than the 2019's charges, however, due to the continuous loan installments, it will decrease by 100 thousand euros in 2021. In conclusion, the expect 4.2 million euros pro forma net result for 2020 and 4.3 million euros for 2021.

The recent devaluation of the property portfolio does not affect the Company's cash balances nor its dividend policy; the current cash reserve ensures the safe operation of the Company as well as the future distribution of 90% of the pro-forma profit as dividend (which is the Company's practice) even in deepening recession.

(million euros)	2019 actual	2020 forecast	2021 plan
Rental revenue	14.25	14.4	14.5
Other income (net)	0.51	0.5	0.5
Operating expense	(1.41)	(1.6)	(1.7)
EBITDA	13.35	13.3	13.3
Depreciation	(7.13)	(7.1)	(7.1)
Operating profit	6.22	6.2	6.2
Net interest expense	(1.26)	(2.0)	(1.9)
Profit before tax	4.96	4.2	4.3
Income tax expense	(0.02)	(0.0)	(0.0)
Net profit	4.94	4.2	4.3

We are right in our pursuit of the "micro-silicon-valley" concept articulated some 20 years ago: even during an expected and probably 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 (láno)

Kocsány János Chief Executive Officer



# **Financial highlights**

IFRS, consolidated, thousand EUR

## **Results:**

	"Pro	forma" results (1)	Results according to financial statement		
	9 months ended	9 months ended	9 months ended	9 months ended	
	Sept 30, 2019	Sept 30, 2020	Sept 30, 2019	Sept 30, 2020	
A) Results from ordinary activition	25:				
Rental revenue	10,636	10,958	10,636	10,958	
Operating expense	(1,039)	(1,141)	(1,039)	(1,141)	
Other income (net)	326	414	326	414	
EBITDA	9,923	10,231	9,923	10,231	
Valuation gains / (losses) from investment property	-	-	3,631	(19,596)	
Depreciation and amortization	(5,224)	(5,331)	(141)	(170)	
Operating profit	4,699	4,900	13,413	(9,535)	
Net interest expense	(916)	(1,473)	(916)	(1,473)	
Other financial result	(92)	(195)	(92)	(195)	
Profit / (loss) before tax	3,691	3,232	12,405	(11,203)	
Income tax expense	(11)	(15)	(11)	(15)	
Profit / (loss) for the period	3,680	3,217	12,394	(11,218)	
Earnings per share (EUR) (2)	0.36	0.32	1.23	(1.11)	
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	3,680	2,470	12,394	(11,965)	
Earnings per share (EUR) (2)	0.36	0.24	1.23	(1.19)	

(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.

## GRAPHISOFTPARK



#### IFRS, consolidated, thousand EUR

Ass	et	va	lue:

_	December 31, 2019	Sept 30, 2020
	241.210	222.466
Fair value of properties	241,310	222,166
-from this book value (1)	235,091	216,089
Fair value of development lands	23,630	23,400
- from this book value (1)	12,044	12,319
Entire property portfolio at estimated fair value	264,940	245,566
Net asset value at estimated fair value	195,295	150,601
Number of ordinary shares outstanding (thousands)	10,083	10,083
Net asset value at fair value per share (euro) (2)	19.4	14.9

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

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

Net asset value at book value and net asset value at fair value (equity) are disclosed in Note 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 the first 9 months of 2020 ("pro forma" results and results according to the financial statements),
- Utilization, occupancy,
- Development and modernization plans,
- Financing,
- Forecast for the years 2020 and 2021.

## "Pro forma" results of the first 9 months of 2020

"Pro forma" results of the first 9 months of 2020 changed compared to the same period of 2019 because of the following main factors:

- **Rental revenue** (2020: 10,958 thousand euros; 2019: 10,636 thousand euros) rose by 322 thousand euros, or 3% 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: 1,141 thousand euros; 2019: 10,039 thousand euros) increased by 102 thousand euros, or 9.8% compared to prior year. Other operating expenses are higher compared to prior year due to the one-off expert fees related to the planned structured share buy-back transaction (which was later replaced with extraordinary dividend payment because of the lockdown).
- **Other income** (2020: 414 thousand euros; 2019: 326 thousand euros) net amount was 88 thousand euros, or 27% higher than the base last year, mainly due to developments and refurbishments based on tenant requests.
- **Depreciation** (2020: 5,331 thousand euros; 2019: 5,224 thousand euros) increased by 107 thousand euros, or 2% compared to the previous year because of the completed refurbishments in 2019.
- **EBITDA** (2020: 10,231 thousand euros; 2019: 9,923 thousand euros) grew by 308 thousand euros, or 3.1%, while **operating profit** (2020: 4,900 thousand euros; 2019: 4,699 thousand euros) increased by 201 thousand euros, or 4.3% compared to the previous year due to the factors mentioned above.
- Net interest expense (2020: 1,473 thousand euros; 2019: 916 thousand euros) increased significantly, by 557 thousand euros due to higher outstanding loans.
- Other financial result (2020: 942 thousand euros loss; 2019: 92 thousand euros loss) decreased by 850 thousand euros compared to prior year, from which 747 thousand euro exchange rate loss relates to the 30 million euro dividend paid in HUF.
- The balance of income tax expense (2020: 15 thousand euros; 2019: 11 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: 2,470 thousand euros; 2019: 3,680 thousand euros), except for the one-off exchange rate loss realized on the dividend paid in HUF, decreased by 463 thousand euros and amounts to 3,217 thousand euros in the first nine months of 2020 compared to the same period of 2019 because of the factors explained in the previous points.

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#### 2020 first nine months results according to the financial statements

In the first 9 months of 2020 results according to the financial statements are 14,435 thousand euros lower than the "pro forma" results due to the following two factors: unrecognized depreciation expense of investment properties increased the results by 5,161 thousand euros and fair value losses decreased the results by 19,596 thousand euros. Decrease in fair value is caused by the uncertain business environment impacting the yield, the estimated temporary decrease of occupancy rate in 2020 and 2021 and long-term changing tenant behavior considered by the independent appraiser.

In the same period of 2019 results according to the financial statements were 8,714 thousand euros higher than the "pro forma" results: unrecognized depreciation expense increased the results by 5,083 thousand euros and fair value gains increased the results by 3,631 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 Q1	2019 Q2	2019 Q3	2019 Q4	2020Q1	2020Q2	2020Q3
Occupancy of gross leasable area (%):	96%	97%	97%	97%	97%	97%	95%
Gross leasable area (m <sup>2</sup> ):	82,000	82,000	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 the 9 month period of 2020 the occupancy rate slightly decreased to 95%, 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 **13.4 years**, and in case of existing lease contracts the weighted average lease term to expiry is **4.2 years**.

#### **Development and modernization plans**

By the completion of the new developments from September 2018, Graphisoft Park has **82,000 m<sup>2</sup> 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 m<sup>2</sup> potential development. In the second half of 2019 we have commenced the archeological and landscaping works there on 4,000 m<sup>2</sup>, 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 m<sup>2</sup> (Budapest III. 19333/60 hrsz.) land was approved by the local governmental body (Budapest Capital City III. district Óbuda-Békásmegyer Local Government Representative Body Resolution Nr. 613/2020. (IX.24.)). According to the resolution, the drafting of the necessary contracts has begun. This area, combined with the other plots already owned by the Company, enables the development of an additional 4,000 m<sup>2</sup> 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 m<sup>2</sup> gross leasable area. Altogether this gives development potential of additional 66,000 m<sup>2</sup> gross leasable area, and as such, the gross leasable area might increase to 148,000 m<sup>2</sup> 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 m<sup>2</sup> office space amounted to around 4 million euros and cca. 6 million euros have been invested by the tenants to implement their individual needs. In 2019 we have refurbished several smaller office and service buildings on 5,500 m<sup>2</sup>, which amounted to 826 thousand euro. From 2020 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 competitively on the market. Management is committed to have the Park feel as a comfortable, pleasant second home for all resident employees, more than just a work-place.

#### Financing

We have executed a loan agreement with Erste Bank Hungary Zrt. in December 2015 with 10 years maturity to finance the development in the core area. In accordance with the loan agreement Erste Bank made a 4 billion HUF (12.6 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 104.6 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 Sept 30, 2020
	(thousand euros)		(thousand euros)
Erste Bank Hungary Zrt	15,600	2025.12.27	11,565
UniCredit Bank Hungary Zrt	24,000	2026.12.23	21,200
Erste Bank Hungary Zrt	40,000	2027.12.31	35,882
UniCredit Bank Hungary Zrt	40,000	2029.12.15	35,973
Sum	119,600		104,620

#### Forecast for the years 2020 and 2021

In view of the more severe second wave of the COVID 19 epidemic, the expected prolonged economic downturn and changing tenant behavior, the independent valuer considered it appropriate to reduce the fair market value of the property portfolio by approximately 6.5% in line with the increasing market yields. However, according to our estimation, this decrease does not necessitate to revise our forecasts for 2020 and 2021 prepared with due care and published in our half-year report.

(million euros)	2019 actual	2020 forecast	2021 plan
Rental revenue	14.25	14.4	14.5
Other income (net)	0.51	0.5	0.5
Operating expense	(1.41)	(1.6)	(1.7)
EBITDA	13.35	13.3	13.3
Depreciation	(7.13)	(7.1)	(7.1)
Operating profit	6.22	6.2	6.2
Net interest expense	(1.26)	(2.0)	(1.9)
Profit before tax	4.96	4.2	4.3
Income tax expense	(0.02)	(0.0)	(0.0)
Net profit	4.94	4.2	4.3

- According to our current estimation **rental revenue** will amount to 14.4 million euros in 2020. Despite in the third quarter of 2020 the occupancy rate slightly decreased due to the Coronavirus crisis and other tenant requests, we expect 150 thousand euros higher rental revenue than in prior year, as a result of the continuous indexation of rental fees as well as rental fee increases resulting from the renewal of rental contracts. In 2021 rental revenue is estimated to be 14.5 million euros surpassing our current year forecast by 100 thousand euros.
- We count with no significant change of **other income (net)**, due to developments and refurbishments based on tenant requests.
- From 2020 we estimate increase in **operation costs** due to the expert fees relating to the preparation of the planned structured share buy-back transaction, which was later replaced with extraordinary dividend payment because of the lockdown; and from 2021 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, **EBIDTA** is expected to amount to 13.3 million euros in 2020 and 2021, which is close to the 2019 figure.
- From 2019, as a result of new developments and refurbishments in progress we expect significant increase in **depreciation** (which will not affect the consolidated accounts according to the SZIT rules): in 2020 and in 2021 we count with no significant change in depreciation, the expected amount is 7.1 million euros per year.
- In 2019 the **net interest expense** of the outstanding loan liabilities was 1.26 million euros, while in 2020 and 2021 due to increased amount of loan higher net interest expense is expected. 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 2020 the net interest expense will be about 2.0 million euros, while in 2021 as a result of regular repayments it could decrease to 1.9 million euros.
- As a result, **net profit** is forecasted to be 4.2 million euros in 2020 and 4.3 million euros in 2021, which is 15% 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 further devaluation of the investment property portfolio due to the larger than expected
  and prolonged economic downturn caused by the second wave of 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.

#### 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 1% 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, November 10, 2020

Bojár Gábor Chairman of Board of Directors

Kocsány (láno)

Kocsány János Chief Executive Officer



# **GRAPHISOFT PARK SE**

# **QUARTERLY REPORT**

# for the quarter ended September 30, 2020

in accordance with International Financial Reporting Standards (IFRS)

(consolidated, unaudited)

Budapest, November 10, 2020

Kocsány Nános

Kocsány János Chief Executive Officer

lor Sales

Bihari Sándor Chief Financial Officer

**GRAPHISOFT PARK SE QUARTERLY REPORT** SEPTEMBER 30, 2020

## CONTENTS:

Page(s)
---------

Consolidated Balance Sheet	3
Consolidated Statement of Income	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Changes in Shareholders' Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Quarterly Report	8-25

## **GRAPHISOFT PARK SE CONSOLIDATED BALANCE SHEET** SEPTEMBER 30, 2020

(all amounts in thousands of euros unless otherwise indicated)

	Notes	December 31, 2019	September 30, 2020
Cash and cash equivalents	3	46,492	15,105
Trade receivables	4	1,292	738
Current tax receivable	4 5	237	117
Other current assets	6	2,295	2,875
Current assets		50,316	18,835
Investment property	9	247,135	228,408
(Owner-occupied) Property, Plant and Equipment	7	1,715	1,660
Intangible assets	8	59	, 74
Non-current assets		248,909	230,142
TOTAL ASSETS		299,225	248,977
Short-term loans	12	7,933	5,040
Trade payables	10	678	479
Current tax liability	5	309	368
Other short-term liabilities	11	5,146	4,375
Current liabilities		14,126	10,262
Long-term loans	12	100,634	95,990
Other long-term liabilities	13	5,795	8,162
Non-current liabilities		106,429	104,152
TOTAL LIABILITIES		120,555	114,414
Share capital	1.3	250	250
Retained earnings		183,391	141,127
Treasury shares	21	(974)	(972)
Cash flow hedge reserve	12	(1,708)	(3,493)
Revaluation reserve of properties		681	681
Accumulated translation difference		(2,970)	(3,030)
Shareholders' equity		178,670	134,563
TOTAL LIABILITIES & EQUITY		299,225	248,977

## **GRAPHISOFT PARK SE CONSOLIDATED STATEMENT OF INCOME** SEPTEMBER 30, 2020

(all amounts in thousands of euros unless otherwise indicated)

	Notes	3	months ended	9	months ended
		Sept 30, 2019	Sept 30, 2020	Sept 30, 2019	Sept 30, 2020
Property rental revenue		3,584	3,545	10,636	10,958
Revenue	14	3,584	3,545	10,636	10,958
Property related expense	15	(28)	(25)	(78)	(76)
Employee related expense	15	(146)	(149)	(606)	(622)
Other operating expense	15	(106)	(117)	(355)	(433)
Depreciation and amortization	7, 15	(48)	(47)	(141)	(170)
Operating expense		(328)	(338)	(1,180)	(1,311)
Valuation (losses) /gains from investment property	9	(413)	(17,272)	3,631	(19,596)
Other income	16	107	128	326	414
OPERATING PROFIT / (LOSS)		2,950	(13,937)	13,413	(9,535)
Interest income	17	-	2	-	3
Interest expense	17	(313)	(466)	(916)	(1,476)
Exchange rate difference	18	(59)	(27)	(92)	(942)
Financial result		(372)	(491)	(1,008)	(2,415)
PROFIT BEFORE TAX		2,578	(14,428)	12,405	(11,950)
Income tax expense	19	(4)	(5)	(11)	(15)
PROFIT / (LOSS) FOR THE PERIOD		2,574	(14,433)	12,394	(11,965)
Attributable to equity holders of the parent		2,574	(14,433)	12,394	(11,965)
Basic earnings per share (EUR)	20	0.26	(1.43)	1.23	(1.19)
Diluted earnings per share (EUR)	20	0.26	(1.43)	1.23	(1.19)

## **GRAPHISOFT PARK SE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** SEPTEMBER 30, 2020

(all amounts in thousands of euros unless otherwise indicated)

	Notes	3	months ended	9	months ended
		Sept 30, 2019	Sept 30, 2020	Sept 30, 2019	Sept 30, 2020
Profit / (loss) for the period		2,574	(14,433)	12,394	(11,965)
Cash-flow hedge valuation reserve*		(353)	(345)	(2,060)	(1,785)
Revaluation reserve of properties**		-	-	150	-
Translation difference**		(19)	(16)	(16)	(60)
Other comprehensive income		(372)	(361)	(1,926)	(1,845)
COMPREHENSIVE INCOME		2,202	(14,794)	10,468	(13,810)
Attributable to equity holders of the parent	t	2,202	(14,794)	10,468	(13,810)

\* 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

SEPTEMBER 30, 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	-	12,396	-	(2)	-	-	12,394
Translation difference	-	-	-	-	-	(16)	(16)
Revaluation reserve	-	(2)	-	(2,060)	-	-	(2,062)
Revaluation difference of properties	-	-	-	-	150	-	150
Dividend	-	(3,938)	-	-	-	-	(3,938)
September 30, 2019	250	179,445	(974)	(2,370)	681	(2,969)	174,073
December 31, 2019	250	183,391	(974)	(1,708)	681	(2,970)	178,670
Loss for the period	-	(11,965)	-	-	-	-	(11,965)
Translation difference	-	-	-	-	-	(60)	(60)
Revaluation reserve	-	-	-	(1,785)	-	-	(1,785)
Treasury share buyback	-	-	(22)	-	-	-	(22)
Dividend	-	(30,275)	-	-	-	-	(30,275)
Treasury share transfer	-	(24)	24	-	-	-	-
September 30, 2020	250	141,127	(972)	(3,493)	681	(3,030)	134,563

\* 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** SEPTEMBER 30, 2020

(all amounts in thousands of euros unless otherwise indicated)

	3	months ended	9	months ended
	Sept 30, 2019	Sept 30, 2020	Sept 30, 2019	Spet 30, 2020
OPERATING ACTIVITIES				
Income / (Loss) before tax	2,578	(14,428)	12,405	(11,950)
Fair value change of investment properties	413	17,272	(3,631)	19,596
Depreciation and amortization	48	47	141	170
Revaluation difference of properties	-	-	(150)	-
(Gain) / Loss on sale of tangible assets	-	(5)	1	(6)
Interest expense	313	466	916	1,476
Interest income	-	(2)	-	(3)
Unrealized foreign exchange (gain)	(3)	(265)	(30)	(352)
Changes in working capital:				
(Increase) / decrease in receivables and other current assets	(471)	(255)	144	130
Increase / (decrease) in liabilities	181	(609)	136	(144)
Corporate income tax paid	(27)	(4)	(27)	(46)
Net cash from operating activities	3,032	2,217	9,905	8,871
INVESTING ACTIVITES				
Purchase of investment property	(784)	(306)	(2,353)	(871)
Purchase of other tangible assets and intangibles	(156)	(19)	(195)	(228)
Sale of tangible assets	-	34	2	38
Interest received	-	2	-	3
Net cash used in investing activities	(940)	(289)	(2,546)	(1,058)
FINANCING ACTIVITIES				
Loan repayments	(1,094)	(1,414)	(3,257)	(7,262)
Interest paid	(328)	(467)	(929)	(1,483)
Purchase of treasury shares	-	-	-	(22)
Dividend paid	-	-	(3,938)	(30,275)
Net cash used in financing activities	(1,422)	(1,881)	(8,124)	(39,042)
Increase / (decrease) in cash and cash equivalents	670	47	(765)	(31,229)
Cash and cash equivalents at beginning of period	4,432	15,048	5,874	46,492
Exchange rate (loss) / gain on cash and cash equivalents	(32)	10	(39)	(158)
Cash and cash equivalents at end of period	5,070	15,105	5,070	15,105

## 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 September 30, 2020.

## 1.2. Properties

The total area of Graphisoft Park is nearly 18 hectares. Over the past 20 years, 82,000 m<sup>2</sup> 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 m<sup>2</sup> of gross leasable area together with underground parking and auxiliary facilities.

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

The real estate is categorized as follows:

## 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:

		Dece	mber 31, 2019		Sept	ember 30, 2020
Shareholder	Shares	Share	Voting right	Shares	Share	Voting right
	(pcs)	(%)	(%)	(pcs)	(%)	(%)
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	44.80
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.

## 1.4. Governance

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

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

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

## 2. Accounting policies

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

EUR/HUF opening:	ept 30, 2019	Sept 30, 2020
EUR/HUF opening:		
EUR/HUF opening:		
	321.51	330.52
EUR/HUF closing:	334.65	364.65
EUR/HUF average:	323.16	348.03

## 3. Cash and cash equivalents

	December 31, 2019	September 30, 2020
Cash in hand	3	1
Cash at banks	46,489	15,104
Cash and bank	46,492	15,105

## 4. Trade receivables

	December 31, 2019	September 30, 2020
Trade receivables Provision for doubtful debts	1,292	738
Trade receivables	1,292	738

Trade receivables are on 8-30 day payment terms.

## 5. Current tax receivables and liabilities

	December 31, 2019	September 30, 2020
Current tax receivables	237	117
Current tax liabilities	(309)	(368)
Current tax (liabilities), net	(72)	(251)

## 6. Other current assets

	December 31, 2019	September 30, 2020
Accrued income	139	209
Prepaid expense	88	14
Bank security accounts	1,978	2,119
Construction fund manager accounts	16	15
Other receivables	74	518
Other current assets	2,295	2,875

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

	(Owner-occupied)	Plant and Equipment	(Owner-occupied)
	Property		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 SEPTEMBER 30, 2020 (all amounts in thousands of euros unless otherwise indicated)

Gross value:			
December 31, 2019	1,370	1,123	2,493
Addition	-	178	178
Sale	-	(58)	(58)
Scrapping	-	(60)	(60)
Translation difference		(77)	(77)
September 30, 2020	1,370	1,106	2,476
Depreciation:			
December 31, 2019	190	588	778
Addition	60	92	152
Sale	-	(26)	(26)
Scrapping	-	(60)	(60)
Translation difference		(28)	(28)
September 30, 2020	250	566	816
Net value:			
September 30, 2020	1,120	540	1,660

## 8. Intangible assets

	Software	Intangible		Software	Intangible
		asets			assets
Net value:			Net value:		
December 31, 2018	5	5	December 31, 2019	59	59
Gross value:			Gross value:		
December 31, 2018	16	16	December 31, 2019	71	71
Addition	58	58	Addition	35	35
Scrapping	(2)	(2)	Scrapping	(8)	(8)
Translation difference	(1)	(1)	Translation difference	(8)	(8)
December 31, 2019	71	71	September 30, 2020	90	90
Depreciation:			Depreciation:		
December 31, 2018	11	11	December 31, 2019	12	12
Addition	3	3	Addition	13	13
Scrapping	(2)	(2)	Scrapping	(8)	(8)
Translation difference	-	-	Translation difference	(1)	(1)
December 31, 2019	12	12	September 30, 2020	16	16
Net value:			Net value:		
December 31, 2019	59	59	September 30, 2020	74	74

## 9. Investment property

Investment	Completed	Development	
property	investment property	Land	
			Book value:
239,633	227,866	11,767	December 31, 2018
2,534	2,257	277	Addition
516	516	-	Reclassification
4,452	4,452	-	Change in fair value
247,135	235,091	12,044	December 31, 2019
869	594	275	Addition
(19,596)	(19,596)	-	Change in fair value
228,408	216,089	12,319	September 30, 2020

In the first nine months of 2020 additions in construction in progress of 869 thousand EUR comprise the following:

- refurbishment of buildings in progress in the core area (323 thousand EUR),
- fit-out works in completed investment properties upon tenant's requests (245 thousand EUR),
- archeological and landscaping works in the southernmost area (275 thousand EUR),
- other developments in progress (26 thousand EUR).

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

According to IAS 40 development lands are presented on cost.

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

			December 31, 2019	September 30, 2020
Rental area		fice, laboratory and related rvice areas	73,000 m <sup>2</sup>	73,000 m <sup>2</sup>
	• ed	lucation area	6,000 m <sup>2</sup>	6,000 m <sup>2</sup>
	• Do	ormitory	3,000 m <sup>2</sup> / 85 persons	3,000 m <sup>2</sup> / 85 persons
Development lands	-	ntable area which can be eveloped	62,000 m <sup>2</sup>	62,000 m <sup>2</sup>
Long term occupancy			95%	80-95%
Growth factor			1%	1%
Average discount factor			6.02%	6.71%

## 10. Trade payables

	December 31, 2019	September 30, 2020
Trade payables – domestic	678	479
Trade payables	678	479

## 11. Other short-term liabilities

	December 31, 2019	September 30, 2020
Amounts due to employees	76	61
Deposits from tenants	606	676
Fair value difference of loans*	706	657
Other payables and accruals	3,758	2,981
Other short-term liabilities	5,146	4,375

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

#### 12. Loans

#### 12.1. Loan details

	December 31, 2019	September 30, 2020
Short-term	7,993	5,040
Long-term	100,634	95,990
Loans	108,627	101,030

#### Loans provided by Erste Bank Hungary Zrt.:

December 31, 2019	September 30, 2020
722	694
11,272	9,900
11,994	10,594
	722 11,272

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 September 30, 2020 the outstanding capital of the forint based facility amounts to 3.3 billion HUF (9,108 thousand EUR); and the euro based facility amounts to 2,457 million EUR. The fair value of the loans (calculated using market interest rates) is 10,594 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 September 30, 2020 fair value of the cash flow hedge transaction is presented among long-term financial liabilities in amount of 1,576 thousand EUR.

## Loan number 2. (Erste)

	December 31, 2019	September 30, 2020
Short-term	1,798	1,837
Long-term	35,280	33,892
Loan 2 / Erste Bank Hungary Zrt.	37,078	35,729

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 September 30, 2020 fair value of the IRS is 2,658 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	September 30, 2020
Short-term	1,140	1,160
Long-term	18,630	17,758
Loan 1. / UniCredit Bank Hungary Zrt.	19,770	18,918

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 September 30, 2020 the outstanding capital amounts to 21,200 thousand EUR, whose fair value was 18,918 thousand EUR (calculated using market interest rates) (see details under point 12.2 below).

## Loan number 2. (Unicredit)

	December 31, 2019	September 30, 2020
Short-term	4,333	1,349
Long-term	35,452	34,440
Loan 2./ UniCredit Bank Hungary Zrt.	39,785	35,789

On November 19, 2019 the Company concluded a euro-based, 10 years to maturity loan facility agreement of 40 million EUR value with UniCredit Bank in order to optimize the Company's capital structure, which has been already drawn on December 30, 2019. From the total amount of the loan 3 million EUR 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 September 30, 2020 fair value of the IRS is 1,208 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	September 30, 2020
Erste Bank Hungary Zrt. Loan nr. 1.*	11,994	10,594
Erste Bank Hungary Zrt. Loan nr. 2.	37,078	35,729
UniCredit Bank Hungary Zrt. Loan nr. 1.*	19,770	18,918
UniCredit Bank Hungary Zrt. Loan nr. 2.	39,785	35,789
Loans at fair value*	108,627	101,030

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

## Loans with preferential interest rate:

As part of its monetary policy instruments, National Bank of Hungary (NBH) launched its Funding for Growth Scheme (FGS) in 2013, Under FGS, the central bank provides refinancing loans at a preferential fixed interest rate of 0% with a maximum maturity of 10 years to credit institutions which the credit institutions lend further to small and medium sized enterprises with a capped interest margin. The following table shows loan liability for the loans borrowed by the Group within FGS broken down by amortized initial fair value (market rate loan liability) and amortized initial fair value difference (interest rate grant) elements as of September 30, 2020:

	Actual	**Fair value	*Fair value
	loan liability	difference	
Erste Bank Hungary Zrt.	11,565	971	10,594
UniCredit Bank Hungary Zrt.	21,200	2,282	18,918
Loans (FGS)	32,765	3,253	29,512

\* 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	September 30, 2020
Fair value difference of loans*	3,160	2,596
Warranty retention	192	123
Fair value of derivative instruments **	2,443	5,443
Other long-term liabilities	5,795	8,162

\* 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 September 30, 2020. The valuations were prepared by the financing banks.

## 14. Revenue

	3	3 months ended	9	months ended
	Sept 30, 2019	Sept 30, 2020	Sept 30, 2019	Sept 30, 2020
Property rental revenue*	3,584	3,545	10,636	10,958
Revenue	3,584	3,545	10,636	10,958

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

## 15. Operating expense

	3	3 months ended	g	months ended
	Sept 30, 2019	Sept 30, 2020	Sept 30, 2019	Sept 30, 2020
Duran with and the discussion	20	25	70	70
Property related expense	28	25	78	76
Employee related expense	146	149	606	622
Other operating expense	106	117	355	443
Depreciation and amortization	48	47	141	170
Operating expense	328	338	1,180	1,311

## Other operating expense consists of the following items:

	3	months ended	9	9 months ended
	Sept 30, 2019	Sept 30, 2020	Sept 30, 2019	Sept 30, 2020
Office and telecommunication	3	2	8	6
Legal and administration	64	36	212	195
Other	39	79	135	242
Other operating expense	106	117	355	443

## 16. Other income (expense)

	3	months ended	9 months ende	
	Sept 30, 2019	Sept 30, 2020	Sept 30, 2020	Sept 30, 2020
Income from recharged construction expenses	79	19	197	189
Recharged construction expenses	(76)	(19)	(177)	(163)
Income from recharged operation expenses	1,173	1,175	3,920	3,703
Recharged operation expenses	(1,066)	(1,075)	(3,594)	(3,372)
Others	(3)	28	(20)	57
Other income	107	128	326	414

## 17. Interest income and interest expense

	3	9 months ended		
	Sept 30, 2019	Sept 30, 2020	Sept 30, 2020	Sept 30, 2020
Interest income	-	2	-	3
Interest expense on loans	(312)	(448)	(913)	(1,392)
Other interest expense	(1)	(18)	(3)	(84)
Net interest expense	(313)	(464)	(916)	(1,473)

## 18. Other financial result

	3	months ended	9	9 months ended		
	Sept 30, 2019	Sept 30, 2020	Sept 30, 2020	Sept 30, 2020		
Exchange rate (loss) realized	(27)	(304)	(77)	(1,135)		
Exchange rate (loss) / gain not realized	(17)	277	(12)	193		
Ineffective portion of hedge*	(15)	-	(2)	-		
Other financial result	(59)	(27)	(92)	(942)		

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

## 19. Income taxes

	3	months ended	9	months ended
	Sept 30, 2019	Sept 30, 2020	Sept 30, 2020	Sept 30, 2020
Current income tax	(4)	(5)	(11)	(15)
Income tax (expense)	(4)	(5)	(11)	(15)

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	d 9 months e	
Sept 30, 2019	Sept 30, 2020	Sept 30, 2020	Sept 30, 2020
2 574	(14 433)	12 394	(11,965)
	(14,433)	12,004	(11,505)
10,082,598	10,082,598	10,082,598	10,082,598
0.26	(1.43)	1.23	(1.19)
10,082,598	10,082,598	10,082,598	10,082,598
0.26	(1.43)	1.23	(1.19)
	Sept 30, 2019 2,574 10,082,598 0.26 10,082,598	2,574       (14,433)         10,082,598       10,082,598         0.26       (1.43)         10,082,598       10,082,598	Sept 30, 2019         Sept 30, 2020         Sept 30, 2020           2,574         (14,433)         12,394           10,082,598         10,082,598         10,082,598           0.26         (1.43)         1.23           10,082,598         10,082,598         10,082,598

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.

## 21. Treasury shares

Graphisoft Park SE treasury share details are as follows:

	December 31, 2019	September 30, 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 September 30, 2020:

	Note	Book value	Fair value Sept 30, 2020	Difference
		Sept 30, 2020		
Investment property and other tangible assets*	7,9	230,068	246,106	16,038
Intangible assets	8	74	74	-
Current tax liabilities, net	5	(251)	(251)	-
Non-financial instruments		229,891	245,929	16,038
Cash and cash equivalents	3	15,105	15,105	-
Trade receivables	4	738	738	-
Other current assets	6	2,875	2,875	-
Trade payables	10	(479)	(479)	-
Other short-term liabilities	11	(4,375)	(4,375)	-
Loans	12	(101,030)	(101,030)	-
Other long-term liabilities	13	(8,162)	(8,162)	-
Financial instruments		(95,328)	(95,328)	-
Net asset value		134,563	150,601	16,038

\* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 245,566 thousand euros as of September 30, 2020.

	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	(4,973)	(4,973)	-
Loans	12	(108,627)	(108,627)	-
Other long-term liabilities	13	(5,968)	(5,968)	-
Financial instruments		(70,167)	(70,167)	-
Net asset value		178,670	195,295	16,625

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

\* 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.