# GRAPHISOFT PARK SE ANNUAL REPORT 2020

# 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 **proposes** 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 HUF[1]. Consequently, this one-off loss will not decrease the 2020 pro forma net result, which will be the basis of

[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.

the dividend payment[2]. 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 Dec 31, 2019** | **12 months ended Dec 31, 2020** | **12 months ended Dec 31, 2019** | **12 months ended 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** |
| *-from this book value (1)* | *235,091* | *212,039* |
| **Fair value of development lands** | **23,630** | **23,100** |
| *- from this book value (1)* | *12,044* | *12,358* |
| **Entire property portfolio at estimated fair value** | **264,940** | **241,141** |
| **Net asset value at estimated fair value (2)** | **195,295** | **148,653** |
| *Net asset value at cost (1)* | *178,670* | *133,011* |
| 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** |
| *Net asset value at cost per share (euro) (1) (3)* | *17.72* | *13.19* |

(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 24 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 changed 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 11 (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 $m^2$ 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 $m^2$ potential development. In the second half of 2019 we have commenced the archeological and landscaping works there on 4,000 $m^2$, 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 $m^2$ (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.)). The related sale and purchase agreement came into force in January, 2021, and the ownership was registered on February 11, 2021. This area, combined with the other plots already owned by the Company, enables the development of an additional 4,000 $m^2$ 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 $m^2$ gross leasable area. Altogether this gives development potential of around additional 66,000 $m^2$ gross leasable area, and as such, the gross leasable area might increase to 148,000 $m^2$ 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 $m^2$ office space amounted to around 4 million euros and cca. 6 million euros have been invested by the tenants to implement their individual needs. In 2019 and in 2020 we have refurbished several smaller office and service buildings on 7,000 $m^2$, 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 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 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, **EBIDTA** 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.

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

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.

## General information

*Graphisoft Park Group*

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

*Corporate Governance*

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

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

General Meeting

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

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

Board of Directors

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

The Board of Directors has the power to act in the authority of the General Meeting based on the Government of Hungary issued Decree No. 102/2020. (IV.10.).

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

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

Members of the Board of Directors:

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

Audit Committee

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

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

Audit Committee members are appointed from the independent members of the Board of Directors by the general meeting of the company.

Members of the Audit Committee:

| Name | Position | From | Until |
|---|---|---|---|
| Dr. Kálmán János | Chairman | August 21, 2006 | May 31, 2022 |
| Dr. Martin Hajdu György | Member | July 21, 2014 | May 31, 2022 |
| Hornung Péter | Member | April 20, 2017 | May 31, 2022 |

*Stock information*

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

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

| Shareholder | Shares (pc) | Share (%) | Voting right (%) December 31, 2019 | Shares (db) | Share (%) | Voting right (%) December 31, 2020 |
|---|---|---|---|---|---|---|
| **ORDINARY SHARES:** | **10,631,674** | **100.00** | **88.97** | **10,631,674** | **100.00** | **87.92** |
| **Shareholders over 5% share** | **5,268,735** | **49.56** | **46.49** | **4,841,701** | **45.54** | **42.22** |
| Bojár Gábor | 1,685,125 | 15.85 | 14.87 | 1,685,125 | 15.85 | 14.69 |
| HOLD Zrt. | 972,701 | 9.15 | 8.58 | 653,104 | 6.15 | 5.70 |
| AEGON 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** | **4,813,863** | **45.28** | **42.48** | **5,240,897** | **49.30** | **45.70** |
| **Treasury shares*** | **549,076** | **5.16** | **-** | **549,076** | **5.16** | **-** |
| **EMPLOYEE SHARES**:** | **1,876,167** | **-** | **11.03** | **1,876,167** | **-** | **12.08** |
| Kocsány János | 1,250,778 | - | 11.03 | 1,384,819 | - | 12.08 |
| 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.

** 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.

**Human resources**

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

**Diversity policy**

Graphisoft Park SE prohibits discrimination against any person based on gender identity, age, disability, race or ethnicity, gender preferences and religion and will not tolerate any form of discrimination in the workplace. The Holding is committed to provide a working environment free from discrimination and equal opportunities to all of its employees, with regards to its cultural and legal environment.

The Company will designate its managing officers and persons responsible for controlling its operation in accordance with its policies and commitments. The Company is committed to promoting and endeavours to achieve the highest level of diversity through the consistent practical implementation of its HR policies.

**Events after the balance sheet date**

*Proposed dividend by the Board*

The annual financial statements of the Company for the year 2020 prepared in accordance with International Financial Reporting Standards (IFRS) are authorized for issue in accordance with the resolution of the Board of Directors on March 18, 2021. The Board proposes dividend distribution of 0.99 EUR per ordinary share to be approved by the Annual General Meeting of Graphisoft Park SE of April 20, 2021. The Board also proposes altogether 203,843 EUR dividend for employee shares. The HUF amount of the dividend will be determined on the date of the AGM, on the basis of the euro foreign exchange rate on which the amount will be purchased by the Company's main bank. The Annual General Meeting has the power to amend the annual financial statements.

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

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

Budapest, March 18, 2021

Kocsány János

Bojár Gábor
Chairman of Board of Directors

Kocsány János
Chief Executive Officer

# GRAPHISOFT PARK SE

## CONSOLIDATED FINANCIAL STATEMENTS

## for the year ended December 31, 2020

in accordance with International Financial Reporting Standards (IFRS)

(audited)

Budapest, March 18, 2021

Kocsány János

Chief Executive Officer

Bihari Sándor

Chief Financial Officer

**CONTENTS:**

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# Independent Auditor's Report

## to the Shareholders of Graphisoft Park SE Ingatlanfejlesztő Európai Rt.

## Report on the Audit of the Consolidated Financial Statements

### *Opinion*

We have audited the consolidated financial statements of Graphisoft Park SE Ingatlanfejlesztő Európai Rt. and its subsidiaries (the „Group") for the year 2020 which comprise the consolidated balance sheet as at December 31, 2020 which shows a total assets of **EUR 245 378 thousands** and the related consolidated statement of income and consolidated statement of comprehensive income which shows a net loss for the year of **EUR (15 362) thousands**, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and consolidated notes to the financial statements including a summary of significant accounting policies.

**In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Graphisoft Park SE Ingatlanfejlesztő Európai Rt. and its subsidiaries as at December 31, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (the „EU IFRS"), and the consolidated financial statements were prepared in all material respects in accordance with the provisions of the effective Hungarian Act C of 2000 on Accounting (hereinafter: "the Accounting Act") relevant to the entities preparing consolidated financial statements in accordance with EU IFRS.**

### *Basis for the opinion*

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") and with applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

We are independent of the Group in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, for matters not regulated in the Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code) and we also comply with further ethical requirements set out in these.

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

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### *Key Audit Matters*

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

| *Key Audit Matter* | *How our audit addressed the Key Audit Matter* |
|---|---|
| ***Revenue recognition***<br>Refer to Notes 16. in the consolidated financial statements<br><br>Revenue is an important measure used to evaluate the performance of the Group. As a consequence, it needs to be ensured that the revenue in the consolidated financial statements is real, accurate and refers to the current year. Revenue from property rental revenue transactions is recognized as of the performance date based on the terms of the lease agreement. | Our audit procedures supporting the revenue recognition included testing of business cycles as well as substantive audit procedures as follows.<br><br>We have performed review of the revenue recognition process relating to property rental revenue. We have assessed the risks in the certain processes, the existence of relating controls.<br><br>Existence and accuracy of property rental revenue have been tested on a sample basis and the items selected have been reconciled to source documents.<br><br>We have reviewed the lease agreements. Based on the lease agreements we have recalculated the whole property rental revenue.<br><br>We have tested manual journal entries regarding revenues in order to identify unusual items outside of the normal course of business and reviewed the audit evidences supporting the items selected.<br><br>We have checked the appropriate compliance with relevant financial reporting standards, accounting records and disclosures.<br><br>Based on our procedures we have not identified material misstatements. |

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| *Key Audit Matter* | *How our audit addressed the Key Audit Matter* |
|---|---|
| ***Valuation of investment properties***<br>Refer to Notes 3.4 and 11. in the consolidated financial statements | |
| Value of investment properties in the consolidated financial statements of the Group amounts to EUR 224,397 thousands as of 31 December 2020 and EUR 247,135 thousands as of 31 December 2019. Above balance sheet value reflects the estimated fair value of the investment properties determined by an independent external valuation expert engaged by the Group. As a consequence of the fair value adjustment, a revaluation loss of EUR (24,315) thousands has been recorded as Valuation losses from investment property.<br><br>The valuation is dependent on certain assumptions regarding factors influencing the value of properties, which bear uncertainty, thus the value of investment properties may change in parallel with the change of influencing factors. | Our audit procedures regarding the valuation of investment properties were as follows.<br><br>We have evaluated the independent external valuer's professional competence, capabilities, objectivity.<br><br>We have assessed the methodologies and the appropriateness of the key assumptions used by the valuer based on our knowledge of the property industry.<br><br>We have checked the accuracy and relevance of input data used for determining the balance sheet value of investment properties and checked the accuracy of the fair value adjustments by recalculating them.<br><br>We have checked the appropriate compliance with relevant financial reporting standards, accounting records and disclosures.<br><br>Based on our procedures we have not identified material misstatements. |

***Other information: the business report***

The other information comprises the consolidated business report of the Company for the year 2020. Management is responsible for the preparation of the consolidated business report in accordance with the provisions of the Accounting Act and other relevant regulations. Our opinion on the consolidated financial statements expressed in the "Opinion" section of our independent auditor's report does not cover the consolidated business report.

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In connection with our audit of the consolidated financial statements, our responsibility is to read the consolidated business report and, in doing so, consider whether the consolidated business report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that the consolidated business report is materially misstated we are required to report this fact and the nature of the misstatement.

Furthermore, in accordance with the Accounting Act, our responsibilities regarding the consolidated business report also include reviewing the consolidated business report to assess whether the consolidated business report was prepared in accordance with the relevant provisions of the Accounting Act and other regulations, if any, including the assessment whether the consolidated business report complies with the requirements of Section 95/B. (2) e) and f) of the Accounting Act. Furthermore, in accordance with the Accounting Act we shall make a statement whether the information referred to in Section 95/B. (2) a)-d), g) and h) has been provided in the consolidated business report.

In our opinion, the consolidated business report of Graphisoft Park SE Ingatlanfejlesztő Európai Rt. and its subsidiaries for 2020 corresponds to the consolidated financial statements of Graphisoft Park SE Ingatlanfejlesztő Európai Rt. and its subsidiaries for 2020 and the relevant provisions of the Accounting Act in all material respects. The information referred to in Section 95/B. (2) a)-d), g) and h) of the Accounting Act has been provided. As there is no other regulation prescribing further requirements for the Group's consolidated business report, we do not express an opinion in this respect.

We are not aware of any other material inconsistency or material misstatement in the consolidated business report therefore we have nothing to report in this respect.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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*The auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HNSAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis in the preparation of the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In compliance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

*Appointment of the Auditor and the Period of Engagement*

We were appointed as the auditors of Graphisoft Park SE Ingatlanfejlesztő Európai Rt. by the General Meeting of Shareholders on 29 April 2019 and our uninterrupted engagement has lasted for 3 years.

*Consistence with the Additional Report to the Audit Committee*

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Graphisoft Park SE Ingatlanfejlesztő Európai Rt. , which we issued on 18 March 2021 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

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*Provision of Non-audit Services*

We declare that no prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided by us to the Group. In addition, there are no other non-audit services which were provided by us to the Graphisoft Park SE Ingatlanfejlesztő Európai Rt. and its controlled undertakings and which have not been disclosed in the consolidated financial statements or in the consolidated business report.

The engagement partners on the audit resulting in this independent auditor's report are the signatories of the report.

Budapest, 18 March 2021

BDO Hungary Audit Ltd.
1103 Budapest, Kőér utca 2/A
Registration number: 002387

András Schillinger
Director

BDO Magyarország Könyvvizsgáló Kft.
Eng.szám:
Licence nr.:
002387

Edmond Gaál
Certified Auditor
Chamber registration No.:
007299

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

| | Notes | December 31, 2019 | December 31, 2020 |
|---|---|---|---|
| Cash and cash equivalents | 5 | 46,492 | 15,908 |
| Trade receivables | 6 | 1,292 | 455 |
| Current tax receivable | 7 | 237 | 174 |
| Other current assets | 8 | 2,295 | 2,731 |
| **Current assets** | | **50,316** | **19,268** |
| Investment property | 11 | 247,135 | 224,397 |
| (Owner occupied) Property, Plant and Equipment | 9 | 1,715 | 1,620 |
| Intangible assets | 10 | 59 | 93 |
| **Non-current assets** | | **248,909** | **226,110** |
| **TOTAL ASSETS** | | **299,225** | **245,378** |
| Short-term loans | 14 | 7,993 | 5,068 |
| Trade payables | 12 | 678 | 882 |
| Current tax liability | 7 | 309 | 178 |
| Other short-term liabilities | 13 | 5,146 | 3,797 |
| **Current liabilities** | | **14,126** | **9,925** |
| Long-term loans | 14 | 100,634 | 94,707 |
| Other long-term liabilities | 15 | 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 | 23 | (974) | (972) |
| Cash flow hedge reserve | 14 | (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** |

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

**GRAPHISOFT PARK SE**
**CONSOLIDATED STATEMENT OF INCOME**
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts in thousands of euros unless otherwise indicated)

| | Notes | December 31, 2019 | December 31, 2020 |
|---|---|---|---|
| Property rental revenue | | 14,249 | 14,539 |
| **Revenue** | **16** | **14,249** | **14,539** |
| Property related expense | 17 | (92) | (101) |
| Employee related expense | 17 | (806) | (800) |
| Other operating expense | 17 | (510) | (505) |
| Depreciation and amortization | 9, 10, 17 | (196) | (229) |
| **Operating expense** | | **(1,604)** | **(1,635)** |
| Valuation gains / (losses) from investment property | 11 | 4,452 | (24,315) |
| Other income | 18 | 512 | 590 |
| **OPERATING PROFIT / (LOSS)** | | **17,609** | **(10,821)** |
| Interest income | 19 | - | 11 |
| Interest expense | 19 | (1,216) | (1,974) |
| Exchange rate difference | 20 | (39) | (963) |
| **Financial result** | | **(1,255)** | **(2,926)** |
| **PROFIT / (LOSS) BEFORE TAX** | | **16,354** | **(13,747)** |
| Income tax expense | 21 | (24) | (23) |
| **PROFIT / (LOSS) FOR THE PERIOD** | | **16,330** | **(13,770)** |
| Attributable to equity holders of the parent | | 16,330 | (13,770) |
| Basic earnings / (loss) per share (EUR) | 22 | 1.62 | (1.37) |
| Diluted earnings / (loss) per share (EUR) | 22 | 1.62 | (1.37) |

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

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

| | Notes | December 31, 2019 | December 31, 2020 |
|---|---|---|---|
| **Profit / (loss) for the period** | | **16,330** | **(13,770)** |
| Cash-flow hedge valuation reserve* | | (1,400) | (1,529) |
| Revaluation reserve of properties** | | 150 | - |
| Translation difference** | | (17) | (63) |
| **Other comprehensive income** | | **(1,267)** | **(1,592)** |
| **COMPREHENSIVE INCOME** | | **15,063** | **(15,362)** |
| Attributable to equity holders of the parent | | 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.

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

**GRAPHISOFT PARK SE**
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**
FOR THE YEAR ENDED DECEMBER 31, 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 |
|---|---|---|---|---|---|---|---|
| **January 1, 2019** | **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** |
| **January 1, 2020** | **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 23.
** Cash flow hedge transaction details are disclosed in Note 14 (Loans).
*** Revaluation surplus on leasing a part of owner-occupied property, i.e. transfers from investment property to owner occupied property.
*The accompanying notes form an integral part of the consolidated financial statements.*

**GRAPHISOFT PARK SE**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
FOR THE YEAR ENDED DECEMBER 31, 2020
(all amounts in thousands of euros unless otherwise indicated)

| | Notes | December 31, 2019 | December 31, 2020 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Income / (loss) before tax | | 16,354 | (13,747) |
| Fair value change of investment properties | 11 | (4,452) | 24,315 |
| Depreciation and amortization | 9,10,17 | 196 | 229 |
| Revaluation difference of properties | | (150) | - |
| Loss / (gain) on sale of tangible assets | | 2 | (6) |
| Interest expense | 19 | 1,216 | 1,974 |
| Interest income | 19 | - | (11) |
| Unrealized foreign exchange (gain) / loss | | (82) | 122 |
| Changes in working capital: | | | |
| Decrease in receivables and other current assets | | 350 | 458 |
| Increase / (decrease) in liabilities | | 105 | (1,491) |
| Corporate income tax paid | | (27) | (17) |
| **Net cash from operating activities** | | **13,512** | **11,826** |
| **INVESTING ACTIVITES** | | | |
| Purchase of investment property | 11 | (3,116) | (1,181) |
| Purchase of other tangible assets and intangibles | 9,10 | (263) | (272) |
| Sale of tangible assets | 9 | 4 | 41 |
| Interest received | | - | 11 |
| **Net cash used in investing activities** | | **(3,375)** | **(1,401)** |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from receipt of loans | 14, 27 | 40,000 | - |
| Loan repayments | 14, 27 | (4,345) | (8,697) |
| Interest paid | 14 | (1,227) | (1,985) |
| Purchase of treasury shares | | - | (22) |
| Dividend paid | 29, 27 | (3,938) | (30,275) |
| **Net cash from / (used in) financing activities** | | **30,490** | **(40,979)** |
| Increase / (decrease) in cash and cash equivalents | | 40,627 | (30,554) |
| Cash and cash equivalents at beginning of period | | 5,874 | 46,492 |
| Exchange rate (loss) on cash and cash equivalents | | (9) | (30) |
| **Cash and cash equivalents at end of period** | | **46,492** | **15,908** |

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

(all amounts in thousands of euros unless otherwise indicated)

## 1. General information

### 1.1. Business activities

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

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

Graphisoft Park SE was established through a demerger from Graphisoft SE on August 21, 2006. The purpose of the restructuring was to spin off a new company, dedicated to real estate development and management. Graphisoft Park 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 m$^2$ 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$^2$ 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 |

(all amounts in thousands of euros unless otherwise indicated)

### 1.3. Stock information

Graphisoft Park SE's share capital consists of 10,631,674 class "A" publicly traded, marketable, registered ordinary shares of 0.02 euro face value, each representing equal and identical rights, and 1,876,167 class "B" employee shares of 0.02 euro face value.
Ordinary shares of the Company are publicly traded at Budapest Stock Exchange, currently in Premium category, from August 28, 2006. The share ownership structure is the following according to the Company's shareholder records:

| | December 31, 2019 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| **Shareholder** | **Shares (pcs)** | **Share (%)** | **Voting right (%)** | **Shares (pcs)** | **Share (%)** | **Voting right (%)** |
| **ORDINARY SHARES:** | **10,631,674** | **100.00** | **88.97** | **10,631,674** | **100.00** | **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 23.

** 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.

(all amounts in thousands of euros unless otherwise indicated)

### 1.4. Corporate Governance

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

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

**General Meeting**

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

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

**Board of Directors**

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

The Board of Directors has the power to act in the authority of the General Meeting based on the Government of Hungary issued Decree No. 102/2020. (IV.10.).

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

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

Members of the Board of Directors:

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

(all amounts in thousands of euros unless otherwise indicated)

**Audit Committee**

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

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

Audit Committee members are appointed from the independent members of the Board of Directors by the general meeting of the company.

Members of the Audit Committee:

| Name | Position | From | Until |
|---|---|---|---|
| Dr. Kálmán János | Chairman | August 21, 2006 | May 31, 2022 |
| Dr. Martin Hajdu György | Member | July 21, 2014 | May 31, 2022 |
| Hornung Péter | Member | April 20, 2017 | May 31, 2022 |

## 2. Accounting policies

### 2.1. Basis of preparation

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

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

### 2.2. Changes in accounting policies

**Adoption of new or modified standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs and interpretations which have been adopted by the Group as of 1 January 2020:

**A) Amendments to IAS 1 and IAS 8: Definition of Material:** The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

**B) Amendments to IFRS 3: Definition of a Business:** The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter any business combinations.

**C) Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform:** The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide several reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group.

(all amounts in thousands of euros unless otherwise indicated)

**D) Conceptual Framework for Financial Reporting issued on 29 March 2018:** The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This affects those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

## 2.3. Consolidated financial statements

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

The following subsidiaries were consolidated in 2019 and in 2020 (Graphisoft Park SE is the sole owner of all companies):

| **Subsidiary** | **Date of foundation** | **Registered capital 2019** | **Registered capital 2020** |
|---|---|---|---|
| Graphisoft Park Kft. | November, 2005 | 1,846,108 EUR | 46,108 EUR |
| Graphisoft Park Services Kft. | October, 2008 | 10,000,000 HUF | 10,000,000 HUF |
| Graphisoft Park South I. Kft. | September, 2016 | 22,000 EUR | 23,000 EUR |
| Graphisoft Park South II. Development Kft. | September, 2016 | 21,000 EUR | 22,000 EUR |
| Graphisoft Park Engineering & Management Kft. | December, 2017 | 10,000,000 HUF | 10,000,000 HUF |

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

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

The consolidated financial statements are prepared under the historical cost convention.

## 2.4. Foreign currency translations

**Functional and presentation currency:**

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

| | December 31, 2019 | December 31, 2020 |
|---|---|---|
| Graphisoft Park SE | EUR | EUR |
| Graphisoft Park Kft. | EUR | EUR |
| Graphisoft Park Services Kft. | HUF | HUF |
| Graphisoft Park South I. Kft. | EUR | EUR |
| Graphisoft Park South II. Development Kft. | EUR | EUR |
| Graphisoft Park Engineering & Management Kft. | HUF | HUF |

Management assessment on functional currency determination is disclosed in Note 3 (Critical accounting estimates and judgments).

The consolidated financial statements are presented in thousands of EUR, which is the Group's presentation currency.

**Transactions and balances:**

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

**Group companies:**

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

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

Exchange rates used were as follows:

| | 2019 | 2020 |
|---|---|---|
| EUR/HUF opening: | 321.51 | 330.52 |
| EUR/HUF closing: | 330.52 | 365.13 |
| EUR/HUF average: | 325.35 | 351.17 |

### 2.5. Cash and cash equivalents

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

### 2.6. Derivative financial instruments

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

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

### 2.7. Hedges

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

- fair value hedges or
- cash-flow hedges.

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

Hedge accounting is accounted as follows:

Fair value hedges

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

Cash-flow hedges

Cash-flow hedges are hedges of the exposure to variability in cash flows which is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect the profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in the other comprehensive income, while the ineffective portion is recognized in the profit or loss.

Amounts taken to other comprehensive income are transferred to profit or loss when the hedged transaction affects the profit or loss. Where the hedged item is the cost of a non-financial asset or liability, the amounts previously taken to the other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in other comprehensive income are transferred into the profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked by the Company, amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is accounted into the profit or loss.

### 2.8. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. For impairment the Group uses the “12 month expected credit losses” method; and in case of significant increase in credit risk since the initial recognition of a receivable, the Group uses the “full lifetime expected credit loss” method (General approach). Impairment (if any) of trade receivables is disclosed in Note 6.

### 2.9. Loans and other borrowings

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

Fair value hierarchy:

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

### 2.10. Trade and other payables

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

## 2.11. Investment property

Investment property comprises completed property, development lands and property under construction or re-development that is held to earn rentals or for capital appreciation or both. Property held under lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services, borrowing costs and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise, including the corresponding tax effect (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an owner-occupied property becomes an investment property, any difference at that date between the carrying amount and the fair value of that property will be recorded in the “revaluation reserve of properties” within the equity, if the fair value is higher than the carrying amount; and in the profit or loss if the fair value is lower than the carrying amount.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss in the period of de-recognition.

## 2.12. Tangible assets

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

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

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

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

| Type of asset | Depreciation |
|---|---|
| Machinery and equipment | 5-15 years |
| Office equipment | 3-7 years |
| Vehicles | 5 years - 20% residual value |

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

### 2.13. Intangible assets

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

### 2.14. Leases

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

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

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

**Group as a lessee:**

Upon lease commencement a right-of-use asset and a lease liability is recognized (exceptions: leases with lease term with 12 months or less; leases where the underlying asset has a small value). The right-of-use asset is initially recognized at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar.

After lease commencement the right-of-use asset is measured using the cost model (cost less accumulated depreciation and accumulated impairment).
The lease liability is initially recognized at present value of the lease payments payable over the lease term

discounted at the rate implicit in the lease if that can be readily determined, otherwise the Group's incremental borrowing rate shall be used.

The lease liability is subsequently re-measured to reflect changes in:
- the lease term (using a revised discount rate);
- the assessment of a purchase option (using a revised discount rate);
- the amounts expected to be payable under residual value guaranties (using an unchanged discount rate); or
- future lease payment resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate).

The re-measurements are treated as adjustments to right-of-use asset.

**Group as a lessor:**

The Group classifies each lease as an operating or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as operating lease.

At finance lease, upon lease commencement, assets held under finance lease are recognized as a receivable at an amount equal to the net investment in the lease. Finance income is recognized in the income statement over the lease term (reflecting a constant periodic rate of return on the net investment).

Operating lease payments are recognized as rental income on a straight-line basis in the income statement. Initial indirect cost incurred while concluding an operating lease agreement are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

### 2.15. Borrowing costs

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

### 2.16. Impairment of assets

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

### 2.17. Provisions

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

### 2.18. Pensions

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

### 2.19. Revenue recognition

- **Revenue recognition (based on IFRS 15)**

Revenue is recognized at amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

**Sale of goods:**
The Company's contracts with customers generally include one performance obligation. Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customer.

**Rendering of services:**
Revenue from rendering of services is recognized over time.

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

- **Revenue recognition (based on IFRS 16)**

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

- **Revenue recognition (based on other Standards)**

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

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

### 2.20. Treasury shares

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

### 2.21. Employee shares

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

### 2.22. Earnings per share

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

### 2.23. Income taxes

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

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

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

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

### 2.24. Dividend

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

### 2.25. Operating profit

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

### 2.26. Segment information

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

### 2.27. Government grants

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

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

### 2.28. Reclassification of comparative information

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

## 3. Critical accounting estimates and judgments

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

### 3.1 Functional and presentation currency

The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity. IAS 21 – "The Effects of Changes in Foreign Exchange Rates" determines factors to be considered in determining functional currency. When the indicators are mixed and the functional currency is not obvious, management exercises judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Functional and presentation currency details are disclosed in Note 2.4.

### 3.2 Impairment of tangible assets

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

### 3.3 Provisions

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

### 3.4 Fair value of investment property

The fair value of investment property is determined by real estate valuation experts using recognized valuation techniques and principles of IFRS 13 "Fair Value Measurement". Investment property under construction is measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. In such case investment property is recorded at cost. With regards to the investment property, the fair value measurement's IFRS 13 hierarchy level, based on the valuations is level 3.

### 3.5 Effects of the Covid-19 pandemic

The coronavirus outbreak was first reported near the end of 2019. The virus has significantly impacted the world economy. The Group assessed effects or potential effects of the pandemic to the Group Financial Statements. Investment property fair values might be largely influenced by the future occupancy rates, level of lease revenues and applied discount rates. Investment property related effects of the Covid-19 are disclosed in Note 11.

The occurrence of large-scale business disruptions potentially gives rise to liquidity issues for certain tenants. It might also have consequential impacts on the credit quality of tenants along the supply chain. The Group exercised judgement and its best efforts to consider all reasonable and supportable information available about past events, current conditions and forecasts of future economic conditions regarding expected credit losses. Effects of the Covid-19 pandemic regarding trade receivables are disclosed in Note7.

## 4. Standards and interpretations issued but not yet effective

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

**A) Amendments to IAS 1: Classification of Liabilities as Current or Non-current:** In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments must be applied retrospectively. The amendments have not yet been endorsed by the EU. The Group is currently assessing the impact the amendments will have on current practice.

**B) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16:** In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendment has not yet been endorsed by the EU. The amendments are not expected to have a material impact on the Group.

**C) Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37:** In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments have not yet been endorsed by the EU. The amendments are not expected to have a material impact on the Group.

**D) IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:** As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment has not yet been endorsed by the EU. The amendments are not expected to have a material impact on the Group.

**E) Reference to the Conceptual Framework – Amendments to IFRS 3:** In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or FRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments have not yet been endorsed by the EU. The amendments are not expected to have a material impact on the Group.

**F) IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities:** As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendments have not yet been endorsed by the EU. The amendments are not expected to have a material impact on the Group.

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

**H) Amendments to IFRS 16 Covid-19 Related Rent Concessions:** On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification. The amendments have not yet been endorsed by the EU. Management anticipates that these amendments will have no effect on the Group.

(all amounts in thousands of euros unless otherwise indicated)

## 5. 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** |

## 6. 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 average on 8-30 day payment terms, but in some cases as an effect of the Covid-19 epidemic temporarily it can be longer due to the related lease agreements, which are recognized in accordance with the accounting policies. According to the accounting policies, applying the general approach the 12-month expected credit loss is 0 thousand euro (2019: 0 thousand euro).

Trade receivables’ aging is as follows:

| | December 31, 2019 | December 31, 2020 |
|---|---|---|
| Not overdue | 1,213 | 278 |
| Overdue less than 3 months | 27 | 154 |
| Overdue between 3 and 12 months | 45 | 23 |
| Overdue over 12 months | 7 | - |
| **Trade receivables** | **1,292** | **455** |

The Group considers a trade receivable in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a trade receivable to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A trade receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

(all amounts in thousands of euros unless otherwise indicated)

An impairment analysis is performed at each reporting date using individual assessments to measure expected credit losses. The provision rates are based on days past due for customers. The calculation reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year but are still subject to enforcement activity if cost of recovery is less than the outstanding balance. The deposits (3 months of rental fee) held by the Group and other forms of credit insurance (e.g. bank guarantee letters for 3 months of rental fee) are considered integral part of trade receivables and considered in the calculation of impairment. As of December 31, 2020, 40% (2019: 19%) of the Group's trade receivables are covered by deposits or bank guarantee letters.

## 7. 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)** |

## 8. 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** |

(all amounts in thousands of euros unless otherwise indicated)

## 9. (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** |
| ***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** |

(all amounts in thousands of euros unless otherwise indicated)

## 10. Intangible assets

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

The intangible assets are purchased only.

(all amounts in thousands of euros unless otherwise indicated)

## 11. 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 from property, plant and equipment | - | 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).

In 2020 the change in fair value (24,315 thousand euro decrease) was caused by the effects of epidemic crisis, the growing yield representing such higher level of risk. 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.

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).

In the valuation the appraiser evaluated the asset's potential to generate income, which is the present value of future incoming free cash flows and which represents the value of an asset or an investment. The basis of the calculation is that it counts in the present (at the date of the evaluation) with future benefits of owing and using an asset. Net present value is determined through the 10 years cash-flow method based on revenues less expenses, which include the period covered by rental contracts as well as periods of free market usage.

(all amounts in thousands of euros unless otherwise indicated)

The comparable approach was used for review technique which fairly supported the results of the yield- and residual value calculations.

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 | December 31, 2020 |
|---|---|---|---|
| **Rental area** | • office, laboratory and related service areas | 73,000 m$^2$ | 73,000 m$^2$ |
| | • education area | 6,000 m$^2$ | 6,000 m$^2$ |
| | • Dormitory | 3,000 m$^2$ / 85 persons | 3,000 m$^2$ / 85 persons |
| **Development lands** | • rentable area which can be developed | 62,000 m$^2$ | 62,000 m$^2$ |
| **Long term occupancy** | | 95% | 80-95% |
| **Growth factor** | | 1% | 1% |
| **Average discount factor** | | 6.08% | 6.75% |

Sensitivity analysis of completed investment property and investment property under construction:

| | December 31, 2019 | | December 31, 2020 | |
|---|---|---|---|---|
| Long term occupancy rate | | | | |
| | 100% | 247,464 | 100% | 223,199 |
| | **95%** | **235,091** | **95%** | **212,039** |
| | 90% | 222,718 | 90% | 200,879 |
| Average discount factor | | | | |
| | 5.88% | 243,087 | 6.55% | 218,513 |
| | **6.08%** | **235,091** | **6.75%** | **212,039** |
| | 6.28% | 227,604 | 6.95% | 205,937 |

## 12. Trade payables

| | December 31, 2019 | December 31, 2020 |
|---|---|---|
| Trade payables – domestic | 678 | 882 |
| **Trade payables** | **678** | **882** |

The Group settles trade payables within the payment term and had no overdue payables as of December 31, 2020 and 2019.

(all amounts in thousands of euros unless otherwise indicated)

## 13. 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 14 (Loans).

## 14. Loans

### 14.1. Loan details

| | December 31, 2019 | December 31, 2020 |
|---|---|---|
| Short-term | 7,993 | 5,068 |
| Long-term | 101,634 | 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** |

(all amounts in thousands of euros unless otherwise indicated)

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

As of December 31, 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 thousand EUR. The fair value of the loans (calculated using market interest rates) is 10,413 thousand EUR (see details under point 14.2 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; unrealized difference related to the transaction are presented within the equity (Cash flow hedge reserve) in amount of 352 thousand EUR. (As of December 31, 2019, fair value of the cash flow hedge transaction is presented among long-term financial assets in amount of 328 thousand EUR; unrealized difference related to the transaction are presented within the equity in amount of 407 thousand EUR.) Till the closure of the transaction any gains or losses due to ineffectiveness are not expected.

| **Details of the hedge** | **December 31, 2019** | **December 31, 2020** |
|---|---|---|
| Financial (liability) relating to the hedge | (328) | (1,375) |
| Other comprehensive income relating to the hedge | 407 | 352 |
| Hedged outstanding loan liability | 10,619 | 8,921 |

**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., for the refinancing of the previous loan facility. The new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term from the second half of 2018, thus the interest rate is fixed for the entire term from that time – unlike the facility redeemed with partly variable interest rates. On December 31, 2020 fair value of the IRS is 2,590 thousand EUR (2019: 2,087 thousand EUR), which is presented among the long term financial liabilities.

(all amounts in thousands of euros unless otherwise indicated)

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

| **Details of the hedge** | **December 31, 2019** | **December 31, 2020** |
|---|---|---|
| Financial (liability) relating to the hedge | (2,320) | (2,590) |
| Other comprehensive income relating to the hedge | (2,087) | (2,356) |
| Ineffective portion of the hedge gain | 13 | - |
| Hedged outstanding loan liability | 37,078 | 35,280 |

**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 |
| **Loans / 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 14.2 below).

**Loan number 2. (Unicredit)**

| | **December 31, 2019** | **December 31, 2020** |
|---|---|---|
| Short-term | 4,333 | 1,349 |
| Long-term | 35,452 | 34,103 |
| **Loans / 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 in order to optimize the Company's capital structure, which has been already drawn on December 30, 2019. From the total amount of the loan 3 million EUR is due on March 31, 2020. In order to fix the interest rate the new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term. On December 31, 2020 fair value of the IRS is 1,232 thousand EUR (2019: 28 thousand EUR), which is presented among the long term financial liabilities.

(all amounts in thousands of euros unless otherwise indicated)

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

| **Details of the hedge** | **December 31, 2019** | **December 31, 2020** |
|---|---|---|
| Financial (liability) relating to the hedge | (28) | (1,232) |
| Other comprehensive income relating to the hedge | (28) | (1,232) |
| Hedged outstanding loan liability | 36,785 | 35,452 |

## 14.2 Analyses

**Maturity profile of the loans:**

| | **December 31, 2019** | **December 31, 2020** |
|---|---|---|
| Due within 1 year | 7,993 | 5,068 |
| Due between 1-5 years | 21,453 | 28,367 |
| Due over 5 years | 79,181 | 66,340 |
| **Loans** | **108,627** | **99,775** |

**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.

(all amounts in thousands of euros unless otherwise indicated)

The weighted average interest rate of the loans was 1.82% as of December 31, 2020 and as of the date of the approval of these financial statements (2019: 1.68%).

**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 13) and other long-term liabilities (Note 15) and amortized to the profit and loss statement based on the effective interest rate method.

## 15. 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 14 (Loans).

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

(all amounts in thousands of euros unless otherwise indicated)

## 16. Revenue

| | December 31, 2019 | December 31, 2020 |
|---|---|---|
| Property rental revenue* | 14,249 | 14,539 |
| **Revenue** | **14,249** | **14,539** |

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

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

| | December 31, 2019 | December 31, 2020 |
|---|---|---|
| Within 1 year | 14,051 | 14,060 |
| 1-2 years | 12,938 | 12,546 |
| 2-3 years | 11,920 | 11,519 |
| 3-4 years | 10,819 | 10,168 |
| 4-5 years | 9,752 | 6,143 |
| Over 5 years | 12,476 | 5,745 |
| | **71,956** | **60,181** |

## 17. Operating expense

| | December 31, 2019 | December 31, 2020 |
|---|---|---|
| Property related expense | 92 | 101 |
| Employee related expense | 806 | 800 |
| Other operating expense | 510 | 505 |
| Depreciation and amortization | 196 | 229 |
| **Operating expense** | **1,604** | **1,635** |

(all amounts in thousands of euros unless otherwise indicated)

Other operating expense consists of the following items:

| | December 31, 2019 | December 31, 2020 |
|---|---:|---:|
| Office and telecommunication | 10 | 9 |
| Legal and administration | 323 | 238 |
| Other | 177 | 258 |
| **Other operating expense** | **510** | **505** |

## 18. Other income (expense)

| | December 31, 2019 | December 31, 2020 |
|---|---:|---:|
| Income from recharged construction expenses | 419 | 291 |
| Recharged construction expenses | (377) | (266) |
| Income from recharged operation expenses | 5,383 | 5,078 |
| Recharged operation expenses | (4,883) | (4,586) |
| Others | (30) | 73 |
| **Other income** | **512** | **590** |

## 19. Interest income and interest expense

| | December 31, 2019 | December 31, 2020 |
|---|---:|---:|
| Interest income | - | 11 |
| Interest expense on loans | (1,212) | (1,899) |
| Other interest expense | (4) | (75) |
| **Net interest expense** | **(1,216)** | **(1,963)** |

(all amounts in thousands of euros unless otherwise indicated)

## 20. Other financial result

| | December 31, 2019 | December 31, 2020 |
|---|---|---|
| Exchange rate (loss) realized | (92) | (1,340) |
| Exchange rate gain not realized | 40 | 377 |
| Ineffective portion of hedge* | 13 | - |
| **Other financial result** | **(39)** | **(963)** |

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

## 21. Income taxes

| | December 31, 2019 | December 31, 2020 |
|---|---|---|
| Current income tax | (24) | (23) |
| **Income tax (expense)** | **(24)** | **(23)** |

Based on the business activity, Graphisoft Park Engineering & Management Kft – established in 2017 – does not operate under the “SZIT” regulation and therefore is subject to corporate income tax, local business tax and deferred income tax, if applicable. Applicable tax rates are as follow: corporate income tax at 9% and local business at tax 2% both in 2019 and 2020.

(all amounts in thousands of euros unless otherwise indicated)

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

| | December 31, 2019 | December 31, 2020 |
|---|---|---|
| **Profit before tax** | **16,354** | **(13,747)** |
| **Tax at statutory rate** | **1,472** | **(1,237)** |
| Non-taxable items | (1,467) | 1,224 |
| Others | - | 16 |
| **Corporate income tax** | **5** | **3** |
| **Local business tax** | **19** | **20** |
| **Tax (benefit) expense** | **24** | **23** |
| **Effective tax rate** | **0.1%** | **(0.2%)** |

## 22. Earnings per share

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

| | December 31, 2019 | December 31, 20120 |
|---|---|---|
| Net profit / (loss) attributable to equity holders | 16,330 | (13,770) |
| Weighted average number of ordinary shares | 10,082,598 | 10,082,598 |
| **Basic earnings / (loss) per share (EUR)** | **1.62** | **(1.37)** |
| Weighted average number of ordinary shares | 10,082,598 | 10,082,598 |
| **Diluted earnings / (loss) per share (EUR)** | **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.

(all amounts in thousands of euros unless otherwise indicated)

## 23. 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.

## 24. 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 | *Difference* |
|---|---|---|---|---|
| Investment property and other tangible assets* | 9,11 | 226,017 | 241,659 | *15,642* |
| Intangible assets | 10 | 93 | 93 | - |
| Current tax liabilities, net | 7 | (4) | (4) | - |
| **Non-financial instruments** | | **226,106** | **241,748** | ***15,642*** |
| Cash and cash equivalents | 5 | 15,908 | 15,908 | - |
| Trade receivables | 6 | 455 | 455 | - |
| Other current assets | 8 | 2,731 | 2,731 | - |
| Trade payables | 12 | (882) | (882) | - |
| Other short-term liabilities | 13 | (3,797) | (3,797) | - |
| Loans | 14 | (99,775) | (99,775) | - |
| Other long-term liabilities | 15 | (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.

(all amounts in thousands of euros unless otherwise indicated)

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* | 9,11 | 248,850 | 265,475 | *16,625* |
| Intangible assets | 10 | 59 | 59 | - |
| Current tax liabilites, net | 7 | (72) | (72) | - |
| **Non-financial instruments** | | **248,837** | **265,462** | ***16,625*** |
| Cash and cash equivalents | 5 | 46,492 | 46,492 | - |
| Trade receivables | 6 | 1,292 | 1,292 | - |
| Other current assets | 8 | 2,295 | 2,295 | - |
| Trade payables | 12 | (678) | (678) | - |
| Other short-term liabilities | 13 | (5,146) | (5,146) | - |
| Loans | 14 | (108,627) | (108,627) | - |
| Other long-term liabilities | 15 | (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.

(all amounts in thousands of euros unless otherwise indicated)

## 25. Related party disclosure

**Transactions with related parties:**

Graphisoft Park SE did not hold interests in entities other than its consolidated subsidiaries (100%) in 2020 and 2019.

AIT-Budapest Kft., Graphisoft SE, vintoCON Kft. (till August, 2019) and B.N.B.A. Holding Zrt. are deemed related parties of the Group in 2020 and 2019 in view of the following facts:

- Chairman of the Board of Directors of Graphisoft Park SE (Bojár Gábor) is Managing Director at AIT-Budapest Kft.,
- Chairman of the Board of Directors of Graphisoft Park SE (Bojár Gábor) is member of the Board of Directors of Graphisoft SE,
- Member of the Board of Directors of Graphisoft Park SE (Hornung Péter) is member of the Board of Directors of Graphisoft SE,
- Member of the Board of Directors of Graphisoft Park SE (Szigeti András) was member of the executive management of vintoCON Kft till August, 2019,
- Member of the Board of Directors of Graphisoft Park SE (Szigeti András) is the Chief Executive Officer of B.N.B.A. Holding Zrt.

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

| **Item** | **December 31, 2019** | **December 31, 2020** |
|---|---|---|
| Sales to related parties | 2,612 | 2,414 |
| Purchases from related parties | 3 | 1 |
| Receivables from related parties | 50 | - |
| Liabilities to related parties | 1,419 | 1,125 |

Transactions with the related parties were as follows in 2020 and 2019:
- AIT-Budapest Kft., Graphisoft SE, vintoCON Kft. and B.N.B.A. Holding Zrt. leased a total office space of 8,560 $m^2$ in Graphisoft Park in 2019 till August, and a total office space of 8,402 $m^2$ from September, 2019,
- vintoCON Kft. provided software administration services for Graphisoft Park Services Kft. in 2019 till August,
- Graphisoft SE provided software administration services for Graphisoft Park Kft. in 2020 and 2019.

Transactions (sales to and purchases from) with the related parties are made at market prices. Office lease rent and service charges are similar to other tenants of the Group. No guarantees were provided or received for any related party receivables or payables. In 2020 and 2019, the Group has not recorded any impairment loss relating to amounts owed by related parties.

(all amounts in thousands of euros unless otherwise indicated)

**Remuneration of the Board of Directors, compensation of key management personnel*:**

| | December 31, 2019 | December 31, 2020 |
|---|---|---|
| Remuneration of the Board of Directors | 77 | 83 |
| Compensation of key management personnel | 305 | 330 |
| **Total** | **382** | **413** |

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

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

**Interests of the Board of Directors and the key management personnel in Graphisoft Park SE:**

| | December 31, 2019 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| **Shareholder** | **Shares (pc)** | **Share (%)** | **Voting right (%)** | **Shares (pc)** | **Share (%)** | **Voting right (%)** |
| **ORDINARY SHARES:** | **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 |
| **EMPLOYEE SHARES:** | **1,250,778** | **-** | **11.03** | **1,384,819** | **-** | **12.08** |
| Kocsány János - Member of the BoD, CEO | 1,250,778 | - | 11.03 | 1,384,819 | - | 12.08 |
| **SHARES TOTAL:** | **3,039,860** | **16.83** | **26.82** | **3,173,901** | **16.83** | **27.68** |

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

(all amounts in thousands of euros unless otherwise indicated)

## 26. Financial risk management

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

**Market risk:**

Office rental price risk:

The Group has been pursuing consistent and calculable rental pricing policies for years. Current rental prices and conditions are confirmed by the market (tenants) to be in line with the unique environment and top quality of the property. However, there is no assurance that current rental prices and conditions can be maintained in the future. The prolonged economic downturn caused by the epidemic crisis, and its effects on the office market, the more regular usage of home office and the possible non-renewal of certain lease agreements can become higher risk factors than before. According to the Company's forecast for 2021, due to the COVID-19 epidemic the rental revenue in 2021 will remain on the same level as in 2020 (refer to the Business Report Section Forecast for 2021).

| **Profit / (loss) for the period** | **December 31, 2019** | | **December 31, 2020** | |
|---|---|---|---|---|
| Change of rental revenue | | | | |
| | 105% | 17,042 | 105% | (13,043) |
| | **100%** | **16,330** | **100%** | **(13,770)** |
| | 95% | 15,618 | 95% | (14,497) |

Risk of assets:

The Group takes out insurance against the risks of the leased properties, and tenants are required to pay deposit or give bank guarantees in advance to cover further potential risks.

Currency risk:

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

Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates related primarily to its long-term loans with floating interest rates. The share of loans with floating interest rates was marginal in the total loan portfolio and was fully refinanced on 29 June 2018.

To manage interest rate risk, the bank loans of the Group are subject to fixed interest rates. Conditions and balances of bank loans are disclosed in Note 14.

(all amounts in thousands of euros unless otherwise indicated)

**Credit risk:**

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

Tenant receivables:

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

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

Revenue from 2 tenants (SAP Hungary Kft., Graphisoft SE) exceeded 10% of the total revenue of the Group in 2020 and 2019 (separately). Revenue from these 2 tenants represented 40% of the total revenue in 2020 and 44% in 2019.
Cash deposit and financial investments:

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

**Liquidity risk:**

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

The Group settles its payment obligations within the payment term and had no overdue payables as of December 31, 2020 and 2019.

The two tables below summarize the maturity profile of financial liabilities based on contractual undiscounted payments as of December 31, 2020 and 2019.

| **December 31, 2020** | **Overdue** | **Due within 1 year** | **Due between 1-5 years** | **Due over 5 years** | **Total** |
|---|---|---|---|---|---|
| Loans* | - | 7,488 | 36,734 | 70,090 | **114,312** |
| Trade payables | - | 882 | - | - | **882** |
| Current tax liability | - | 178 | - | - | **178** |
| Other liabilities | - | 3,151 | 99 | 5,198 | **8,448** |
| **Financial liabilities** | **-** | **11,699** | **36,833** | **75,288** | **123,820** |

(all amounts in thousands of euros unless otherwise indicated)

| December 31, 2019 | Overdue | Due within 1 year | Due between 1-5 years | Due over 5 years | Total |
|---|---|---|---|---|---|
| Loans* | - | 10,582 | 30,394 | 84,795 | **125,771** |
| Trade payables | - | 678 | - | - | **678** |
| Current tax liability | - | 309 | - | - | **309** |
| Other liabilities | - | 4,440 | 192 | 2,443 | **7,075** |
| **Financial liabilities** | **-** | **16,009** | **30,586** | **87,238** | **133,833** |

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

## 27. Financing cash-flow

The table below provides a reconciliation between the liabilities arising from financial activities in the balance sheet and elements of the financing activities of the cash-flow.

| December 31, 2020 | Opening balance | Increase | Increase by cash | Settlement by cash | Settlement / change by non-cash | Closing balance |
|---|---|---|---|---|---|---|
| Loan liabilities | 108,627 | - | - | (8,697) | (155) | **99,775** |
| Dividend liability | - | 30,275 | - | (30,275) | - | **-** |
| **Total** | **108,627** | **30,275** | **-** | **(38,972)** | **(155)** | **99,775** |

| December 31, 2019 | Opening balance | Increase | Increase by cash | Settlement by cash | Settlement / change by non-cash | Closing balance |
|---|---|---|---|---|---|---|
| Loan liabilities | 72,672 | - | 40,000 | (4,345) | 300 | **108,627** |
| Dividend liability | - | 3,938 | - | (3,938) | - | **-** |
| **Total** | **72,672** | **3,938** | **40,000** | **(8,283)** | **300** | **108,627** |

## 28. Capital risk management

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

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

## 29. 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.

## 30. 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.

## 31. Events after balance sheet date

*Proposed dividend by the Board*

The annual financial statements of the Company for the year 2020 prepared in accordance with International Financial Reporting Standards (IFRS) are authorized for issue in accordance with the resolution of the Board of Directors on March 18, 2021. The Board proposes dividend distribution of 0.99 EUR per ordinary share to be approved by the Annual General Meeting of Graphisoft Park SE of April 20, 2021. The Board also proposes altogether 203,843 EUR dividend for employee shares. The HUF amount of the dividend will be determined on the date of the AGM, on the basis of the euro foreign exchange rate on which the amount will be purchased by the Company's main bank. The Annual General Meeting has the power to amend the annual financial statements.

*Effects of COVID-19 pandemic*

Events in relation to the COVID-19 pandemic between the Balance Sheet date and the issuance date of the Financial Statement had no effect on the investment property fair value neither on the trade receivables.

## 32. Additional presentations according to the Hungarian Accounting Law

**Persons responsible for signing and preparing the financial statements:**

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

Name: Kocsány János
Position: Chief Executive Officer
Address: H-1038 Budapest, Ékszer utca 4.

The person responsible for supervising transactional accounting and preparation of financial statements according to IFRS:
Name: Bodócsy Ágnes
IFRS registration number: MKVK-007117

**Statutory auditor and audit fees:**

The Company is subject to statutory audit. The Company's auditor is BDO Magyarország Könyvvizsgáló Kft. (address: H-1103 Budapest, Kőér utca 2/A C ép.). The person responsible for signing the audit report:

Name: Gaál Edmond
Registration number: MKVK-007299

The audit fee for the Company's stand alone and consolidated financial statements as of December 31, 2020 is 16,000 euro, the interim and final audit fee for the subsidiaries was 13,050 euro. Audit related fees amounted to 7,400 euro for 2020.

## 33. Declarations

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

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