GRAPHISOFT PARK SE

Interim Management Report – Third Quarter 2018

November 6, 2018

GRAPHISOFTPARK

Dear shareholders,

Graphisoft Park SE was registered as a regulated real estate investment company (SZIT) effective as of January 1, 2018. In order to comply with the rules of this status, the IFRS consolidated balance sheet and statement of income will not be presented based on the historical cost of real estate less depreciation, but based on the actual fair value, determined quarterly by an independent appraiser. Besides this, for the comparability with previous results and in the interest of providing guidance to our shareholders' in estimating dividend payments, we will present our current results according to the previously applied accounting policies ("pro forma" results).

Property portfolio and fair value of net assets

In the third quarter of 2018, as a result of the development activities in the southern area the South Park office building has been delivered. The office building, which consists of 4 blocks, received the occupancy permit in the second quarter of 2018 and after that the tenant entered into possession of blocks A and B (altogether 7,900 m^2) till July 10. Till the end of September 2018 additional around 2,000 m^2 was rented out, and the remaining office space has been also mainly covered by rental contracts; as such the occupancy rate of this building will be 90% from January 2019. As a result, the rented office space grew by more than 10% to 71,000 m^2 compared to the previous quarter.

The fair value of the Company's entire property portfolio were valued by the independent appraiser (ESTON International Zrt.) at 262 million euros in the 2018 Q3 report compared to the 258 million euros figure at the end of 2018 Q2 and 252 million euros figure at the end of 2018 Q1.

[thousands of EUR]

	March 31, 2018	June 30, 2018	Sept 30, 2018
Completed, delivered properties	188,680	209,170	231,840
Properties under development	31,290	18,550	-
Development lands	32,450	29,880	29,880
Estimated fair value of the entire property portfolio	252,420	257,600	261,720

Upon delivery of South Park office building it was transferred from "Properties under development" and further increased the fair value of "Completed, delivered properties". The 8% decrease in fair value of development lands compared to 2018 Q1 is due to the significantly increased construction costs in the building industry. According to the assumptions used in the valuation, increase of rental fees (which fundamentally determines the fair value of the properties) will not completely follow the increase in construction costs.

At the end of 2018 Q3 increase in the fair value of properties resulted in 187 million euros fair value of net assets which is nearly 5 million euros higher than at the end of the second quarter. In the second quarter of 2018, despite the increase in fair values of investment properties the fair value of net assets decreased, because of the increased construction costs of South Park office building compared to the original budget and the 3 million euros dividend paid in May 2018.

	March 31, 2018	June 30, 2018	Sept 30, 2018
Net asset value at estimated fair value (tEUR)	185,456	182,435	187,241
Net asset value at fair value per share (EUR)	18.4	18.1	18.6

Pro forma results

In the first three quarters of 2018 our "pro forma" results developed as expected. We have reached a rental revenue figure surpassing the same period of previous year by 1.3 million euros, it was 9.1 million euros, in addition a one-off other revenue from engineering services provided also increased the results (accounted as other revenue). EBIDTA rose by 1.7 million euros while the operational expenses increased. Due to the delivery of new buildings depreciation charge increased and a one-off financial charge in connection with the refinancing of the loan also decreased the financial results. We have reached **3.7 million euros net profit**, surpassing the figure of 2017 third quarter by 700 thousand euros, to which also contributed the exemption from corporate income and local business tax (as a result of obtaining the SZIT status).

(million euros)	2017 I-III. quarters	2018 I-III. quarters
Rental revenue	**7.75**	**9.12**
Other revenue	-	0.40
Other income (net)	0.35	0.38
Operating expense	(0.87)	(0.99)
EBITDA	**7.23**	**8.91**
Depreciation	(3.36)	(4.26)
Operating profit	**3.87**	**4.65**
Net interest expense	(0.65)	(0.91)
Profit before tax	**3.22**	**3.74**
Income tax expense	(0.21)	(0.04)
Net profit	**3.01**	**3.70**

Forecast

Starting from 2018 Graphisoft Park Engineering & Management Kft., established for this purpose, carries out the Company's real estate development, operations and administrative activities; therefore the real estate development related expenditures will be capitalized in the "pro forma" consolidated reports as well (similarly to the industry practice). Beginning also from January 1, 2018 the Company have changed the depreciation key of building engineering assets uniformly to 7%. This change is based on the Company's 20 years experience in property operation, on the quality of materials built in and technology applied during the current refurbishment works.

Below we present our forecasted pro forma results for 2018 and 2019. We modify our forecast for year 2018 as follow:

- Increase in rental revenue due to newly concluded rental contracts: 300 thousand euros
- Effect of capitalization of new developments later than planned to depreciation: 100 thousand euros
- Income tax expense (at Graphisoft Park Engineering and Management Kft having no SZIT status): (100) thousand euros

As a result of the changes above the forecasted pro forma net result in 4.3 million euros for 2018, which is 300 thousand euros more than it was published in our first half report dated August 7, 2018. Our 2019 forecasted results did not change compared to the previously published one regarding net result.

(million euros)	2017 actual	*2018 forecast*	*2019 estimate*
Rental revenue	10.62	*12.3*	*13.9*
Other revenue	-	*0.4*	*-*
Other income (net)	0.44	*0.3*	*0.3*
Operating expense	(1.55)	*(1.4)*	*(1.5)*
EBITDA	9.51	*11.6*	*12.8*
Depreciation	(4.60)	*(6.0)*	*(7.1)*
Operating profit	4.91	*5.6*	*5.6*
Net interest expense	(0.90)	*(1.2)*	*(1.1)*
Profit before tax	4.01	*4.4*	*4.5*
Income tax expense	(0.22)	*(0.1)*	*0.0*
Net profit	3.79	*4.3*	*4.5*

In furtherance of this, with regards to the cash reserve expected to be available, as well as the dividend requirements of "SZIT" (primarily the guiding principles of those regulations), the Board plans to propose to the General Meeting dividend payment in amount of 3.9 million euros, which equals the 90% of the 2018 pro forma results.

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

Bojár Gábor
Chairman of Board of Directors

Kocsány János
Chief Executive Officer

Financial highlights

IFRS, consolidated, thousand EUR

Results:

	„Pro forma" results (1)		Results according to financial statements	
	9 months ended	9 months ended	9 months ended	9 months ended
	Sept 30, 2017	Sept 30, 2018	Sept 30, 2017	Sept 30, 2018
	modified		modified	
A) Result from ordinary activities:				
Rental revenue	**7,755**	**9,117**	**7,755**	**9,117**
Other revenue	-	400	-	400
Operating expense (2)	(868)	(989)	(868)	(989)
Other income	345	381	345	381
EBITDA	**7,232**	**8,909**	**7,232**	**8,909**
Valuation gains from investment property (3)	-	-	19,272	3,733
Depreciation and amortization	(3,364)	(4,256)	(127)	(165)
Operating profit	**3,868**	**4,653**	**26,377**	**12,477**
Net interest expense	(587)	(660)	(587)	(660)
Other financial costs (4)	-	(258)	-	(258)
Other financial result	(64)	6	(64)	6
Profit before tax	**3,217**	**3,741**	**25,726**	**12,477**
Income tax expense	(213)	(37)	(213)	(37)
Profit for the period	**3,004**	**3,704**	**25,513**	**11,528**
Earnings per share (EUR) (5)	**0.30**	**0.37**	**2.53**	**1.14**
B) Other results (one-off items) (6):				
Income tax benefit	582	-	582	-
Profit for the period	**582**	**-**	**582**	**-**
A+B) Profit for the period	**3,586**	**3,704**	**26,095**	**11,528**
Earnings per share (EUR) (5)	**0.36**	**0.37**	**2.59**	**1.14**

(1) Since the Company received the “SZIT” status, the Company changed its accounting policies. Effective from January 1, 2018 in relation to investment properties the Company changed from “Cost model” to “Fair value model”. Financial highlights are presented both according to the financial statements and also according previously applied accounting policies (“pro forma” results). “Pro forma” results presented due to the fact that changes in fair value of investment properties which might be outside of the Company’s control, can have significant impact on the results.

(2) Operating expenses were adjusted in the comparative period with the capitalized development direct costs.

(3) Significant increase in fair value in the comparative period is due to the progress in real estate developments, the delivery of the new SAP wing and the Startup building and extremely fast decrease in expected return (yield). In the current period the independent appraiser has not considered such significant decrease in yield yet; further increase in fair value is due to the handover of the new building in the southern area and the significant increase in rented office area.

(4) Early repayment of loan provided by Aareal Bank resulted 258 thousand euros one-off cost.

(5) 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).

(6) On July 31, 2017 the Company was registered as regulated real estate development pre-company and at the same time had been exempt from paying corporate income tax and local business tax. As of that date the Company released its deferred tax liability, which resulted in one-off gain of 582 thousand euros in the 2017 consolidated financial statements.

IFRS, consolidated, thousand EUR

Asset value:

	December 31, 2016	December 31, 2017	Sept 30, 2018
	modified	**modified**	
Investment property at book value (1)	**176,158**	**216,238**	**236,905**
Fair value difference on lands	23,499	25,156	22,585
Fair value of owner occupied property	1,076	1,616	2,230
Entire property portfolio at estimated fair value (2)	**200,293**	**243,010**	**261,720**
Net asset value at book value	**131,054**	**156,447**	**164,072**
Net asset value at estimated fair value (2)	**154,456**	**181,800**	**187,241**
Number of ordinary shares outstanding (thousands)	10,083	10,083	10,083
Net asset value at fair value per share (euro) (3)	**15.3**	**18.0**	**18.6**

(1) According to the accounting policies applied by the Company from January 1, 2018, in the balance sheet completed investment properties and investment properties under construction are stated at fair value, while development lands and owner occupied property is 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. Property valuations for all periods were prepared by ESTON International Zrt. The valuation method and key assumptions are disclosed in Note 2 (Accounting policy) and in Note 8 (Investment property) to the financial statements.

(2) Fair value of the entire property portfolio (including the fair value difference on lands and owner occupied property at fair value) prepared by the independent appraiser.

(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 23 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 for the nine months of 2018 ("pro forma" results and results according to the financial statements),
- Utilization, occupancy,
- Delivered developments in 2018 and future development potential,
- Financing,
- Recognition,
- Forecast for the years 2018 and 2019.

"Pro forma" results for the nine months of 2018

"Pro forma" results of 2018 Q3 changed compared to 2017 Q3 because of the following main factors:

- **Rental revenue** (2018: 9,117 thousand euros; 2017: 7,755 thousand euros) rose by 1,362 thousand euros, or 18% compared to the previous period due to the rental revenues derived from the new developments handed over in 2017 and in 2018 (SAP new wing, Startup building and South Park buildings).

- **Other revenue** (2018: 400 thousand euros; 2017: 0 thousand euros) includes a one-off revenue from engineering services provided.

- **Operating expense** (2018: 989 thousand euros; 2017: 868 thousand euros) grew by 121 thousand euros, or 14% due to the increase in employee related and other expenses (ongoing organizational development projects required additional expenditures; in addition one-off expenses relating to obtaining SZIT status increased further the operating expenses). Property related expenses increased in the proportion of the new developments delivered.

- **Other income** (2018: 381 thousand euros; 2017: 345 thousand euros) net amount was 36 thousand euros, or 10% higher than the base last year.

- **Depreciation** (2018: 4,256 thousand euros; 2017: 3,364 thousand euros) increased by 892 thousand euros, or 26% compared to the previous year because of delivery of the new developments (SAP new wing, Startup building and South Park buildings), and refurbishment in the core area during 2017 and 2018.

- **EBITDA** (2018: 8,909 thousand euros; 2017:7,232 thousand euros) grew by 1,677 thousand euros, or 23%, while **operating profit** (2018: 4,653 thousand euros; 2017: 3,868 thousand euros) increased by 785 thousand euros, or 20% compared to the previous year due to the factors mentioned above.

- **Net interest expense** (2018: 660 thousand euros; 2017: 587 thousand euros) grew by 73 thousand euros, or 12% due to the higher balance of loans payable.

- **Other financial costs** (2018: 258 thousand euros; 2017: 0 thousand euro) contains the one-off early repayment cost of loan provided by Aareal Bank.

- **Other financial result** (2018: 6 thousand euros gain; 2017: 64 thousand euros loss) were 70 thousand euros higher to prior year because of the weakening Hungarian Forint through the second and third quarter of 2018.

- **Income tax expense** (2018: 37 thousand euros; 2017: 213 thousand euros) decreased by 176 thousand euros due to the fact that in the current period the Group – except for Graphisoft Park Engineering & Management Kft. – has SZIT status and as such is subject to corporate income tax and local business tax.

- **Net profit** (2018: 3,704 thousand euros; 2017: 3,004 thousand euros) grew by 700 thousand euros that is 23% in 2018 compared to 2017 because of the factors explained in the previous points.

2018 nine months results according to the financial statements

According to the new accounting policies applied from January 1, 2018, investment properties and investment properties under construction are fair valued in the financial statements. As a result, instead of accounting depreciation, current period change in fair value are presented in the profit or loss.

2018 first 9 months results according to the financial statements are 7,824 thousand euros higher than the "pro forma" results due to the following factors: unrecognized depreciation expense increased the results by 4,091 thousand euros and fair value gains increased the results by 3,733 thousand euros. Increase in fair value is due to the delivery of the development in the southern area and conclusion of new rental contracts.

In the same period of 2017 results according to the financial statements are 22,509 thousand euros higher than the "pro forma" results: unrecognized depreciation expense increased the results by 3,237 thousand euros and fair value gains increased the results by 19,272 thousand euros. In the comparative period the significant fair value gain was caused by the progress in the new developments and the delivery of the new SAP wing and Startup building, and the rather fast decrease in expected return (yield). In 2018 the independent appraiser has not considered such significant decrease in yield yet.

Details of changes in fair values are disclosed in Note 2 (Accounting policy) and in Note 8 (Investment property) to the financial statements.

Utilization, occupancy

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

Period:	**2017 Q1**	**2017 Q2**	**2017 Q3**	**2017 Q4**	**2018 Q1**	**2018 Q2**	**2018 Q3**
Occupancy (%):	**100%**	**99%**	**99%**	**99%**	**99%**	**97%**	**95%**
Area (m^2):	59.500	59.500	62.000	62.000	62.000	65.500	75,000

Occupancy stood at an effective 100% from the beginning of 2016. Because of the significant remodeling and refurbishment works starting from the second quarter of 2017, and the temporary unavailability of the buildings being remodeled the occupancy was 1% lower for the remainder of 2017. In the second quarter of 2018, in relation to delivery of South Park's first two office buildings, the temporarily rented offices became for a while available and decreased the occupancy rate by 2 percentage points. In the third quarter of 2018, due to the delivery of the development in the southern area the rentable area significantly increased. Due expansion needs of certain tenants who moved from the core area to the southern area (and leaving some empty office spaces in the core area) the current occupancy rate is 95%, however the rented office space increased by more than 10% to 71,000 m^2 compared to the previous quarter.

With the completion of the new SAP wing in February 2017 within the first phase of developments on the core area, rentable office, laboratory, educational and related service area grew by 5,500 m^2 to a total of 59,500 m^2. The new wing was delivered in February 2017. The completion of the startup building in the second phase of developments in July 2017 – where currently there is no free rentable area – increased the rentable area by a further 2,500 m^2 to a total of 62,000 m^2. The new 13,000 m^2 office building development in progress in the southern area was delivered in more steps during 2018. The office building consists of four blocks, of which the 3,500 m^2 block A was delivered in June 2018; block B (4,400 m^2) was delivered in July 2018; certain areas of blocks C and D was delivered to the tenants in September 2018.

Graphisoft Park's tenant's make longer commitments than the national average. The Park's unique natural environment and its information technology focus (the "micro silicon-valley" concept) provide the space in which globally acclaimed companies have settled as tenants and expanded continuously over time. Examples for these companies are Microsoft, SAP or Servier; and the Park's naming tenant and founder, Graphisoft SE, which now operates wholly independently. It is important to highlight that smaller tenants are staying in the Park for more than 5 years on average and keep extending their leases after expiration even with rental fees considered premium in the Budapest office market. The 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 **12 years**, and in case of existing lease contracts the weighted average lease term to expiry is **5.2 years**.

Delivered developments in 2018

With regards to the recent expansion needs articulated by the tenants in 2016 and to the occupancy levels in the Park near their effective cap, in 2016 we have started the construction of a new string of office building blocks with 13,000 m^2 floor space and of an underground parking facility for around 450 cars on the part of the southern development area that is already prepared for construction. After receiving the occupancy permit in the II. quarter of 2018, the buildings were delivered in more steps during this year. Blocks A and B at a total of 7,900 m^2 of the four blocks new complex was delivered in the second quarter of 2018, while blocks C and D at a total of 5,100 m^2 was delivered in the third quarter. Tenants moved into around 10,000 m^2 out of the total 13,000 m^2 available office space, and the remaining area is also largely covered by rental contracts.

The total cost of the development is 28.2 million euros until the end of the third quarter of 2018; tenants moving into the new complex contributed additional cca. 3 million euros to the implementation of their individual requests.

South Park (Architect: RADIUS B+S Stúdió)

In the summary of all the above, by the completion of the new developments from July 2018, Graphisoft Park has 75,000 m^2 office, laboratory, educational space and related service area as well as underground parking for around 2,000 cars available for its tenants.

In 2017 we have started the systematic modernization and refurbishing of the buildings of the nearly 20 years old office park. For 2017 and 2018 the total budget is 4 million euros, of which 3 million euros occurred in this period. In 2017 and 2018 additional cca. 6 million euros have been invested by the tenants to implement their individual needs.

Future development potential

After completing the development phases planned in the second half of 2018 outlined above, other parts of the southern development area offer room for another 18,000 m^2 potential development, while the monument and northern development areas provide room for another 39,500 m^2 of potential office and educational space development. In the latter area no further preparatory work or development is allowed until the Capital City Gas Works (currently NKM Földgázszolgáltató Zrt.) completes its mandated rehabilitation duties in the area (see details below in the "Main risk factors associated with the areas" section).

Financing

On November 30, 2017 we concluded a new euro-based, 10 years to maturity loan facility with Erste Bank Hungary Zrt., for the refinancing of the previous loan facility before its maturity, concluded with Westdeutsche ImmobilienBank AG (which was recently acquired by Aareal Bank AG) in 2007 with expiration in May 2019. The new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term from the second half of 2018; as a result the interest rate is fixed for the full term of the loan. The new facility is worth 40 million EUR, whose bulk is to be used for the repayment of the entire debt to Aareal Bank AG, while the remaining smaller part will be used to finance the refurbishment of the older buildings of Graphisoft Park. The date of the refinancing was June 28, 2018; all the outstanding amounts were settled to Aareal Bank AG.

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 and its modification in December 2016 Erste Bank makes a 4 billion HUF (12.2 million EUR) credit facility available to Graphisoft Park within Pillar I of the second phase of the National Bank of Hungary's Funding for Growth Scheme and another 3 million EUR credit facility within Pillar II of the third phase of the Funding for Growth Scheme. In order to hedge exchange rate risk associated with the forint-based loan, we have executed a cash flow hedge (CCIRS) agreement in June 2016 covering the entire loan amount and cash flows from the beginning of the loan repayment period until the expiration of the loan contract, by which we have converted the forint-based capital and 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 (see "Development activities in progress" section for details). In accordance with the loan agreement UniCredit Bank makes a 24 million EUR credit facility available to Graphisoft Park within Pillar II of the third phase of the National Bank of Hungary's Funding for Growth Scheme. The credit facility has fixed interest rate.

As of September 30, 2018 the outstanding loan liability amounted to 78.6 million euro.

After the refinancing, all of the Company's outstanding loan liabilities have been switched to fixed interest rates, which further strengthen the Park's stable operation.

Recognition

In 2018 Graphisoft Park received three prestigious awards appreciating the results of prior year:

- On January 18, 2018, based on the survey of the Budapest Stock Exchange, Graphisoft Park received the "issuers' transparency mid-cap" special award for the year 2017.
- On February 8, 2018, on the "Office of the Year" event Graphisoft Park's Start-up Building handed over in 2017 won the "New Property Development of the Year" award.
- On October 30, 2018 on the FIABCI award ceremony Graphisoft Park's new SAP wing (delivered in 2017) won 3rd prize of the "XX. Hungarian Real Estate Development Award of Excellence" competition, while it won 1st prize in "Office" category.

Forecast for the years 2018 and 2019

Our forecasted "pro forma" profit for 2018 is 4.3 million euros, which is more by 300 thousand euros than we published earlier; while our forecasted profit for 2019 did not change compared to the previously published one.

(million euros)	2017 actual	*2018 forecast*	*2019 estimate*
Rental revenue	10.62	*12.3*	*13.9*
Other revenue	-	*0.4*	-
Other income (net)	0.44	*0.3*	*0.3*
Operating expense	(1.55)	*(1.4)*	*(1.5)*
EBITDA	9.51	*11.6*	*12.8*
Depreciation	(4.60)	*(6.0)*	*(7.1)*
Operating profit	4.91	*5.6*	*5.6*
Net interest expense	(0.90)	*(1.2)*	*(1.1)*
Profit before tax	4.01	*4.4*	*4.5*
Income tax expense	(0.22)	*0.1*	*0.0*
Net profit	3.79	*4.3*	*4.5*

- In 2018 **revenue** is expected to rise by 1.7 million euros, or by 16% compared to 2017. This is partly due to the revenue effect (in the second half of 2018) of the expected hand-over of the developments in the southern area in mid-2018; and partly because of revenues relating to developments delivered in 2017 (new SAP wing, Startup building) will have a full year effect. In 2019 we expect that revenues will increase by additional 1.6 million euros or 13% compared to 2018, as developments in the southern area to be delivered in 2018 will have full year revenue effect in 2019.

- In 2018 among **other revenue** we realized a one-off engineering work (400 thousand euro), which increased our revenue compared to 2017. We do not count with the repetition of this work in the upcoming years.

- We do not count with significant change in **cost of operation** in 2018 or in 2019.

- Due to all of the above **EBIDTA** is expected to rise by 2.1 million euros or 22% compared to 2017, while in 2019 additional 1.2 million euros or 10% increase is expected, achieving an EBIDTA amount of 12.8 million euros.

- As a result of new developments and refurbishments in progress we expect significant increase in **depreciation** (which will not affect the consolidated accounts according to the SZIT rules) both in 2018 and in 2019, In 2018 6 million euros (30% increase compared to 2017), in 2019 7.1 million euros (additional 18% increase compared to 2018) depreciation charge is expected.

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

- As a result, **net profit** in 2018 is forecasted to be around 4.3 million euros (cca. 13% increase compared to 2017), and which is estimated to reach 4.5 million euros in 2019 (additional 5% increase).

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.).
- 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.

Legal proceedings

In the resolution received on October 3, 2018, the competent government body, the Pest County Government Office notified us about the prolongation of the completion deadline of the rehabilitation in the northern development area. We have filed suit for the review of the resolution in administrative court.

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

It is our intention to maintain the price structure designed to match the high value services provided by Graphisoft Park in order to be able to preserve the level of service provided in the long run. Since we do not intend to compete with the sometimes extremely low prices in the Budapest office market, we cannot rule out the possibility of some tenants leaving in the future.

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 315 HUF/EUR till the end of 2018 and 320 HUF/EUR till the end of 2019, euro inflation rate of 1.5% and unchanged legal and taxation environment.

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

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

Budapest, November 6, 2018

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

GRAPHISOFT PARK SE

QUARTERLY REPORT

for the quarter ended September 30, 2018

in accordance with International Financial Reporting Standards (IFRS)

(consolidated, unaudited)

Budapest, November 6, 2018

Kocsány János

Kocsány János

Chief Executive Officer

GRAPHISOFT PARK SE
QUARTERLY REPORT
SEPTEMBER 30, 2018

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GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2018
(all amounts in thousands of euros unless otherwise indicated)

	Notes	Dec. 31, 2016 modified	Dec. 31, 2017 modified	Sept. 30, 2018
Cash and cash equivalents	3	2,621	4,239	7,226
Trade receivables	4	1,083	856	1,063
Current tax receivable	5	271	802	370
Other current assets	6	5,681	9,589	2,772
Current assets		**9,656**	**15,486**	**11,431**
Investment property	8	176,158	216,238	236,905
(Owner occupied) Property, Plant and Equipment	7	1,269	1,898	2,014
Intangible assets		-	2	5
Investments	9	100	-	-
Long-term financial assets	12	-	695	-
Deferred tax asset	13	11	-	-
Non-current assets		**177,538**	**218,833**	**238,924**
TOTAL ASSETS		**187,194**	**234,319**	**250,355**
Short-term loans	12	3,516	4,520	3,315
Trade payables	10	4,190	5,305	2,269
Current tax liability	5	279	274	363
Other short-term liabilities	11	1,661	3,490	4,699
Current liabilities		**9,646**	**13,589**	**10,646**
Long-term loans	12	44,313	59,952	70,538
Deferred tax liability	13	593	-	-
Other long-term liabilities	14	1,588	4,331	5,099
Non-current liabilities		**46,494**	**64,283**	**75,637**
TOTAL LIABILITIES		**56,140**	**77,872**	**86,283**
Share capital	1.3	250	250	250
Retained earnings		134,650	158,909	167,444
Treasury shares	22	(962)	(974)	(974)
Cash flow hedge reserve	12	-	665	(217)
Revaluation reserve of properties		49	531	531
Accumulated translation difference		(2,933)	(2,934)	(2,962)
Shareholders’ equity		**131,054**	**156,447**	**164,072**
TOTAL LIABILITIES & EQUITY		**187,194**	**234,319**	**250,355**

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF INCOME
SEPTEMBER 30, 2018
(all amounts in thousands of euros unless otherwise indicated)

	Notes	3 months ended		9 months ended	
		Sept 30, 2017 modified	**Sept 30, 2018**	**Sept 30, 2017 modified**	**Sept 30, 2018**
Property rental revenue		2,631	3,435	7,755	9,117
Other revenue		-	-	-	400
Revenue	**15**	**2,631**	**3,435**	**7,755**	**9,517**
Property related expense	16	(18)	(30)	(45)	(53)
Employee related expense	16	(91)	(103)	(450)	(510)
Other operating expense	16	(159)	(126)	(373)	(426)
Depreciation and amortization	7, 16	(44)	(73)	(127)	(165)
Operating expense		**(312)**	**(332)**	**(995)**	**(1,154)**
Valuation gains from investment property	8	6,324	971	19,272	3,733
Other income	17	144	295	345	381
OPERATING PROFIT		**8,787**	**4,369**	**26,377**	**12,477**
Interest expense	18	(211)	(297)	(587)	(660)
Other finance cost	18	-	-	-	(258)
Exchange rate difference	19	(44)	(88)	(64)	6
Financial result		**(255)**	**(385)**	**(651)**	**(912)**
PROFIT BEFORE TAX		**8,532**	**3,984**	**25,726**	**11,565**
Income tax expense	20	701	4	369	(37)
PROFIT FOR THE PERIOD		**9,233**	**3,988**	**26,095**	**11,528**
Attributable to equity holders of the parent		9,233	3,988	26,095	11,528
Basic earnings per share (EUR)	21	0.92	0.40	2.59	1.14
Diluted earnings per share (EUR)	21	0.92	0.40	2.59	1.14

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
SEPTEMBER 30, 2018
(all amounts in thousands of euros unless otherwise indicated)

	Notes	3 months ended		9 months ended	
		Sept 30, 2017 modified	Sept 30, 2018	Sept 30, 2017 modified	Sept 30, 2018
Profit for the period		**9,233**	**3,988**	**26,095**	**11,528**
Cash-flow hedge valuation reserve*		-	17	-	(695)
Revaluation reserve of properties		482	-	482	-
Translation difference**		-	15	-	(28)
Other comprehensive income		**482**	**32**	**482**	**(723)**
COMPREHENSIVE INCOME		**9,715**	**4,020**	**26,577**	**10,805**
Attributable to equity holders of the parent		9,715	4,020	26,577	10,805

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

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
SEPTEMBER 30, 2018
(all amounts in thousands of euros unless otherwise indicated)

	Share capital	Retained earnings	*Treasury shares	**Cash flow hedge reserve	***Revaluation reserve of properties	Accum. translation difference	Total equity
December 31, 2016 modified	**250**	**134,650**	**(962)**	**-**	**49**	**(2,933)**	**131,054**
Profit for the period	-	26,095	-	-	**-**	-	**26,095**
Revaluation difference of properties	-	-	-	-	482	-	**482**
Dividend	-	(2,512)	-	-	-	-	**(2,512)**
September 30, 2017 modified	**250**	**158,233**	**(962)**	**-**	**531**	**(2,933)**	**155,119**
December 31, 2017 modified	**250**	**158,909**	**(974)**	**665**	**531**	**(2,934)**	**156,447**
Profit for the period	-	11,715	-	(187)	-	-	11,528
Translation difference	-	-	-	-	-	(28)	(28)
Revaluation reserve	-	(187)	-	(695)	-	-	(882)
Dividend	-	(2,933)	-	-	-	-	(2,933)
September 30, 2018	**250**	**167,444**	**(974)**	**(217)**	**531**	**(2,962)**	**164,072**

* Treasury share details are disclosed in Note 22.
** Cash flow hedge transaction details are disclosed in Note 12 (Loans).
*** Revaluation surplus on transfers from investment property to owner occupied property.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2018
(all amounts in thousands of euros unless otherwise indicated)

	3 months ended		9 months ended	
	Sept 30, 2017 modified	Sept 30, 2018	Sept 30, 2017 modified	Sept 30, 2018
OPERATING ACTIVITIES				
Income before tax	8,522	3,984	25,716	11,565
Fair value change of investment properties	(6,324)	(971)	(19,272)	(3,733)
Depreciation and amortization	44	73	127	165
Revaluation difference of properties	(482)	-	(482)	-
(Gain) / Loss on sale of tangible assets	-	(1)	-	1
Interest expense	211	297	587	660
Break cost of loan	-	-	-	258
Unrealized foreign exchange losses / (gains)	49	321	66	(591)
Changes in working capital:				
(Increase) / decrease in receivables and other current assets	(2,049)	2,823	(3,818)	7,033
(Decrease) / increase in liabilities	(1,686)	(875)	1,666	(87)
Corporate income tax paid	(131)	-	(268)	(28)
Net cash from operating activities	**1,526**	**5,651**	**4,322**	**15,243**
INVESTING ACTIVITES				
Purchase of investment property	(5,298)	(3,689)	(13,413)	(19,208)
Purchase of other tangible assets and intangibles	(490)	(143)	(1,748)	(302)
Sale of tangible assets	-	15	-	34
Sale of investment	100	-	100	-
Net cash used in investing activities	**(5,688)**	**(3,817)**	**(15,061)**	**(19,476)**
FINANCING ACTIVITIES				
Proceeds from receipt of loans	5,180	-	16,983	46,089
Loan repayments	(949)	(1,243)	(2,700)	(34,912)
Interest paid	(222)	(300)	(615)	(685)
Break fee of loan	-	-	-	(258)
Dividend paid	-	-	(2,512)	(2,993)
Net cash from financing activities	**(4,009)**	**(1,543)**	**11,156**	**7,241**
(Decrease) / increase in cash and cash equivalents	(153)	291	417	3,008
Cash and cash equivalents at beginning of period	3,192	6,878	2,621	4,239
Exchange rate (loss) / gain on cash and cash equivalents	(2)	57	(1)	(21)
Cash and cash equivalents at end of period	**3,037**	**7,226**	**3,037**	**7,226**

(all amounts in thousands of euros unless otherwise indicated)

1. General information

1.1. Business activities

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

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

Graphisoft Park SE and subsidiaries are incorporated under the laws of Hungary. Court registration number of Graphisoft Park SE is CG 01-20-000002. Registered address of the Group is H-1031 Budapest, Záhony utca 7., Hungary. Headcount was 23 on September 30, 2018.

1.2. Properties

The total area of Graphisoft Park is nearly 18 hectares. Over the past 20 years, 75,000 m^2 of office, laboratory, educational and related service area have been developed and occupied by tenants. In the southern development area 13,000 m^2 office space was handed over in 2018. The remaining area provides the opportunity to develop an additional 57,500 m^2 of office space.

The real estate is categorized as follows:

Area	Property
Core area	Modern office park spreading over 8,5 hectares of land, comprising 52,000 m^2 completed office and laboratory space.
Monument area	2,4 hectares of land comprising 14,500 m^2 of total rentable net internal area of the monument buildings, out of which 7,000 m^2 has been renovated and handed over; as such additional 7,500 m^2 can be developed.
Southern and Northern development areas	6,8 hectares of development land, on which a 3,000 m^2 floor area dormitory has been constructed, further 13,000 m^2 office space was handed over during 2018 and additional 50,000 m^2 rentable area together with underground parking and auxiliary facilities can be developed.

(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, 2017			September 30, 2018		
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**	**88.97**
Directors and management	**3,829,082**	**36.02**	**33.79**	**3,129,082**	**29.43**	**27.61**
Bojár Gábor - Chairman of the BoD	3,185,125	29.96	28.10	2,485,125	23.37	21.93
Dr. Kálmán János - Member of the BoD	13,500	0.13	0.12	13,500	0.13	0.12
Szigeti András - Member of the BoD	126,000	1.19	1.11	126,000	1.19	1.11
Hornung Péter – Member of the BoD	414,000	3.89	3.65	414,000	3.89	3.65
Kocsány János - Member of the BoD, CEO	90,457	0.85	0.80	90,457	0.85	0.80
Shareholders over 5% share	**2,496,144**	**23.48**	**22.02**	**3,230,598**	**30.39**	**28.51**
HOLD Alapkezelő Zrt.	1,449,701	13.64	12.79	1,437,031	13.52	12.68
AEGON Magyarország Befektetési Alapkezelő Zrt.	1,046,443	9.84	9.23	1,093,567	10.29	9.65
B.N.B.A. Holding Zrt.	-	-	-	700,000	6.58	6.18
Other shareholders	**3,757,372**	**35.34**	**33.16**	**3,722,918**	**35.02**	**32.85**
Treasury shares*	**549,076**	**5.16**	**-**	**549,076**	**5.16**	**-**
EMPLOYEE SHARES:**	**1,876,167**	**-**	**11.03**	**1,876,167**	**-**	**11.03**
Kocsány János - Member of the BoD, CEO	1,250,778	-	11.03	1,250,778	-	11.03
Employee treasury shares*	625,389	-	-	625,389	-	-
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 22.

** 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. Governance

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

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

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

2. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year (see Notes to the Consolidated Financial Statements of 2017), with the following differences:

a) Accounting policy change in relation to investment properties

Since the Company received the regulated real estate entity status effective from January 1, 2018, the Company changed its accounting policies in relation to investment properties (as required by the regulation). Under the standard IAS 40 “Investment Property” the Company changed from “Cost model” to “Fair value model” from January 1, 2018. The new accounting policy applied is as follows:

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.

Critical accounting estimates and judgements: 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.

Effect of the accounting policy change to the prior periods

As required by the standard IAS 8 “Accounting policies, changes in accounting estimates and errors” the new accounting policy regarding investment properties was applied retrospectively. Opening balances were adjusted to the earliest period presented as if the new accounting policy had always been applied. The principal effects of the accounting policy change to opening balances are as follow:

- In the December 31, 2016 in the balance sheet the balance of investment properties increased by 106,503 thousand euros and the balance of property, plant and equipment increased by 1,022 thousand euros; 107,476 thousand euros were credited into the retained earnings and 49 thousand euros were credited into the revaluation reserve of properties within equity.

- As of September 30, 2017 in the balance sheet the balance of investment properties increased by 129,121 thousand euros and the balance of property, plant and equipment increased by 1,615 thousand euros. 19,272 thousand euros were credited into the current period profit or loss, while 130,205 thousand euros were credited into the retained earnings and 531 thousand euros were credited into the revaluation reserve of properties within equity.

- As of December 31, 2017 in the balance sheet the balance of investment properties increased by 128,821 thousand euros and the balance of property, plant and equipment increased by 1,586 thousand euros. 22,400 thousand euros were credited into the current period profit or loss, while 129,876 thousand euros were credited into the retained earnings and 531 thousand euros were credited into the revaluation reserve of properties within equity.

- The accounting policy change had no material effect on the net balance of operating, investing or financing cash flows.

- Basic (and diluted) earnings per share increased from 0.33 euro to 2.59 euro in the period between January 1, 2017 and September 30, 2017, while increased from 0.17 euro to 0.92 euro in the period between July 1, 2017 and September 30, 2017.

(all amounts in thousands of euros unless otherwise indicated)

b) Seasonality of business

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

c) Exchange rates used

Exchange rates used are as follows:

	3 months ended		9 months ended	
	Sept 30, 2017	**Sept 30, 2018**	**Sept 30, 2017**	**Sept 30, 2018**
EUR/HUF opening:	308,87	328,60	311,02	310,14
EUR/HUF closing:	311,23	323,78	311,23	323,78
EUR/HUF average:	306,42	324,15	308,42	317,54

(all amounts in thousands of euros unless otherwise indicated)

3. Cash and cash equivalents

	December 31, 2016	December 31, 2017	September 30, 2018
Cash in hand	1	2	3
Cash at banks	2,620	4,237	7,223
Cash and bank	**2,621**	**4,239**	**7,226**

4. Trade receivables

	December 31, 2016	December 31, 2017	September 30, 2018
Trade receivables	1,083	856	1,063
Provision for doubtful debts	-	-	-
Trade receivables	**1,083**	**856**	**1,063**

Trade receivables are on 8-30 day payment terms.

5. Current tax receivables and liabilities

	December 31, 2016	December 31, 2017	September 30, 2018
Current tax receivables	271	802	370
Current tax liabilities	(279)	(274)	(363)
Current tax (liability) / receivable, net	**(8)**	**528**	**7**

(all amounts in thousands of euros unless otherwise indicated)

6. Other current assets

	December 31, 2016	December 31, 2017	September 30, 2018
Accrued income	126	189	9
Prepaid expense	19	120	130
Bank security accounts	1,406	1,724	1,917
Construction fund manager accounts	4,121	7,403	423
Other receivables	9	153	293
Other current assets	**5,681**	**9,589**	**2,772**

7. (Owner occupied) Property, Plant and Equipment

	(Owner occupied) Property	Plant and Equipment	**(Owner occupied) Property, Plant and Equipment**
Net value:			
December 31, 2016 modified	1,022	247	**1,269**
Gross value:			
December 31, 2016	1,105	791	**1,896**
Addition	-	161	**161**
Sale	-	(54)	**(54)**
Reclassification from investment property	1,635	-	**1,635**
Reclassification to investment property	(1,105)	-	**(1,105)**
December 31, 2017	1,635	898	**2,533**
Depreciation:			
December 31, 2016	83	544	**627**
Addition	101	78	**179**
Sale	-	(36)	**(36)**
Reclassification to investment property	(135)	-	**(135)**
December 31, 2017	49	586	**635**
Net value:			
December 31, 2017 modified	1,586	312	**1,898**

(all amounts in thousands of euros unless otherwise indicated)

Gross value:			
December 31, 2017	1,635	755	**2,390**
Addition	125	177	**302**
Sale	-	(37)	**(37)**
Translation difference	-	(18)	**(18)**
September 30, 2018	1,760	877	**2,637**
Depreciation:			
December 31, 2017	49	443	**492**
Addition	65	74	**139**
Sale	-	(2)	**(2)**
Translation difference	-	(6)	**(6)**
September 30, 2018	114	509	**623**
Net value:			
September 30, 2018	1,646	368	**2,014**

8. Investment property

	Development Land	Investment property under construction	Completed investment property	**Investment property**
Book value:				
December 31, 2016 modified	11,764	24,810	139,584	**176,158**
Addition	3	18,857	3,732	**22,592**
Reclassification	-	(8,580)	8,580	**-**
Reclassification to property, plant and equipment	-	-	(1,635)	**(1,635)**
Reclassification from property, plant and equipment	-	-	1,452	**1,452**
Change in fair value	-	(11,187)	28,858	**17,671**
December 31, 2017 modified	11,767	23,900	180,571	**216,238**
Addition	-	12,779	4,155	**16,934**
Reclassification	-	(39,260)	39,260	**-**
Change in fair value	-	2,581	1,152	**3,733**
September 30, 2018	11,767	-	225,138	**236,905**

(all amounts in thousands of euros unless otherwise indicated)

In the nine months of 2018 additions in construction in progress of 16,934 thousand EUR comprise the following:

- refurbishment of buildings in progress in the core area started in 2017 (3,594 thousand EUR),
- new developments handed over in the southern development area (12,779 thousand EUR) and
- other developments in progress (561 thousand EUR).

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

According to IAS 40 development lands are presented on cost.

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

		December 31, 2016	December 31, 2017	September 30, 2018
Rental area	• office, laboratory and related service areas	44,000 m^2	52,000 m^2	65,000 m^2
	• education area	7,000 m^2	7,000 m^2	7,000 m^2
	• Dormitory	3,000 m^2 / 85 persons	3,000 m^2 / 85 persons	3,000 m^2 / 85 persons
Buildings under construction	• office area	20,000 m^2	12,000 m^2	-
Development lands	• rentable area which can be developed	57,500 m^2	57,500 m^2	57,500 m^2
Long term occupancy		95%	95%	95%
Growth factor		1%	1%	1%
Average discount factor		6.55%	6.00%	5.99%

9. Investments

	December 31, 2016	December 31, 2017	September 30, 2018
AIT-Budapest Aquincum Institute of Technology Kft.	100	-	-
Investments	**100**	**-**	**-**

The Company acquired a 10 % ownership share (100 thousand EUR) in AIT-Budapest Aquincum Institute of Technology Kft. in 2009. After the complete realization of the educational function (see details in Note 24), in June 2017 the Company sold its stake to the AIT-Budapest Aquincum Institute of Technology.

(all amounts in thousands of euros unless otherwise indicated)

10. Trade payables

	December 31, 2016	December 31, 2017	September 30, 2018
Trade payables – domestic	4,190	5,305	2,269
Trade payables	**4,190**	**5,305**	**2,269**

11. Other short-term liabilities

	December 31, 2016	December 31, 2017	September 30, 2018
Amounts due to employees	48	34	53
Deposits from tenants	612	604	537
Fair value difference of loans*	237	286	759
Advances received from suppliers	-	614	-
Financial liabilities**	-	234	-
Other payables and accruals	764	1,718	3,350
Other short-term liabilities	**1,661**	**3,490**	**4,699**

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

** Fair value difference of the IRS connected to Loan number 1. provided by Erste Bank. The valuation was prepared by Erste Bank.

(all amounts in thousands of euros unless otherwise indicated)

12. Loans

12.1. Loan details

	December 31, 2016	December 31, 2017	September 30, 2018
Short-term	3,516	4,520	3,314
Long-term	44,313	59,952	70,539
Loans	**47,829**	**64,472**	**73,853**

Loans provided by Aareal Bank AG (legal successor of Westdeutsche ImmobilienBank AG):

	December 31, 2016	December 31, 2017	September 30, 2018
Short-term	3,516	3,575	-
Long-term	33,181	29,606	-
Loans / Aareal Bank AG	**36,697**	**33,181**	**-**

The total original capital amount of the loans provided by Aareal Bank AG from 2007 was 58 million EUR. The loan contract expiry date was May 2019. Based on the decision of the Board of Directors, mainly in order to refinance the loans provided by Aareal Bank AG, the Company concluded a 10 year maturity euro based loan contract with Erste Bank Hungary Zrt, on November 30, 2017 (refer to Erste loan nr. 2.). The date of the refinancing was June 28, 2018; all the outstanding amounts were settled to Aareal Bank AG. As part of the transaction all collaterals provided for Aareal Bank AG (mortgage on real estate, revenue assignment and bank account pledge) were cancelled.

Loans provided by Erste Bank Hungary Zrt.:

Loan number 1. (Erste)

	December 31, 2016	December 31, 2017	September 30, 2018
Short-term	-	688	851
Long-term	9,379	13,349	12,372
Loan 1 / Erste Bank Hungary Zrt.	**9,379**	**14,037**	**13,223**

(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 (12.4 million EUR) credit facility available to Graphisoft Park within Pillar I of the second phase of the National Bank of Hungary's Funding for Growth Scheme and another 3 million EUR credit facility within Pillar II of the third phase of the Funding for Growth Scheme. Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

As of September 30, 2018 the outstanding capital of the forint based facility amounts to 3.9 billion HUF (11,956 thousand EUR); and the euro based facility amounts to 2,856 million EUR. The fair value of the loans (calculated using market interest rates) is 13,223 thousand EUR (see details under point 12.2 below). The third quarter installment was charged by the Bank partly on September 28, 2018, and partly on October 1, 2018.

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

On December 29, 2017, at the commencement of the cash flow hedge transaction, the related forward exchange rate agreement has been closed down. As of September 30, 2018 fair value of the cash flow hedge transaction is presented among long-term financial liabilities in amount of 554 thousand EUR; unrealized loss related to the transaction are presented within the equity (Cash flow hedge reserve) in amount of 187 thousand EUR. (As of December 31, 2017 fair value of the cash flow hedge transaction is presented among long-term financial assets in amount of 695 thousand EUR; unrealized gains related to the transaction are presented within the equity in amount of 665 thousand EUR.)

Loan number 2. (Erste)

	December 31, 2016	December 31, 2017	September 30, 2018
Short-term	-	257	1,754
Long-term	-	1,743	38,117
Loan 2 / Erste Bank Hungary Zrt.	**-**	**2,000**	**39,871**

On November 30, 2017, based on the decision of the Board of Directors, the Company concluded a new euro-based, 10 years to maturity loan facility with Erste Bank Hungary Zrt., for the refinancing of the previous loan facility before its maturity, concluded with Aareal Bank AG in 2007 with expiration in May 2019. The new loan facility is complemented by an interest rate swap agreement (IRS) for its entire term from the second half of 2018, thus the interest rate is fixed for the entire term from that time – unlike the facility redeemed with partly variable interest rates. On September 30, 2018 fair value of the IRS is 256 thousand EUR, which is presented among the long term financial liabilities against equity (Cash flow hedge reserve).

The new facility is worth 40 million EUR, whose bulk is to be used for the repayment of the entire debt to Aareal Bank AG, while the remaining smaller part will be used to finance the refurbishment of the older buildings of Graphisoft Park. The 40,000 thousand EUR facility was drawn down and loans provided by Aareal Bank were refinanced. Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

(all amounts in thousands of euros unless otherwise indicated)

Loan provided by UniCredit Bank Hungary Zrt.:

	December 31, 2016	December 31, 2017	September 30, 2018
Short-term	-	-	709
Long-term	1,753	15,254	20,050
Loans / UniCredit Bank Hungary Zrt.	**1,753**	**15,254**	**20,759**

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.

The complete credit facility was drawn until September 30, 2018, whose fair value was 20,759 thousand EUR (calculated using market interest rates) (see details under point 12.2 below).

(all amounts in thousands of euros unless otherwise indicated)

12.2. Analyses

Fair value of the loans:

	December 31, 2016	December 31, 2017	September 30, 2018
Aareal Bank AG*	36,398	33,014	-
Erste Bank Hungary Zrt. Loan nr. 1.**	9,379	14,037	13,223
Erste Bank Hungary Zrt. Loan nr. 2.	-	2,000	39,871
UniCredit Bank Hungary Zrt. **	1,753	15,254	20,759
Loans at fair value*	**47,540**	**64,305**	**73,853**

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

Loans with preferential interest rate:

As part of its monetary policy instruments, National Bank of Hungary (NBH) launched its Funding for Growth Scheme (FGS) in 2013, Under FGS, the central bank provides refinancing loans at a preferential fixed interest rate of 0% with a maximum maturity of 10 years to credit institutions which the credit institutions lend further to small and medium sized enterprises with a capped interest margin. The following table shows loan liability for the loans borrowed by the Group within FGS broken down by amortized initial fair value (market rate loan liability) and amortized initial fair value difference (interest rate grant) elements as of September 30, 2018:

	Actual loan liability	**Fair value difference	*Fair value
Erste Bank Hungary Zrt.	14,812	1,589	13,223
UniCredit Bank Hungary Zrt.	24,000	3,241	20,759
Loans (FGS)	**38,812**	**4,830**	**33,982**

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

** Fair value difference of loans with preferential interest rate (government grant received through the Funding for Growth Scheme compensating expenses) are shown at other short-term liabilities (Note 11) and other long-term liabilities (Note 14) and amortized to the profit and loss statement based on the effective interest rate method.

(all amounts in thousands of euros unless otherwise indicated)

13. Deferred taxes

	December 31, 2016	December 31, 2017	September 30, 2018
Development reserve	757	-	-
Depreciation	(20)	-	-
Loss carried forward	(155)	-	-
Deferred tax liability	**582**	**-**	**-**

Effective from July 31, 2017 the Company became regulated real estate investment pre-company (see the "Other key issues" section in the management report) and as such the Company was subject to corporate income tax and local business tax only till that date. As a result, deferred tax assets and liabilities were released in 2017.

On December 14, 2017 Graphisoft Park Engineering & Management Kft. was established. Based on the business activity, this company does not operate under the "SZIT" regulation and therefore is subject to corporate income tax and local business tax. As such deferred tax assets or liabilities relating to this entity might be created.

14. Other long-term liabilities

	December 31, 2016	December 31, 2017	September 30, 2018
Fair value difference of loans*	1,588	4,231	4,071
Warranty retention	-	100	218
Fair value of derivative instruments (as of Sept 30, 2018) **	-	-	810
Other long-term liabilities	**1,588**	**4,331**	**5,099**

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

** Fair value of IRSs relating to Erste Bank loans nr. 1. and 2. as of September 30, 2018. The valuation was prepared by Erste Bank.

(all amounts in thousands of euros unless otherwise indicated)

15. Revenue

	3 months ended		9 months ended	
	Sept 30, 2017	**Sept 30, 2018**	**Sept 30, 2017**	**Sept 30, 2018**
Property rental revenue*	2,631	3,435	7,755	9,117
Other revenue**	-	-	-	400
Revenue	**2,631**	**3,435**	**7,755**	**9,517**

*Property rental revenue consists solely of rental fees coming from the lease of real estate of Graphisoft Park.
** Other revenue contains a one-off revenue from engineering service provided in the second quarter of 2018.

16. Operating expense

	3 months ended		9 months ended	
	Sept 30, 2017 modified	**Sept 30, 2018**	**Sept 30, 2017 modified**	**Sept 30, 2018**
Property related expense	18	30	45	53
Employee related expense	91	103	450	510
Other operating expense	159	126	373	426
Depreciation and amortization	44	73	127	165
Operating expense	**312**	**332**	**995**	**1,154**

Other operating expense consists of the following items:

	3 months ended		9 months ended	
	Sept 30, 2017	**Sept 30, 2018**	**Sept 30, 2017**	**Sept 30, 2018**
Office and telecommunication	3	2	10	10
Legal and administration	117	73	243	273
Marketing	-	-	16	-
Other	37	51	104	143
Other operating expense	**159**	**126**	**373**	**426**

(all amounts in thousands of euros unless otherwise indicated)

17. Other income (expense)

	3 months ended		9 months ended	
	Sept 30, 2017	**Sept 30, 2018**	**Sept 30, 2017**	**Sept 30, 2018**
Income from recharged construction expenses	173	253	1,492	2,617
Recharged construction expenses	(128)	(98)	(1,383)	(2,439)
Income from recharged operation expenses	980	1,170	2,838	3,226
Recharged operation expenses	(873)	(991)	(2,594)	(3,002)
Others	(8)	(39)	(8)	(31)
Other income	**144**	**295**	**345**	**381**

18. Interest and other financing cost

	3 months ended		9 months ended	
	Sept 30, 2017	**Sept 30, 2018**	**Sept 30, 2017**	**Sept 30, 2018**
Interest expense on loans	(212)	(295)	(585)	(656)
Break cost of loan	-	-	-	(258)
Other interest expense	1	(2)	(2)	(4)
Interest and other financing cost	**(211)**	**(297)**	**(587)**	**(918)**

19. Other financial result

	3 months ended		9 months ended	
	Sept 30, 2017	**Sept 30, 2018**	**Sept 30, 2017**	**Sept 30, 2018**
Exchange rate gain (loss) realized	6	39	2	(701)
Exchange rate gain (loss) not realized	(50)	(127)	(66)	707
Other financial result	**(44)**	**(88)**	**(64)**	**6**

(all amounts in thousands of euros unless otherwise indicated)

20. Income taxes

	3 months ended		9 months ended	
	Sept 30, 2017	**Sept 30, 2018**	**Sept 30, 2017**	**Sept 30, 2018**
Current income tax	(27)	4	(213)	(37)
Deferred income tax	728	-	582	-
Income tax benefit / (expense)	**701**	**4**	**369**	**(37)**

Applicable tax rates are: corporate income tax at 9% and local business at tax 2% both in 2017 and 2018. Details are disclosed in Note 13.

21. Earnings per share

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

	3 months ended		9 months ended	
	Sept 30, 2017 modified	**Sept 30, 2018**	**Sept 30, 2017 modified**	**Sept 30, 2018**
Net profit attributable to equity holders	9,233	3,988	26,095	11,528
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Basic earnings per share (EUR)	**0.92**	**0.40**	**2.59**	**1.14**
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Diluted earnings per share (EUR)	**0.92**	**0.40**	**2.59**	**1.14**

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)

22. Treasury shares

Graphisoft Park SE treasury share details are as follows:

	December 31, 2016	**December 31, 2017**	**September 30, 2018**
Number of ordinary shares	549,076	549,076	549,076
Number of employee shares	-	625,389	625,389
Face value per share (EUR)	0.02	0.02	0.02
Total face value (EUR)	10,982	23,489	23,489
Total value of treasury shares (at historical cost)	962	974	974

23. Net asset value

Book value and fair value of assets and liabilities as of September 30, 2018:

	Note	**Book value Sept 30, 2018**	**Fair value Sept 30, 2018**	***Difference***
Investment property and other tangible assets*	7,8	238,919	262,088	*23,169*
Intangible assets		5	5	-
Current and deferred tax assets, net	5, 13	7	7	-
Non-financial instruments		**238,931**	**262,100**	***23,169***
Cash and cash equivalents	3	7,226	7,226	-
Trade receivables	4	1,063	1,063	-
Other current assets	6	2,772	2,772	-
Trade payables	10	(2,269)	(2,269)	-
Other short-term liabilities	11	(4,699)	(4,699)	-
Loans	12	(73,853)	(73,853)	-
Other long-term liabilities	14	(5,099)	(5,099)	-
Financial instruments		**(74,859)**	**(75,859)**	**-**
Net asset value		**164,072**	**187,241**	***23,169***

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 261,720 thousand euros as of September 30, 2018.

(all amounts in thousands of euros unless otherwise indicated)

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

	Note	**Book value Dec. 31, 2017 modified**	**Fair value Dec. 31, 2017 modified**	***Difference***
Investment property and other tangible assets*	7,8	218,136	243,322	*25,186*
Intangible assets		2	2	-
Current and deferred tax assets, net	5, 13	528	528	-
Non-financial instruments		**218,666**	**243,852**	***25,186***
Cash and cash equivalents	3	4,239	4,239	-
Trade receivables	4	856	856	-
Other current assets	6	9,589	9,589	-
Other long-term financial assets		695	695	-
Trade payables	10	(5,305)	(5,305)	-
Other short-term liabilities	11	(3,490)	(3,490)	-
Loans	12	(64,472)	(64,305)	*167*
Other long-term liabilities	14	(4,331)	(4,331)	-
Financial instruments		**(62,219)**	**(62,052)**	***167***
Net asset value modified		**156,447**	**181,800**	***25,353***

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 243,010 thousand euros as of December 31, 2017.

(all amounts in thousands of euros unless otherwise indicated)

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

	Note	Book value Dec. 31, 2016 modified	Fair value Dec. 31, 2016 modified	*Difference*
Investment property and other tangible assets*	7,8	177,427	200,540	*23,113*
Investments	9	100	100	-
Current and deferred tax liabilities, net	5, 13	(590)	(590)	-
Non-financial instruments		**176,937**	**200,950**	***23,113***
Cash and cash equivalents	3	2,621	2,621	-
Trade receivables	4	1,083	1,083	-
Other current assets	6	5,681	5,681	-
Trade payables	10	(4,190)	(4,190)	-
Other short-term liabilities	11	(1,661)	(1,661)	-
Loans	12	(47,829)	(47,540)	*289*
Other long-term liabilities	14	(1,588)	(1,588)	-
Financial instruments		**(45,883)**	**(45,594)**	***289***
Net asset value modified		**131,054**	**154,456**	***23,402***

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 200,293 thousand euros as of December 31, 2016.

24. Commitments, contingencies

Realization of the educational function

As we discussed in detail in previous reports in order to realize the full potential of Graphisoft Park's "science park" features with the purchase of land contract concluded with the Municipality of Budapest in 2008 we have undertook the duty to carry out the development for educational purpose by renovating the protected monument parts of the purchased property. The realization of the educational function was in part carried out by the founding of the AIT-Budapest Aquincum Institute of Technology, owned by 10% by the Company; and through the International Business School's (IBS) relocation to Graphisoft Park. After the complete realization of the educational function the Company sold its stake in the AIT-Budapest Aquincum Institute of Technology.

25. Events after the reporting period

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.). In the resolution received on October 3, 2018, the competent government body, the Pest County Government Office notified us about the prolongation of the completion deadline of the rehabilitation in the northern development area. We have filed suit for the review of the resolution in administrative court.

26. Approval of financial statements, dividend

Following the recommendation of the Board of Directors, the Annual General Meeting on April 26, 2018 approved the 2017 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 103,912 thousand EUR and a profit for the year of 4,371 thousand EUR. Together with the approval of the consolidated financial statements for issue, the Annual General Meeting approved dividend distribution of 93 HUF per ordinary share, 937,682 thousand HUF in total (2,993 thousand EUR on the exchange rate of April 26, 2018), and 31 HUF per employee share, 38,774 thousand HUF in total (124 thousand EUR on the exchange rate of April 26, 2018). The starting date for dividend payments was May 14, 2018. The Company paid out the dividends to the shareholders identified by shareholder's registration as of May 7, 2018.

27. Declaration

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