GRAPHISOFT PARK SE

Interim Management Report – Third Quarter 2016

November 3, 2016



GRAPHISOFT PARK – START-UP AND SERVICE BUILDING – JUNE 2017 VISUALIZATION

GRAPHISOFTPARK

Dear Shareholders,

At present 20,000 m2 office space and a 750 car underground parking facility is being constructed in Graphisoft Park. As a result of these developments, after the completion of all construction phases starting from the second quarter of 2018 the Park's current 53,000 m2 leasable office, laboratory and educational space will expand to 73,000 m2 and 2,000 underground parking spaces will be available to the tenants instead of the current 1,250.

The renewal of Graphisoft Park's largest tenant's, SAP's lease contract in 2015 warranted the continued expansion of the existing office, laboratory and educational space with the current occupancy level standing at an effective 100%. To this end we have started the construction of additional 8,000 m2 of office space and an underground parking facility for more than 300 vehicles in 2015, with the first phase to be delivered by the beginning of 2017. The primary aim of the new development is to provide SAP after its significant expansion with the most optimal and economical home in the Park, while respecting its green and sustainable values equally important for SAP and Graphisoft Park. In order to minimize moving costs and to achieve optimal utilization for the SAP building delivered in 2006, the new development will be taking place in the integrally connecting new wing of 5,500 m2. The new wing will be delivered at the beginning of 2017, the whole building will be leased by SAP starting from February 2017.



Another building with a net 2,500 m2 floor space optimized for the needs of smaller companies and start-ups will be erected by the main entrance of the Park, with a coffee shop and other services on its ground floor. The building is expected to be delivered at the end of the second quarter in 2017.

This in turn necessitated the demolition of the adjacent smaller buildings and storage facilities (roughly 2,000 m2 altogether), which at the current occupancy levels of the Park may be deemed less economical uses of land. All of these will allow the creation of a much more imposing façade towards Ángel Sanz-Briz (former Jégtörő) Street, which has developed into a busy artery in the past years.



We have executed a loan agreement with Erste Bank at the end of 2015 for a 16.5 million euros credit facility with 10 years maturity to finance the new developments, partly within the National Bank of Hungary's Funding for Growth Scheme. The loan agreement is complemented by hedging agreements to cover exchange and interest rate risks.

With regards to the recent expansion needs articulated by the tenants in 2016 and to the occupancy levels in the Park near their effective cap, we have started the construction of a new string of office building blocks with 12,000 m2 floor space and of an underground parking facility for 450 cars on the part of the southern development area that is already prepared for construction. The buildings are expected to be delivered in the first quarter of 2018. One 3,300 m2 floor space block out of the four of the building complex will be leased by SAP, and it also has an option to lease another 3,300 m2 block.



Advanced negotiations are being conducted in order to secure financing for the development. The credit facility is planned at 24 million euros. The facility agreement is expected to be executed in November 2016.



Financial results have progressed as forecasted. Revenue figures in the first three quarters of 2016 and 2015 stood equally at 7.1 million euros, as the occupancy levels growing to 100% compensated for the missing revenues from the buildings demolished. Operating expenses rose by 100 thousand euros due to the increased staff numbers needed to complete the new developments. Net interest expense fell by more than 300 thousand euros due to the falling loan interest rates; the exchange rate difference account balance however, is nearly 200 thousand euros lower because in 2015 we have made significant exchange rate gains on the appreciating USD cash reserves, whereas in 2016 slight exchange rate losses occurred. Primarily for the reasons above, the company's net profit came out very similar for the two years examined: 2.29 million euros in the first three quarters of 2016, compared to 2.24 million euros in the first three quarters in 2015.

For the whole of 2016 - in accordance with our earlier forecasts - we are expecting revenues at 9.5 million euros as in 2015, and net profit at 3.1 million euros slightly surpassing that of the previous year, with a writing-off of approximately 100 thousand euros for the demolition of the last building in connection with the new developments.

The revenue figures and net profit expected for 2017 compared to the results expected in 2016 are to change as follows according to our current estimates:

- Revenue increase from new developments: 1.2 million euros
- Depreciation ending for older assets: 600 thousand euros
- Interest expense decrease for older loans: 200 thousand euros
- Temporary drop in existing buildings' occupancy: (100 thousand euros)
- Increasing operating expenses: (200 thousand euros)
- Depreciation of new developments: (900 thousand euros)
- Interest on new loans: (300 thousand euros)
- Income tax increase: (100 thousand euros)

For all the reasons above for the year 2017 we are expecting revenues totaling at 10.6 million euros, 1.1 million euros higher than those forecasted for 2016; and net profit surpassing the figure in 2016 by 400 thousand euros at 3.5 million euros.

These results were made possible by the continuingly improving occupancy rates and not changing the rent levels, cornerstones of the Park's quality and profitability; consciously not competing with the artificially low, therefore unsustainable rates on Budapest's overcrowded office market. All this proves that our concept for the "micro-silicon-valley" articulated some 18 years ago was right, targeting a well-defined market - Hungarian and international technology companies pursuing innovation in our case - and focusing real estate developments to their needs is working. The key to success in their fields is attracting talent. We are aiming to contribute to this with quality and environment conscious architecture, in a uniquely quiet setting on the green banks of the river Danube surrounded by the Park's state-of-the art renovated industrial monument buildings preserving the marvelous ambiance of the old Óbuda Gas Works. Our achievements prove that the leading companies in the technology field appreciate this; therefore we are continuing the development along the lines of the same concept.

Bojár Gábor
Chairman of Board of Directors

Kocsány János
Chief Executive Officer

Financial highlights

IFRS, consolidated, thousand EUR

Results*:

	3 months ended		9 months ended	
	Sept. 30, 2015	**Sept. 30, 2016**	**Sept. 30, 2015**	**Sept. 30, 2016**
A) Results from ordinary activities:				
Revenue	**2,318**	**2,363**	**7,145**	**7,143**
Operating expense	(186)	(227)	(710)	(816)
Other income (expense)	28	82	177	237
EBITDA	**2,160**	**2,218**	**6,612**	**6,564**
Depreciation and amortization	(1,059)	(1,056)	(3,141)	(3,142)
Operating profit	**1,101**	**1,162**	**3,471**	**3,422**
Net interest expense	(325)	(196)	(987)	(659)
Exchange rate differences	(16)	24	167	1
Profit before tax	**760**	**990**	**2,651**	**2,764**
Income tax expense	(108)	(169)	(414)	(472)
Profit for the period	**652**	**821**	**2,237**	**2,292**
B) Other results (one-time write-off):				
Other income (expense)	(535)	-	(535)	(123)
Income tax expense	53	-	53	12
Loss for the period	**(482)**	**-**	**(482)**	**(111)**
A+B) Profit for the period	**170**	**821**	**1,755**	**2,181**

* New developments began in Graphisoft Park in 2015, which will result in the construction of 8,000 m2 new office space by 2017. The construction of the new buildings required the demolition of some older buildings. Demolition works were completed, and the net book value of buildings demolished were written off accordingly (535 thousand euros in 2015 and 123 thousand euros in 2016). On this page results of the Company are presented in “Results from ordinary activities” / “Other results” breakdown. The “Other results” section solely includes the net result of one-time write-offs due to demolition of the buildings (482 thousand euros in 2015 and 111 thousand euros in 2016). Periodic comparative analyses in this business report are prepared using “Results from ordinary activities”, which do not include the one-time items.

Financial highlights

IFRS, consolidated, thousand EUR

Asset value:

	December 31, 2015	September 30, 2016
Investment property at book value	**60,254**	**64,326**
Investment property at fair value*	**153,606**	**160,519**
Net asset value at book value	**22,801**	**22,564**
Net asset value at fair value*	**116,477**	**118,757**
Number of ordinary shares outstanding (thousands)**	10,083	10,083
Net asset value at fair value per share (euro)	**11.6**	**11.8**

* Investment properties are shown in the financial statements of the Company at historical cost. Investment property fair value estimates are published annually. The latest valuation is disclosed in the Annual Report for 2015, Note 10. In determining net asset value at fair value for the actual period the results of the most recent property valuations (169,029 thousand euros as of December 31, 2015) were used with investment property as adjusted by the expected cost to completion of buildings under construction (15,423 thousand euros as of December 31, 2015 and 8,510 thousand euros as of September 30, 2016). Book values as of the balance sheet date were used for other assets and liabilities.

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

Management Report

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

- Financial results for the first nine months of 2016,
- Utilization, occupancy,
- Development activities,
- Development potential,
- Financing,
- Other key issues,
- Forecast for the years 2016 and 2017.

Financial results for the first nine months of 2016

Changes in the results for the first three quarters of 2016 ("Results from ordinary activities", see details in "Financial highlights" on previous pages) compared to the 2015 bases occurred by the effects of the following main factors:

- **Revenue** (2016: 7,143 thousand euros; 2015: 7,145 thousand euros) stayed at the level of previous year. The growth in occupancy rate increased revenue by 3%, while drop in rental revenues due to demolitions and remodeling in connection with the new developments that began in 2015 in the core area reduced it by the same extent (see details in the „Utilization, occupancy" and „Development activities" sections).

- **Operating expense** (2016: 816 thousand euros; 2015: 710 thousand euros) grew by 106 thousand euros, or 15% compared to the previous year due to the increase in employee related expense (the development programs started in 2015 and 2016 required expanding staff). Property related expense and other operating expense stayed at the level of last year.

- **Other income** (2016: 237 thousand euros; 2015: 177 thousand euros) net amount was 60 thousand euros higher than the base last year.

- **Depreciation** (2016: 3,142 thousand euros; 2015: 3,141 thousand euros) did not change substantially compared to the previous year.

- **EBITDA** (2016: 6,564 thousand euros; 2015: 6,612 thousand euros) decreased by 48 thousand euros, or 1%, while **operating profit** (2016: 3,422 thousand euros; 2015: 3,471 thousand euros) fell by 49 thousand euros, also 1% compared to the previous year due to the factors mentioned above.

- **Net interest expense** (2016: 659 thousand euros; 2015: 987 thousand euros) decreased by 328 thousand euros, or 33% due to the following factors. Interest expense fell by 343 thousand euros as a result of lower loan interest rates and loan liability. Interest income dropped by 15 thousand euros due to the lower interest rates on deposits.

- **Exchange rate gain** (2016: 1 thousand euros; 2015: 167 thousand euros) decreased by 166 thousand euros compared to the previous year. Revaluation of cash reserves denominated in US dollars resulted in a significant gain in 2015 (132 thousand euros) and a loss in 2016 (thousand euros). If this item is not considered, the amount of exchange rate gain is nearly the same in these two years (2016: 39 thousand euros; 2015: 35 thousand euros).

- **Income tax expense** (2016: 472 thousand euros; 2015: 414 thousand euros) increased by 58 thousand euros, or 14% compared to the base period, largely due to the fact that corporate income tax was lowered by a one-off item in 2015.

- **Net profit** (2016: 2,292 thousand euros; 2015: 2,237 thousand euros) grew by 55 thousand euros, that is 2% in 2016 compared to 2015 because of the following factors: (1) operating profit decreased by 49 thousand euros, or 1% due to the increase in employee related expense, (2) financial results improved by 162 thousand euros, or 20% due to the significant fall in net interest expense, despite less favorable exchange rate differences, and finally (3) income tax expense was higher by 58 thousand euros than the base last year.

Due to the effect of the demolition of the last building to be demolished in relation to the new developments began in 2015 (see "Utilization, occupancy" section) a one-time 111 thousand euros net write-off (write-off of 123 thousand euros net book value of the building with its 12 thousand euros decreasing effect on income tax) had to be accounted for in the first quarter of 2016, therefore besides our profit from ordinary activities at 2,292 thousand euros the total net profit is 2,181 thousand euros including this one-off item.

Utilization, occupancy

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

Period:	**2015 Q1**	**2015 Q2**	**2015 Q3**	**2015 Q4**	**2016 Q1**	**2016 Q2**	**2016 Q3**
Occupancy (%):	**96%**	**96%**	**97%**	**98%**	**100%**	**100%**	**100%**
Area (m2):	55,000	55,000	53,000	53,000	53,000	53,000	53,000

Occupancy of Graphisoft Park's 53,000 m2 rentable office, laboratory and educational space reached 98% by the end of 2015 and stays at an effective 100% from the beginning of 2016 due to leases concluded for remaining vacant spaces. This means that until the delivery of the first phase of the new developments in the first quarter of 2017 (see details in the "Development activities" section below) there will be free rentable area only if any of current tenants decides not to extend their lease after expiration.

Development activities

The total area of Graphisoft Park is nearly 18 hectares covering the office park located in the core area, the campus formed in the monument area, and development areas north and south of these as well. Over the past 18 years 45,000 m2 of office and laboratory space have been developed and occupied on the core 8.5 hectares of Graphisoft Park. In the 2.4 hectares monument area directly adjacent to the core area from the west we have completed the renovation and repurposing of 7,000 m2 historical buildings into a state-of-the-art university campus since 2010. The 3,000 m2 dormitory building with 76 rooms constructed on the northeastern corner of the southern development area connects to and serves the same higher education function of the Park.

Until the end of 2014 altogether 55,000 m2 office, laboratory and educational space and underground parking for 1,250 cars were constructed on 11 hectares.

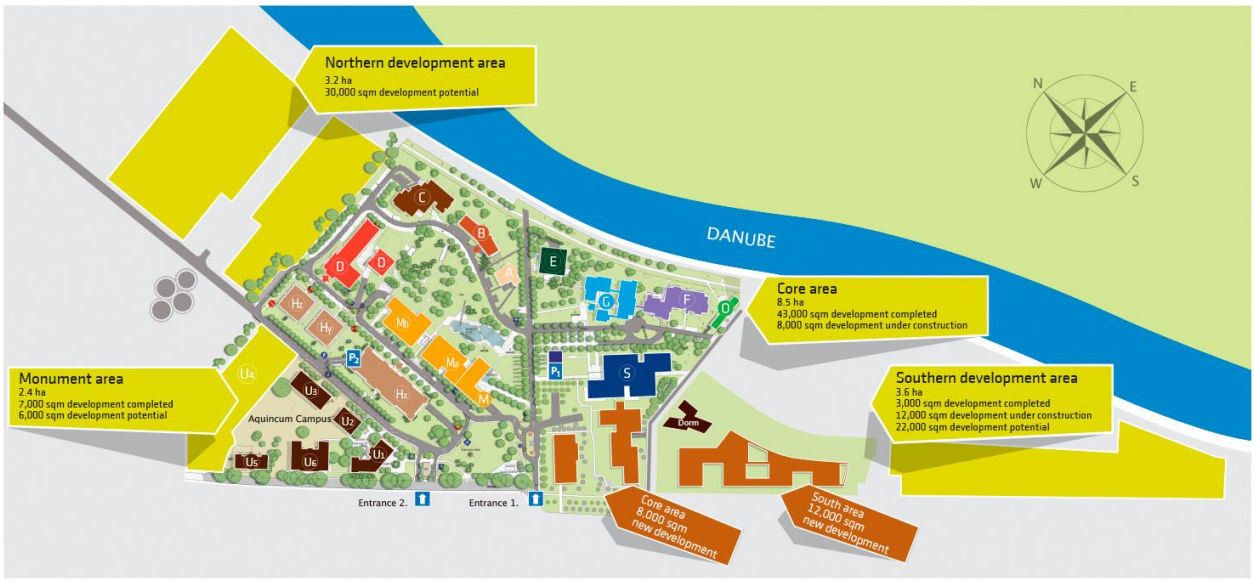
New development in the core area

Graphisoft Park's largest tenant renting over 10,000 m2 office space currently, SAP Hungary Kft. renewed its lease in April 2015, which was to expire in the end of 2016 originally. In relation to the extension of the lease period new developments began in 2015, which will result in the construction of 8,000 m2 new office space and underground parking for 300 cars until 2017 in several phases. Construction of a new wing of 5,500 m2 directly adjacent to SAP's main building (marked S on the map below) has begun. In addition to this another building with 2,500 m2 floor space is under construction optimized for the needs of smaller companies and start-ups. With the new constructions as well as with the refurbishment of older sections we are committing to even more environmentally conscious and sustainable architectural solutions.

The new wing adjacent to the SAP building will be delivered in the beginning of 2017, while the start-up building is expected to be delivered at the end of the second quarter in 2017.

The new developments required the demolition of the N, L and K buildings with less economical uses of space under the current conditions. Buildings N and L were demolished through 2015 and building K has been demolished in the first quarter of 2016. Demolition and remodeling works temporarily reduced rentable space by 2,000 m2 in the office park, therefore the net expansion will be 6,000 m2.

By the completion of the new development in 2017, Graphisoft Park will have 61,000 m2 office, laboratory and educational space as well as underground parking for 1,550 cars available for its tenants coupled with 4 restaurants and 6 snack and coffee shops in the Park.



The planned total cost of development activities - including the construction of about 8,000 m2 new office space and a three level underground parking facility for 300 vehicles, and in addition the upgrading of the existing S building, with the necessary works for public utilities and landscaping - is approximately 18 million euros, out of which 8 million euros occurred until the end of the third quarter of 2016.

New development in the southern development area

With regards to the recent expansion needs articulated by the tenants in 2016 and to the occupancy levels in the Park near their effective cap, we have started the construction of a new string of office building blocks with 12,000 m2 floor space and of an underground parking facility for 450 cars on the part of the southern development area that is already prepared for construction. The buildings are expected to be delivered in the first quarter of 2018. One 3,300 m2 floor space block out of the four of the building complex will be leased by SAP, and it also has an option to lease another 3,300 m2 block.

The planned total cost of the development program is 25 million euros, out of which 300 thousand euros occurred until the end of the third quarter of 2016.

In the summary of all the above, by the completion of the new developments expected in 2018, Graphisoft Park will have 73,000 m2 office, laboratory and educational space as well as underground parking for 2,000 cars available for its tenants coupled with 5 restaurants and 7 snack and coffee shops in the Park.

Other developments

Simultaneously to the new developments, remodeling and renovation works are taking place in the existing office spaces as well as other infrastructure developments are being carried out to better meet the needs of tenants. These activities are expected to cost approximately 450 thousand euros in 2016.

Development potential

The 7 hectares of development areas in Graphisoft Park (the southern development area, the northern development area and parts of the monument area) allow for the development of a combined total of 70,000 m2 leasable office space.

In the southern development area we have begun the construction of 12,000 m2 office space (see "New development in the southern development area" section above). The other parts of the area offer room for another 22,000 m2 potential development.

No further preparatory work or development is planned on the northern development area and the monument area, which together provide room for 36,000 m2 potential development, until the clean-up projects planned by the Capital City Gas Works are finished.

Preparation for the future developments have cost 3.2 million euros to date.

The main risk factors and limitations associated with these areas remain as follows:

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

Financing

We have executed a loan agreement with Erste Bank Hungary Zrt. in December 2015 for a 16.5 million EUR credit facility with 10 years maturity to finance the ongoing development in the core area (see the "Development activities" section for details). In accordance with the loan agreement Erste Bank shall make available a 4 billion HUF credit facility within Pillar I of the second phase of the National Bank of Hungary's Funding for Growth Scheme and another 5 million EUR market rate credit facility to Graphisoft Park (16.5 million EUR maximum altogether). The loan agreement is complemented by hedging agreements to cover exchange and interest rate risks (cross currency interest rate swap (CCRIS) for the HUF based loan and interest rate swap (IRS) for the EUR based loan).

There are advanced negotiations taking place for the financing of the development in the southern development area (see "Development activities" section for details). The credit facility is planned at 24 million euros. The facility agreement is expected to be executed in November 2016.

Other key issues

Realization of the educational function

In order to further strengthen Graphisoft Park's "science park" features we have concluded an agreement with the Aquincum Institute of Technology (AIT) in 2009 to create and run international higher education functions in the Park. AIT does this in close cooperation with the Faculty of Electrical Engineering and Informatics of the Budapest University of Technology and Economics (BME) operating as an independent contractor, running a specialized program of that institution.



The constituents of AIT's student body come from the most excellent Universities of the United States on their study abroad semester. AIT provides high-level education in small classes for selected students from BME as well, for whom tuition is waived. The personal relations developing with the North American students may prove to be invaluable assets for their later careers. AIT's curriculum uniquely blends IT education in line with Graphisoft Park's professional orientation with business studies. This is complemented by courses highlighting the riches of Hungarian culture (language, literature, film, music and architecture) tailored for the needs of the international students.



AIT was launched with a summer pilot program in 2010 concluding three years of preparation. The curriculum was finalized after gathering the feedbacks from students and faculty and drawing the conclusions from the pilot program. 11 semesters have been concluded since the pilot program, with 160 students in 2016. To this date a total of 50 North American universities and colleges have sent students to participate in AIT's program and recognized its BME accredited credits. The most well-known universities among these are Harvard, Yale, MIT, Princeton, Brown, Cornell, Columbia, Dartmouth, UPenn, Rochester and Tufts (including all the prestigious schools of the Ivy League), and some of the famous colleges, such as Williams, Carleton, Harvey Mudd and Pomona. A significant proportion of the students remain in Hungary after the spring semesters for a 1 or 2 months internship with the best Hungarian IT companies (Graphisoft, Prezi, LogMeIn, Ustream, etc). These students return home with great impressions and spread the news of the Hungarian IT industry in the world. Some of them are coming back to Hungary after obtaining their diplomas to gain permanent employment with these companies.

Since 2013 fall, AIT is operating in its permanent location, in one of the former industrial buildings renovated and repurposed exemplarily to suit educational functions.



With the renovation of another three buildings in the monument area in July, 2014, and with the International Business School's (IBS) moved in, the university campus in the former Gasworks with over 1,000 students is complete. The inauguration ceremony of the new educational facilities named "Aquincum Campus" took place on September 5, 2014, with the participation of István Tarlós, mayor of Budapest and Balázs Bús, mayor of the third district.

AIT-Budapest reached the income level needed for long term operation in 2014 from the tuition collected from North American students, and in 2015 it achieved a profit of 123 million forints after taxes. At the time of making this report the 2017 spring semester application period ended with approximately 50% more applications over AIT's maximum capacity. This supports the long term sustainability of the educational venture (of which Graphisoft Park owns a 10% share), making the Park an even more attractive destination.

Creating the start-up ecosystem

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

Legal proceedings

Graphisoft Park SE's wholly owned subsidiary, Graphisoft Park Kft. filed suit on June 8, 2016 against the Municipality of Budapest for the removal of a pledge over property.

As published in our previous reports, in the purchase of land contract with the Municipality of Budapest in 2008 we have undertook the duty to carry out development for educational purpose by renovating the protected monument parts of the purchased property. To secure the realization of this duty a pledge in the value of 1 billion forints had been recorded. The starting date of the 5 year deadline (execution of plot division) for completing the development has not passed yet, we have met and exceeded our duties ahead of time (see details in the „Realization of the educational function" section above). As the Municipality has refused our request to remove the pledge over property, we have filed suit to the same end with the Budapest-Capital Regional Court. The Court has ruled in Graphisoft Park's favor and ordered the removal of the pledge. At the time of making this report the proceedings continue at the appeals court as the Municipality appealed the decision with the execution pending for the duration of the appeal proceedings.

Forecast for the years 2016 and 2017

The following forecast for 2016 (3.1 million euros net profit over 9.5 million euros revenue) is identical to the one disclosed in our last quarterly report published on August 4, 2016, with the following modifications: the operating expense forecast has been raised by 100 euros to cover employee related and other administrative expenses of the new developments, while the net interest expense forecast has been lowered by 100 euros to reflect the continued fall in interest rates. Forecast for the year 2017 is published in this report for the first time.

Our forecast for 2016 and 2017 results (from ordinary activities) is summarized in the following table, based on signed and valid lease agreements with the current occupancy rate at an effective 100% (see details in section "Utilization, occupancy"; the first column shows 2015 actual results):

(million euros)	**2015 actual**	**2016 forecast**	**2017 plan**
Rental revenue	**9.48**	**9.5**	**10.6**
Operating expense	-0.91	-1.1	-1.3
Other income, net	0.28	0.3	0.3
EBITDA	**8.85**	**8.7**	**9.6**
Depreciation	-4.19	-4.2	-4.5
Operating profit	**4.66**	**4.5**	**5.1**
Net interest expense	-1.31	-0.8	-0.9
Exchange rate difference	0.22	-	-
Profit before tax	**3.57**	**3.7**	**4.2**
Income tax expense	-0.59	-0.6	-0.7
Net profit	**2.98**	**3.1**	**3.5**

Forecast for the year 2016

Change in results for 2016 compared to 2015 bases is the impact of the following main factors:

- Revenue is expected to stay at the 2015 level in 2016. Drop in revenue due to temporary decrease in rentable area (due to demolitions and remodeling) will be offset by additional revenues coming from the rise in occupancy rate (see "Utilization, occupancy" and "Development activities" sections for details).

- Operating expense is expected to rise by 200 thousand euros in 2016 compared to 2015. Employee related and other operating expenses will grow at that rate due to the costs associated with the ongoing developments in the core area and the southern development area (see "Developments" section for details), while property related expense will remain on last year's level.

- Depreciation is not expected to change in 2016 compared to 2015.

- Due to the significant fall of interest rates for the existing loan obligations, as well as to the decreasing principal amount, net interest expense is expected to decrease by 500 thousand euros in 2016 compared to 2015. We are not making estimates for exchange rate differences, therefore our overall financial results forecast is 300 thousand euros higher than the base, which contained the actual exchange rate gain of 200 thousand euros.

- Income tax expense is expected to remain at the 2015 level in 2016, considering that revenue and profit before tax are expected to come out nearly the same in these two years.

Due to all the above, for 2016 we are expecting 3.1 million euros net profit, 100 thousand euros higher compared to 2015.

Due to the effect of the demolition of building K in relation to the developments that began in 2015 (see "Development activities" section) a one-time 100 thousand euros write-off had to be accounted for in 2016, therefore besides our forecast for net profit from ordinary activities at 3.1 million euros the total net profit is expected at 3 million euros including this one-off item.

Forecast for the year 2017

- Revenue is expected to rise by 1.1 million euros in 2017 compared to 2016 due to the following factors: (1) rental revenue from the new buildings in the core area to be delivered in 2017 (see "Development activities" section for details) will increase revenue by 1.2 million euros (calculated at 11 months and 100% occupancy in the new SAP wing, and at 6 months and initial 60% occupancy in the start-up building); (2) internal tenant moving and significant remodeling works will temporarily reduce the current 100% occupancy in the existing buildings throughout 2017, which will result in a 100 thousand euros revenue dip.

- Cost of operation is expected to rise by 200 thousand euros in 2017 compared to 2016. Employee related and other expenses will grow at that rate due to the costs associated with the ongoing developments in the core area and the southern development area (see "Development activities" section for details), and due to the operating expenses associated with the buildings to be delivered in 2017 in the core area.

- Depreciation is expected to increase by 300 thousand euros in 2017 compared to 2016 due to the following factors: (1) depreciation for the new buildings to be delivered in the core area in 2017 (see "Development activities" section for details) will be 900 thousand euros (calculated at 11 months for the new SAP wing and at 6 months for the start-up building); and (2) depreciation for the existing buildings will decrease by 600 thousand euros due to depreciation ending for older assets.

- Net interest expense is expected at 100 thousand euros higher in 2017 than in 2016 due to the following factors: (1) interest expense on the loan borrowed to finance the development of the new buildings to be delivered in the core area in 2017 is expected to be nearly 300 thousand euros in 2017 (interest expense accounted for in the income statement after the delivery of the buildings; calculated at 11 months for the new SAP wing and at 6 months for the start-up building); and (2) interest expense decrease over loans connected to the existing buildings and the diminishing principal result in a 200 thousand euros drop in net interest expense.

- Income tax is expected to increase by 100 thousand euros in 2017 compared to 2016 due to higher revenue and profit before tax.

Due to all the above, for 2016 we are expecting 3.5 million euros net profit, 400 thousand euros higher compared to 2015.

Forecasts published here are based on the valid lease contracts in effect at the time of writing this report. At previous times actual revenues were repeatedly higher than forecasted, due to new leases concluded after the publication of reports. Despite this past pattern, it is not in our intention to change the forecasting methods. 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 in case 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. Graphisoft Park has no intention to compete with the very low prices observed at some places in the Budapest rental market, therefore losing some tenants for this is a probable but not likely factor to be reckoned with.

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

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 Quarterly Report which has been prepared in accordance with the applicable 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, November 3, 2016

Hajba Róbert
Chief Financial Officer

Kocsány János
Chief Executive Officer

GRAPHISOFT PARK SE

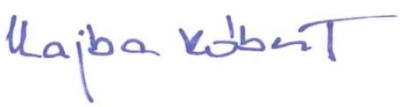
QUARTERLY REPORT

for the quarter ended September 30, 2016

in accordance with International Financial Reporting Standards (IFRS)

(consolidated, unaudited)

Budapest, November 3, 2016



Hajba Róbert
Chief Financial Officer



Kocsány János
Chief Executive Officer

GRAPHISOFT PARK SE
QUARTERLY REPORT
SEPTEMBER 30, 2016

CONTENTS:

	Page(s)
Consolidated Balance Sheet	**3**
Consolidated Statement of Income	**4**
Consolidated Statement of Comprehensive Income	**5**
Consolidated Statement of Changes in Shareholders' Equity	**6**
Consolidated Statement of Cash Flows	**7**
Notes to the Quarterly Report	**8-22**

GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2016
(all amounts in thousands of euros unless otherwise stated)

	Notes	December 31, 2015	September 30, 2016
Cash and cash equivalents	3	4,794	4,329
Trade receivables	4	178	624
Current tax receivable	5	131	102
Other current assets	6	125	1,551
Current assets		**5,228**	**6,606**
Investment property	7	60,254	64,326
Other tangible assets	7	273	262
Intangible assets	7	-	1
Investments	8	100	100
Deferred tax asset	13	19	15
Non-current assets		**60,646**	**64,704**
TOTAL ASSETS		**65,874**	**71,310**
Short-term loans	11	3,243	3,491
Trade payables	9	961	2,235
Current tax liability	5	123	237
Other short-term liabilities	10	1,601	1,784
Current liabilities		**5,928**	**7,747**
Long-term loans	11	36,737	40,311
Long-term financial liability	12	-	94
Deferred tax liability	13	408	594
Non-current liabilities		**37,145**	**40,999**
TOTAL LIABILITIES		**43,073**	**48,746**
Share capital	1.3	250	250
Retained earnings		26,446	26,294
Valuation reserve		-	(85)
Treasury shares	21	(962)	(962)
Accumulated translation difference		(2,933)	(2,933)
Shareholders' equity		**22,801**	**22,564**
TOTAL LIABILITIES & EQUITY		**65,874**	**71,310**

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF INCOME
SEPTEMBER 30, 2016
(all amounts in thousands of euros unless otherwise stated)

	Notes	3 months ended		9 months ended	
		Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016
Property rental revenue	14	2,318	2,363	7,145	7,143
Revenue		**2,318**	**2,363**	**7,145**	**7,143**
Property related expense	15	(14)	(13)	(48)	(39)
Employee related expense	15	(109)	(129)	(449)	(550)
Other operating expense	15	(63)	(85)	(213)	(227)
Depreciation and amortization	15, 7	(1,059)	(1,056)	(3,141)	(3,142)
Operating expense		**(1,245)**	**(1,283)**	**(3,851)**	**(3,958)**
Other income	16	(507)	82	(358)	114
OPERATING PROFIT		**566**	**1,162**	**2,936**	**3,299**
Interest income	17	3	1	18	3
Interest expense	17	(328)	(197)	(1,005)	(662)
Exchange rate difference	18	(16)	24	167	1
Financial expense		**(341)**	**(172)**	**(820)**	**(658)**
PROFIT BEFORE TAX		**225**	**990**	**2,116**	**2,641**
Income tax expense	19	(55)	(169)	(361)	(460)
PROFIT FOR THE PERIOD		**170**	**821**	**1,755**	**2,181**
Attributable to equity holders of the parent		170	821	1,755	2,181
Basic earnings per share (EUR)	20	0.02	0.08	0.17	0.22
Diluted earnings per share (EUR)	20	0.02	0.08	0.17	0.22

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
SEPTEMBER 30, 2016
(all amounts in thousands of euros unless otherwise stated)

	Notes	3 months ended		9 months ended	
		Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016
Profit for the period		**170**	**821**	**1,755**	**2,181**
Cash flow hedge reserve***	11, 12	-	505	-	(94)
Cash flow hedge reserve – deferred tax effect	11, 13	-	(51)	-	9
Other comprehensive income – to be reclassified*		-	454	-	(85)
Translation difference****		1	1	-	-
Other comprehensive income – not to be reclassified**		1	1	-	-
Other comprehensive income		**1**	**455**	**-**	**(85)**
COMPREHENSIVE INCOME		**171**	**1,276**	**1,755**	**2,096**
Attributable to equity holders of the parent		171	1,276	1,755	2,096

* Net other comprehensive income to be reclassified to profit or loss in subsequent periods.
** Net other comprehensive income not to be reclassified to profit or loss in subsequent periods.
*** Reserve provided for the settlement (market) value of a cash flow hedge (CCIRS) transaction and the complementary forward exchange rate agreement related to HUF-based loan.
**** Translation difference of subsidiary with HUF functional currency.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
SEPTEMBER 30, 2016
(all amounts in thousands of euros unless otherwise stated)

	Share capital	Retained earnings	Valuation reserve	Treasury shares*	Accum. translation difference	Total equity
December 31, 2014	**250**	**25,953**	**-**	**(962)**	**(2,933)**	**22,308**
Profit for the period	-	1,755	-	-	-	**1,755**
Dividend	-	(2,004)	-	-	-	**(2,004)**
September 30, 2015	**250**	**25,704**	**-**	**(962)**	**(2,933)**	**22,059**
December 31, 2015	**250**	**26,446**	**-**	**(962)**	**(2,933)**	**22,801**
Profit for the period	-	2,181	-	-	-	**2,181**
Cash flow hedge reserve**	-	-	(85)	-	-	**(85)**
Dividend	-	(2,333)	-	-	-	**(2,333)**
September 30, 2016	**250**	**26,294**	**(85)**	**(962)**	**(2,933)**	**22,564**

* Treasury share details are disclosed in Note 21.
** Cash flow hedge (CCIRS) transaction details are disclosed in Note 11 (Loans).

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2016
(all amounts in thousands of euros unless otherwise stated)

	3 months ended		9 months ended	
	Sept. 30, 2015	**Sept. 30, 2016**	**Sept. 30, 2015**	**Sept. 30, 2016**
OPERATING ACTIVITIES				
Income before tax	225	990	2,116	2,641
Depreciation and amortization	1,059	1,056	3,141	3,142
(Gain) / loss on sale of tangible assets	(2)	3	(5)	3
Disposal of tangible assets	535	-	535	123
Interest expense	328	197	1,005	662
Interest income	(3)	(1)	(18)	(3)
Unrealized foreign exchange (gains) / losses	23	(14)	37	(28)
Changes in working capital:				
(Increase) / decrease in receivables and other current assets	70	54	(197)	(1,856)
Increase / (decrease) in liabilities	661	648	326	775
Corporate income tax paid	(115)	(144)	(248)	(257)
Net cash from operating activities	**2,781**	**2,789**	**6,692**	**5,202**
INVESTING ACTIVITES				
Purchase of tangible assets and intangibles	(366)	(3,060)	(757)	(6,479)
Sale of tangible assets	13	-	19	-
Interest paid - capitalized	-	(23)	-	(37)
Interest received	3	1	33	3
Net cash used in investing activities	**(350)**	**(3,082)**	**(705)**	**(6,513)**
FINANCING ACTIVITIES				
Proceeds from receipt of loans	-	2,377	-	6,245
Loan repayments	(740)	(835)	(2,198)	(2,423)
Interest paid	(316)	(195)	(978)	(673)
Dividend paid	-	-	(2,002)	(2,305)
Net cash from / (used in) financing activities	**(1,056)**	**1,347**	**(5,178)**	**844**
Increase / (decrease) in cash and cash equivalents	1,375	1,054	809	(467)
Cash and cash equivalents at beginning of period	4,389	3,272	4,822	4,794
Exchange rate gain / (loss) on cash and cash equivalents	(1)	3	132	2
Cash and cash equivalents at end of period	**5,763**	**4,329**	**5,763**	**4,329**

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 SE operates as a holding and provides management, financial and administrative services to its subsidiaries. The real estate development is performed by Graphisoft Park SE's subsidiaries: Graphisoft Park Kft., Graphisoft Park South I. Kft. and Graphisoft Park South II. Development Kft. Graphisoft Park Kft's subsidiary, Graphisoft Park Services Kft. is responsible for property operation tasks.

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 19 on September 30, 2016.

1.2. Properties

The total area of Graphisoft Park is nearly 18 hectares. Over the past 18 years, 53,000 m2 of office, laboratory and educational space have been developed and occupied by tenants. The remaining area provides the opportunity to develop an additional 70,000 m2 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 43,000 m2 completed office and laboratory space, and further 8,000 m2 office space under construction
Monument area	2.4 hectares of land comprising 10,000 m2 of total rentable net internal area of the monument buildings, out of which 7,000 m2 has been renovated
Development areas	6.8 hectares of development land, on which a 3,000 m2 floor area dormitory has been constructed, and further 12,000 m2 office space is under construction

1.3. Stock information

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

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

	December 31, 2015		September 30, 2016	
Shareholder	**Shares (pcs)**	**Share (%)**	**Shares (pcs)**	**Share (%)**
ORDINARY SHARES:	**10,631,674**	**85.00**	**10,631,674**	**85.00**
Directors and management	**3,514,538**	**28.11**	**3,424,082**	**27.38**
Bojár Gábor - Chairman of the BoD	3,185,125	25.47	3,185,125	25.47
Dr. Kálmán János - Member of the BoD	13,500	0.11	13,500	0.11
Szigeti András - Member of the BoD	126,000	1.01	126,000	1.01
Kocsány János - Member of the BoD, CEO***	180,913	1.45	90,457	0.72
Hajba Róbert - CFO	9,000	0.07	9,000	0.07
Shareholders over 5% share	**2,139,524**	**17.10**	**2,595,152**	**20.75**
Concorde Alapkezelő Zrt.	1,643,881	13.14	1,599,509	12.79
AEGON Magyarország Befektetési Alapkezelő Zrt.****	495,643	3.96	995,643	7.96
Other shareholders	**4,428,536**	**35.40**	**4,063,364**	**32.48**
Treasury shares*	**549,076**	**4.39**	**549,076**	**4.39**
EMPLOYEE SHARES:**	**1,876,167**	**15.00**	**1,876,167**	**15.00**
Kocsány János - Member of the BoD, CEO	1,250,778	10.00	1,250,778	10.00
Hajba Róbert - CFO	625,389	5.00	625,389	5.00
SHARES TOTAL:	**12,507,841**	**100.00**	**12,507,841**	**100.00**

* Treasury shares possessed by the Company do not pay dividend and bear no voting rights. For details, see Note 21.
** Class „B" employee shares bear different (reduced) rights to dividend at the proportion of one third of their face value, and are governed by the provisions of the Articles of Association and the Management Share Ownership Plan.
*** Share ownership of Kocsány János decreased in the first quarter of 2016 due to division of assets between family members.
**** AEGON Magyarország Befektetési Alapkezelő Zrt. has acquired 500,000 Graphisoft Park SE ordinary shares on February 24, 2016 through its managed funds in an over the counter transaction. Altogether with the completed recent transaction AEGON Magyarország Befektetési Alapkezelő Zrt. increased its Graphisoft Park SE stock to 995,643 shares with 7.96% of the voting rights.

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, 2018
Dr. Kálmán János	Member	August 21, 2006	May 31, 2018
Kocsány János	Member	April 28, 2011	May 31, 2018
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2018
Szigeti András	Member	July 21, 2014	May 31, 2018

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 in Notes to the Consolidated Financial Statements 2015), with the following differences:

The Company's business activities are neither seasonal nor cyclical; revenues and expenses generally accrue at a constant rate during the course of the financial year. Certain one-off transactions may affect the results from one quarter to the next.

Exchange rates used are as follows:

	3 months ended		9 months ended	
	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016
EUR/HUF opening:	315.04	316.16	314.89	313.12
EUR/HUF closing:	313.32	309.15	313.32	309.15
EUR/HUF average:	312.04	311.15	309.01	312.15

Group companies:

In order to obtain more flexible financing for its real estate development activities, the Company decided on August 12, 2016 to realize the planned real estate developments, which are not covered under previous loan agreements and are planned in the southern development area, in the framework of separate project companies. To this end two project companies, Graphisoft Park South I. Kft. and Graphisoft Park South II. Development Kft. demerged from Graphisoft Park Kft. in a transaction within the Group on September 30, 2016. The transaction left the ownership structure of the companies unchanged as all companies remained in Graphisoft Park SE's sole ownership after the demerger as well. Graphisoft Park SE is the 100% owner of Graphisoft Park Kft., Graphisoft Park South I. Kft. and Graphisoft Park South II. Development Kft., while Graphisoft Park Kft. is the 100% owner of Graphisoft Park Services Kft.

3. Cash and cash equivalents

	December 31, 2015	September 30, 2016
Cash in hand	1	1
Cash at banks	4,793	4,328
Cash and bank	**4,794**	**4,329**

4. Trade receivables

	December 31, 2015	September 30, 2016
Trade receivables	190	636
Provision for doubtful debts	(12)	(12)
Trade receivables	**178**	**624**

Trade receivables are on 8-30 day payment terms.

5. Current tax receivables and liabilities

	December 31, 2015	September 30, 2016
Current tax receivables	131	102
Current tax liabilities	(123)	(237)
Current tax receivable (liability), net	**8**	**(135)**

6. Other current assets

	December 31, 2015	September 30, 2016
Accrued income	103	34
Prepaid expense	21	101
Bank security accounts	-	623
Construction fund manager accounts	-	786
Other receivables	1	7
Other current assets	**125**	**1,551**

7. Tangible and intangible assets – book values

	December 31, 2015	September 30, 2016
Investment property	60,254	64,326
Other tangible assets	273	262
Intangible assets	-	1
Tangible and intangible assets	**60,527**	**64,589**

The table shows movements of investment property during the period:

	Land and buildings	Construction in progress	**Investment property**
Net value:			
December 31, 2015	58,009	2,245	**60,254**
Gross value:			
December 31, 2015	92,911	2,245	**95,156**
Addition		7,493	**7,493**
Capitalization	307	(307)	**-**
Sale	(220)	-	**(220)**
Disposal	(274)	-	**(274)**
September 30, 2016	92,724	9,431	**102,155**
Depreciation:			
December 31, 2015	34,902	-	**34,902**
Addition	3,080	-	**3,080**
Sale	(2)	-	**(2)**
Disposal	(151)	-	**(151)**
September 30, 2016	37,829	-	**37,829**
Net value:			
September 30, 2016	54,895	9,431	**64,326**

Addition in construction in progress of 7,493 thousand EUR comprise the value of the following:

- new developments in progress in the core area (6,913 thousand EUR),
- new developments in progress in the southern development area (280 thousand EUR), and
- other developments and acquisitions (300 thousand EUR).

Construction in progress totaling 9,431 thousand EUR comprises the value of the following:

- historical buildings to be renovated in the monument and northern development area (1,145 thousand EUR),
- new developments in progress in the core area (7,996 thousand EUR),
- new developments in progress in the southern development area (280 thousand EUR), and
- other developments (10 thousand EUR).

The Company capitalized 37 thousand EUR interest expense and 58 thousand EUR exchange rate loss on construction in progress in 2016.

New developments began in Graphisoft Park in 2015, which will result in the construction of 8,000 m2 new office space by 2017. The construction of the new buildings required the demolition of older buildings. Demolition works started in the third quarter of 2015 and accordingly net book value (535 thousand EUR) of buildings demolished marked N and L has been written off. The demolition of Building K started in 2016 and accordingly net book value (123 thousand euros) of this building has been written off in the first quarter of 2016.

Investment property **fair value** estimates are disclosed annually, in the Annual Report.

8. Investments

	December 31, 2015	September 30, 2016
AIT-Budapest Aquincum Institute of Technology Kft.	100	100
Investments	**100**	**100**

The Company acquired a 10 % ownership share (100 thousand EUR) in AIT-Budapest Aquincum Institute of Technology Kft. in 2009.

9. Trade payables

	December 31, 2015	September 30, 2016
Trade payables - domestic	961	2,235
Trade payables	**961**	**2,235**

10. Other short-term liabilities

	December 31, 2015	September 30, 2016
Amounts due to employees	41	46
Deposits from tenants	608	626
Other payables and accruals	952	1,112
Other short-term liabilities	**1,601**	**1,784**

11. Loans

	December 31, 2015	September 30, 2016
Short-term	3,243	3,491
Long-term	36,737	40,311
Loans	**39,980**	**43,802**

Loans provided by Westdeutsche ImmobilienBank AG:

	December 31, 2015	September 30, 2016
Short-term	3,243	3,491
Long-term	36,737	34,066
Loans / Westdeutsche ImmobilienBank AG	**39,980**	**37,557**

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

Loans provided by Erste Bank Hungary Zrt.:

	December 31, 2015	September 30, 2016
Short-term	-	-
Long-term	-	6,245
Loans / Erste Bank Hungary Zrt.	**-**	**6,245**

The Company executed a loan agreement with Erste Bank Hungary Zrt. on December 28, 2015 for a 16.5 million EUR credit facility with 10 years maturity to finance the ongoing development in the core area. In accordance with the loan agreement Erste Bank shall make available a 4 billion HUF credit facility within Pillar I of the second phase of the National Bank of Hungary's Funding for Growth Scheme and another 5 million EUR market rate credit facility to Graphisoft Park (16.5 million EUR maximum altogether). The loan agreement is complemented by hedging agreements to cover exchange and interest rate risks (cross currency interest rate swap (CCRIS) for the HUF based loan and interest rate swap (IRS) for the EUR based loan). Main collaterals provided for the bank are: mortgage on real estate, revenue assignment and bank account pledge.

6,245 thousand EUR (1,931 million HUF) was drawn from the credit facility until September 30, 2016. Borrowing costs of the loan will be capitalized on construction in progress until the completion of the new developments in 2017.

In order to manage exchange rate risks associated with the forint-based loan, we have executed a cash flow hedge (CCIRS) transaction agreement 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 2015), by which we have converted the forint-based capital and interest payment obligations onto euro base. In this construction, the initial change of capital will take place at the commencement of the cash flow hedge transaction (at end of 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.

The management expects the forint-based loan and the related cash flow hedge (CCRIS) transaction agreement to remain in place until the end of their terms, therefore the settlement value (the cost of premature closing based on the bank's statement as of the reporting date) of the cash flow hedge (CCIRS) transaction agreement and the complementary forward exchange rate agreement is stated in the equity (Valuation reserve) and among long term liabilities (Long-term financial liability).

12. Long-term financial liability

	December 31, 2015	September 30, 2016
Settlement value of cash flow hedge transaction	-	478
Settlement value of forward exchange rate agreement	-	(384)
Long-term financial liability, net	**-**	**94**

Long-term financial liability contains the settlement (market) value of the cash flow hedge (CCIRS) transaction and the complementary forward exchange rate agreement related to the forint-based loan facility made available by Erste Bank Hungary Zrt. as of the reporting date. Transaction details are disclosed in Note 11 (Loans).

13. Deferred taxes

	December 31, 2015	September 30, 2016
Development reserve	675	810
Depreciation	(22)	(22)
Loss carried forward	(264)	(200)
Cash flow hedge*	-	(9)
Deferred tax liability, net	**389**	**579**

* Deferred tax impact of the settlement (market) value of the cash flow hedge (CCIRS) transaction and the complementary forward exchange rate agreement related to the forint-based loan facility made available by Erste Bank Hungary Zrt. as of the reporting date. Transaction details are disclosed in note 11 (Loans).

14. Revenue

	3 months ended		9 months ended	
	Sept. 30, 2015	**Sept. 30, 2016**	**Sept. 30, 2015**	**Sept. 30, 2016**
Property rental	2,318	2,363	7,145	7,143
Revenue	**2,318**	**2,363**	**7,145**	**7,143**

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

15. Operating expense

	3 months ended		9 months ended	
	Sept. 30, 2015	**Sept. 30, 2016**	**Sept. 30, 2015**	**Sept. 30, 2016**
Property related expense	14	13	48	39
Employee related expense	109	129	449	550
Other operating expense	63	85	213	227
Depreciation and amortization	1,059	1,056	3,141	3,142
Operating expense	**1,245**	**1,283**	**3,851**	**3,958**

Other operating expense consists of the following items:

	3 months ended		9 months ended	
	Sept. 30, 2015	**Sept. 30, 2016**	**Sept. 30, 2015**	**Sept. 30, 2016**
Office and telecommunication	3	3	10	9
Legal and administration	30	48	109	113
Marketing	8	8	24	25
Other	22	26	70	80
Other operating expense	**63**	**85**	**213**	**227**

16. Other income (expense)

	3 months ended		9 months ended	
	Sept. 30, 2015	**Sept. 30, 2016**	**Sept. 30, 2015**	**Sept. 30, 2016**
Income from recharged construction expenses	40	48	125	218
Recharged construction expenses	(34)	(30)	(101)	(174)
Income from recharged operation expenses	788	816	2,539	2,556
Recharged operation expenses	(742)	(753)	(2,391)	(2,366)
Disposal of tangible assets*	(535)	-	(535)	(123)
Others	(24)	1	5	3
Other income (expense)	**(507)**	**82**	**(358)**	**114**

* New developments began in Graphisoft Park in 2015, which will result in the construction of 8,000 m2 new office space by 2017. The construction of the new buildings required the demolition of older buildings. Demolition works started in the third quarter of 2015 and accordingly net book value (535 thousand EUR) of buildings demolished marked N and L has been written off. The demolition of Building K started in 2016 and accordingly net book value (123 thousand euros) of this building has been written off in the first quarter of 2016.

17. Interest

	3 months ended		9 months ended	
	Sept. 30, 2015	**Sept. 30, 2016**	**Sept. 30, 2015**	**Sept. 30, 2016**
Interest received	3	1	18	3
Interest income	**3**	**1**	**18**	**3**
Interest paid on loans	(327)	(219)	(1,001)	(696)
Other interest paid	(1)	(1)	(4)	(3)
Borrowing cost capitalized	-	23	-	37
Interest expense	**(328)**	**(197)**	**(1,005)**	**(662)**
Net interest expense	**(325)**	**(196)**	**(987)**	**(659)**

18. Exchange rate difference

	3 months ended		9 months ended	
	Sept. 30, 2015	**Sept. 30, 2016**	**Sept. 30, 2015**	**Sept. 30, 2016**
Exchange rate gain (loss) realized	8	(24)	72	(29)
Exchange rate gain (loss) not realized	(24)	(41)	95	(28)
Exchange rate loss not realized capitalized	-	89	-	58
Exchange rate gain (loss)	**(16)**	**24**	**167**	**1**

19. Income taxes

	3 months ended		9 months ended	
	Sept. 30, 2015	**Sept. 30, 2016**	**Sept. 30, 2015**	**Sept. 30, 2016**
Current income tax	(37)	(90)	(210)	(261)
Deferred income tax	(18)	(79)	(151)	(199)
Income tax expense	**(55)**	**(169)**	**(361)**	**(460)**

Applicable tax rates are: income tax 10%, local business tax 2%.

20. Earnings per share

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

	3 months ended		9 months ended	
	Sept. 30, 2015	**Sept. 30, 2016**	**Sept. 30, 2015**	**Sept. 30, 2016**
Net profit attributable to equity holders	170	821	1,755	2,181
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Basic earnings per share (EUR)	**0.02**	**0.08**	**0.17**	**0.22**
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Diluted earnings per share (EUR)	**0.02**	**0.08**	**0.17**	**0.22**

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

Share ownerships details are disclosed in Note 1.3.

21. Treasury shares

Graphisoft Park SE treasury share details are as follows:

	December 31, 2015	**September 30, 2016**
Number of shares	549,076	549,076
Face value per share (EUR)	0.02	0.02
Total face value (EUR)	10,982	10,982
Treasury shares (at historical cost)	**962**	**962**

22. Commitments, contingencies

Development for education purposes

The Group has a contractual commitment to develop for education purposes, which shall result in the set-up of an educational campus on a portion of the area purchased in 2008 (the monument development area) and the start-up of a program of higher education within 5 years from the approval of the zoning plan for the area and the execution of the plot division. The zoning plan has been approved, the plot division may take several years to be carried out. The university campus was completed and handed over in September 2014. The educational program started in 2010 extended further with the International Business School (IBS) moving in.

In accordance with the project to develop a part of the property for educational purposes, the Company signed a cooperation agreement with AIT-Budapest Aquincum Institute of Technology Kft. in 2009. According to this agreement, development of the educational infrastructure is the responsibility of Graphisoft Park, while organizing the educational program and operating the institute are the responsibilities of AIT. AIT pays a market-rate rent for its use of the real estate. The cooperation also covers the issue of the parties' coordinated appearance on the market and joint marketing activities.

Legal proceedings

Graphisoft Park SE's wholly owned subsidiary, Graphisoft Park Kft. filed suit on June 8, 2016 against the Municipality of Budapest for the removal of a pledge over property.

As published in our previous reports, in the purchase of land contract with the Municipality of Budapest in 2008 we have undertook the duty to carry out development for educational purpose by renovating the protected monument parts of the purchased property. To secure the realization of this duty a pledge in the value of 1 billion forints had been recorded. The starting date of the 5 year deadline (execution of plot division) for completing the development has not passed yet, we have met and exceeded our duties ahead of time (see details in the „ Development for education purposes" section above). As the Municipality has refused our request to remove the pledge over property, we have filed suit to the same end with the Budapest-Capital Regional Court. The Court has ruled in Graphisoft Park's favor and ordered the removal of the pledge. At the time of making this report the proceedings continue at the appeals court as the Municipality appealed the decision with the execution pending for the duration of the appeal proceedings.

23. Approval of financial statements

Following the recommendation of the Board of Directors, the Annual General Meeting on April 28, 2016 approved the 2015 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 65,874 thousand EUR and a profit for the year of 2,497 thousand EUR. Together with the approval of the consolidated financial statements for issue, the Annual General Meeting approved dividend distribution of 72 HUF per ordinary share, 24 HUF per employee share, 770,975 thousand HUF in total (2,478 thousand EUR on the exchange rate of April 28, 2016). The starting date for dividend payments was May 31, 2016. The Company paid out the dividends to the shareholders identified by shareholder's registration.

24. Declaration

Statement of responsibility *- We declare that the Quarterly Report which has been prepared in accordance with the applicable accounting 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 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.*