GRAPHISOFT PARK SE

Interim Management Report – Third Quarter 2023

November 9, 2023

Executive Summary

The **2023 Q1-Q3 pro forma net profit of 5.57 million euros** is significantly, by 1.3 million euros, or **29% higher than the same period of prior year**.

For the entire year 2023, we expect sales revenue 200 thousand euros higher, and a pro forma net result of 7.1 million euros, which is 300 thousand euros higher than previously published. The result is due to the indexation following the euro area inflation, as well as the high occupancy rate of 97%, which exceeds the Budapest average. In addition, in the current interest rate environment, interest income realized on free funds also had a significant profit-increasing effect.

Despite the uncertain economic environment, there have not yet been any significant requests from the tenants to reduce their area, and the area reduction of some tenants was largely compensated by the growth of other tenants, but 2024 gives less reason for optimism. The transformation of office use is causing a decrease in demand on the office market, the greatest challenge for tenants is to find the optimal office space, especially the integration of the home office option. Among our tenants, we do see that research and development work involving a high degree of creativity and intensive cooperation cannot work without at least some personal presence. There is an increasing demand for inspiring community spaces, meeting rooms and other flexible spaces, but there is also a lower demand for classic office spaces. All of this can reduce the size of the requested rental spaces. Most of the requests for changes to the leased areas are renegotiated when the contracts expire, but in the case of some tenants, an agreement was reached this year, even before the expiration date, which already affects the 2024 financial year.

In 2024, due to changes in some rental contracts, we expect a decrease in leased areas, but at the same time, we expect occupancy to remain above 90% during the year. The indexation of rental fees – which is expected to be significantly smaller than this year – compensates for part of the lost revenue, so overall, by 2024, we expect **rental revenue of 16.6 million euros, 2% less than this year.** A significant part of the area reductions before the contract expires is compensated by the tenants, which increases other income, so by 2024 we expect a **pro forma net result of 7.1 million euros**, similar to this year.

Pro forma results

Our "pro forma" financial results **for the Q1-Q3 period of 2023** were favorable: due to the high utilization and the applied euro-based indexation, **revenues exceeded the same period of the previous year by 1 million euros, about 9%.** In this period, most of the other income reflects the current period result of the construction and renovation works of the rental property requested and financed by the tenants. This result was reduced by the costs related to the decarbonization strategy of the leased areas, which were financed by the Company. **Operating costs** developed as planned, which, in addition to a small increase in personnel costs, mainly reflects the inflationary increase in the fees for some services used. **Depreciation charge** - due to the depletion of some older assets - decreased slightly compared to the same period of the previous year. The **significant increase in the financial result** is the combined result of two effects: on the one hand, the interest payable on the capital outstanding decreased because of the loan repayments, and the interest income realized on free funds was more favorable than expected.

As a result of the above, in the first 9 months of 2023, the **EBITDA exceeded the same period of the previous year by 490 thousand euros, that is nearly 5%**, and the **profit after tax exceeded 1.3 million euros, or 29%.**

(million euros)	2022 Q1-Q3 actual	2023 Q1-Q3 actual
Rental revenue	**11.59**	**12.64**
Other income (expense) (net)	0.49	0.02
Operating expense	(1.13)	(1.22)
EBITDA	**10.95**	**11.44**
Depreciation	(5.24)	(5.14)
Operating profit	**5.71**	**6.30**
Net financial result	(1.39)	(0.72)
Profit before tax	**4.32**	**5.58**
Income tax expense	(0.01)	(0.01)
Net profit	**4.31**	**5.57**

Forecasts for 2023 and 2024

The **rental revenue in 2023** may be **9% better** than in 2022 due to the increase in revenue because of the high utilization rate and the indexation applied. In 2024, the rent indexation following inflation in the euro zone is expected to be lower than this year, and also some tenants - partly due to the deteriorating economic situation and partly due to the changing office use - may reduce the leased areas. As a result of these two effects, in **2024** the rental revenue might be **300 thousand euros lower, that is 2%**.

The **other income** includes the result of the design and renovation of the rented areas ordered by the tenants, which is reduced by the contribution made by the Company to the reduction of energy consumption and thus to the implementation of investments for decarbonization purposes. In **2023**, the balance of other income and expenses is expected to be **minimal**, but in **2024**, other income **may reach 600 thousand euros**, primarily thanks to compensations to be paid for area reductions before the contract expires.

The **operating costs for 2023 and 2024** also include the inflationary increase in the price of individual services, the increase in personnel costs, and costs of other tasks arising in accordance with our ESG strategy to be published during the year (among others, measurements, data collection, analyzes necessary to optimize building operations). Taking all of this into account, we are planning operating costs of **1.7 million euros** for 2023 (+20%) and **1.9 million euros** for 2024 (an additional 12%).

Depreciation - due to the depletion of some older assets - **may decrease by 100 thousand euros in 2023** compared to the previous year, and by **another 300 thousand euros in 2024.**

As a result of the continuous loan repayments, the interest payable on the principal debt is reduced, and the interest income that can be realized on free funds is also extremely favorable. At the same time, in our forecast, we also calculate a reserve for exchange rate differences that cannot be calculated in advance due to the hectic exchange rate movement of the forint, and we take into account that the interest income that can be realized on free funds may decrease significantly in the future due to changes in the interest rate environment. Based on these, we expect a **net financial cost of 1.2 million euros in 2023 and 1.6 million euros in 2024**.

As a result of all this, in **2023 we expect a net result of 7.1 million euros**, exceeding our previous forecast by 300 thousand euros, **which we can expect to maintain in 2024 as well**, despite the deteriorating economic environment.

(million euros)	2022 actual	*2023 forecast*	*2024 plan*
Rental revenue	**15.54**	***16.9***	***16.6***
Other income (net)	0.64	*(0.0)*	*0.6*
Operating expense	(1.42)	*(1.7)*	*(1.9)*
EBITDA	**14.76**	***15.2***	***15.3***
Depreciation	(7.01)	*(6.9)*	*(6.6)*
Operating profit	**7.75**	**8.3**	***8.7***
Net financial result	(1.71)	*(1.2)*	*(1.6)*
Profit before tax	**6.04**	***7.1***	***7.1***
Income tax expense	(0.02)	*(0.0)*	*(0.0)*
Net profit	**6.02**	***7.1***	***7.1***

Property portfolio and fair value of net assets

At the end of 2023 Q3, the independent valuer estimated the **fair value of the real estate portfolio at 227.9 million euros**, which represents a nearly **3 million euro decrease** compared to the end of 2022. In more detail, the **fair value of the completed and delivered properties decreased by 2.1million euros** compared to the end of the previous year. The reason for this is that the yield expectation increased during the year due to the volatility of energy prices, high inflation, and general market uncertainty - especially regarding the development of an oversupply in the office market. At the same time, thanks to the stable tenant base of the office park and the high utilization of the buildings, they caused a combined decrease of only 1% in the value of the properties. On the other hand, the **fair value of the development areas decreased by more than 5%, by 880 thousand euros**, mainly due to the prolonged and currently completely uncertain implementation of the remediation of the northern development area, and due to the further increase in the expected cost and time requirements of future developments.

Due to the interest levels experienced in the eurozone, the **fair value[1] of the interest rate swap hedging transactions** concluded by the Company to fix the interest rates of its euro-based loans **is still favorable**, which increase is reflected in equity (net asset value). In the meantime, the Company's outstanding **loan portfolio** went below **87 million euros** due to the continuous repayments. **By the end of 2023 Q3,** following the 5.4 million euro dividend payment in May, the Company's **cash balance is nearly 11 million euro**, which will ensure the long-term safe operation of the company, the financing of individual tenant designs, building upgrades and renovations, and forms a reserve for the possible negative effects of the changing economic environment.

In summary: despite the decrease in the fair value of the real estate portfolio, the **net asset fair value** of the Company **exceeded the previous yearend's value by 1.6 million euros and reached 159 million euros**.

[1] The fair value of hedges is intended, among other things, to estimate how much more expensive (in the case of a negative fair value, cheaper) a similar loan could be obtained today. In addition to the current market interest rate environment, the fair value is influenced by several external factors (HUF/EUR exchange rate, monetary policy measures or future interest rate expectations). The development of these factors may result in a significant and in some cases unpredictable changes in the direction and degree of change in the fair value.

[thousands of EUR]

	Dec 31, 2022	March 31, 2023	June 30, 2023	Sept 30, 2023
Completed, delivered properties	215,105	214,838	214,485	213,004
Development lands	15,760	15,620	15,620	14,880
Estimated fair value of the entire property portfolio	**230,865**	**230,458**	**230,105**	**227,884**
Net asset value at estimated fair value	**157,577**	**160,079**	**157,938**	**159,203**
Net asset value at fair value per share (EUR)	15.63	15.88	15.66	15.79

Decarbonization strategy

In addition to the transformation of the function of the office spaces, an important aspect and goal is the continuous reduction of the carbon footprint of the buildings, as well as the development and implementation of the Park's decarbonization strategy together with the tenants. The Company's relevant considerations, the main elements and aspects of its strategy and the results already achieved for 2022 will be published in the ESG report to be issued in 2023. Developments aimed at carbon reduction are the defining elements of our strategy. As part of this, **solar panel systems and heat pumps were installed** in some buildings in the last quarter, in accordance with the needs and decarbonization goals of the respective tenants. In addition, it is equally important to implement efficient building operations and **encourage conscious energy consumption**. This year, compared to the same period of the previous year, in cooperation with the tenants, we managed to achieve **savings of over 20% in both gas and electricity consumption**, which cooperation and intensive relationship we aim to maintain in the future.

* * *

Even now, we believe that the unique **office park** provided by Graphisoft Park, located **in a truly green environment**, will continue to be in demand by companies employing technology- and knowledge-based, highly qualified employees, and we can expect an occupancy rate of over 90%, which exceeds the Budapest office market. The Company's strategy articulated some 25 years ago also works in the light of the "home office" practice that has become common in recent years. Although the way and extent of office use and the distribution of the various functions of the rented areas are undergoing significant changes, research and development activities that require a high degree of creativity and intensive cooperation cannot exist without at least partial personal presence. The target market defined by the Company at the beginning, which are **domestic and international enterprises dealing with technological development**, proved to be a good choice even during uncertain economic prospects, since the key to success in this field is **attracting talent**. This is greatly enhanced by the high-quality and environmentally conscious architecture, a uniquely quiet park rich in ancient trees, on the truly green bank of the Danube, surrounded by the monuments of the former Óbuda Gas Works and preserved in a modern way.

Graphisoft Park's tenants make longer commitments than the national average. The Park's unique natural environment and its information technology focus (the "micro Silicon Valley" concept) provide the space in which globally acclaimed companies have settled as tenants and expanded continuously over time. Examples for these companies are Microsoft (from 1998), SAP (from 2005) or Servier (from 2007); and the Park's naming tenant and founder, Graphisoft SE (from 1998), which now operates wholly independently as a software company. It is also important to highlight that smaller tenants stay in the Park for more than 5 years on average and keep extending (average 1-3 years) their leases after expiration. Due to the peculiarities of the Park, we can meet the growth needs of the tenants: start-ups can become tenants of the Park even with a 1 year contract, and later they will also have the opportunity to expand in line with their growth path. 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 **15.2 years**, and in case of existing lease contracts the **weighted average lease term to expiry** is **2.5 years**.

Further Development potential

In addition to the 82,000 m^2 completed and delivered leasable area on the 18 hectares currently owned by the Company, there is **potential for further expansion** in the entire area of the former Gas Works. On the one hand, an additional 66,000 m^2 of leasable area can be built in the development areas owned by Graphisoft Park – partly immediately and partly after the required remediation (see details in the "Main risk factors - rehabilitation of the northern development area" section). Furthermore, an additional 120,000 m^2 of leasable area can be developed in an area (also affected by remediation) located directly next to the northern development area, which is owned by the Municipality of Budapest, and for the greater part of which the Company has the right of pre-emption in the event of a possible sale. In summary, in the longer term, the **entire area of the former Óbuda Gas Works could be developed into a high-tech park** with almost **270,000 m^2 of leasable space**, which is unique in Central Europe and based on technology companies and education.

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

Financial highlights

IFRS, consolidated, thousand EUR

Results:

	Results	
	September 30, 2022	September 30, 2023
	9 months ended	
Rental revenue	**11,594**	**12,639**
Operating expense	(1,129)	(1,218)
Other income (net)	492	25
EBITDA	**10,957**	**11,446**
Depreciation and amortization	(5,244)	(5,140)
Operating profit	**5,713**	**6,306**
Net interest expense	(1,204)	(633)
Other financial result	(185)	(87)
Profit before tax	**4,324**	**5,586**
Income tax expense	(13)	(13)
Pro forma profit after tax (1)	**4,311**	**5,573**
Pro forma profit after tax per share (EUR) (2)	**0.43**	**0.55**
Valuation difference of investment properties	(2,385)	(2,955)
Unrecognized depreciation	5,071	4,979
Profit after tax according to financial statements	**6,997**	**7,597**
Profit after tax per share according to financial statements (EUR) (2)	**0.69**	**0.75**

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

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

IFRS, consolidated, thousand EUR

Asset value:

	December 31, 2022	September 30, 2023
Fair value of properties	**215,105**	**213,004**
-from this book value (1)	*213,612*	*211,428*
Fair value of development lands	**15,760**	**14,880**
- from this book value (1)	*8,354*	*8,354*
Entire property portfolio at estimated fair value	**230,865**	**227,884**
Net asset value at estimated fair value (2)	**157,577**	**159,203**
Net asset value at cost (1)	*149,619*	*151,983*
Number of ordinary shares outstanding (thousands)	10,083	10,083
Net asset value at fair value per share (euro) (2) (3)	**15.63**	**15.79**
Net asset value at book value per share (euro) (1) (3)	*14.84*	*15.07*

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

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

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

Net asset value at book value and net asset value at fair value (equity) are disclosed in Note 23 to the financial statements.

Detailed Analysis

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

- 2023 Q1-Q3 results ("pro forma" results and results according to the financial statements),
- Utilization, occupancy,
- Modernization plans,
- Financing,
- Forecasts for 2023 and 2024,
- Real estate portfolio and development potential,
- Further growth opportunities

"Pro forma" results for the first 9 months of 2023

"Pro forma" results of the first nine months of 2023 changed compared to the same period of 2022 because of the following main factors:

- **Rental revenue** (2023: 12,639 thousand euros; 2022: 11,594 thousand euros) grew by 1,045 thousand euros, or 9% compared to the same period of last year, due to the stable utilization of the office park and the increasing euro-based indexation of tenant contracts.

- **Operating expense** (2023: 1,218 thousand euros; 2022: 1,129 thousand euros) increased by 8% compared to the same period of last year, which was primarily caused by an inflation-following increase in certain property-related costs and other operating costs.

- **Other income** (2023: 25 thousand euros; 2022: 492 thousand euros) is minimal in the current year. This is largely the result of periodical developments and refurbishments of the rental property based on the request and expense of the tenants, which was also increased by extraordinary items in the previous year. At the same time, in 2023, this result was reduced by the costs of the Company's contribution to the reduction of the energy consumption of the leased areas and the decarbonization strategy of the operation.

- **Depreciation** charge (2023: 5,140 thousand euros; 2022: 5,244 thousand euros) is slightly, around 2% lower than in the previous period, mainly due to the depletion of some older assets.

- **EBITDA** (2023: 11,446 thousand euros; 2022: 10,957 thousand euros) grew by 489 thousand euros, which is 5%, while **operating profit** (2023: 6,306 thousand euros; 2022: 5,713 thousand euros) increased by 593 thousand euros, or 10% compared to the previous year.

- **Net interest expense** (2023: 633 thousand euros; 2022: 1,204 thousand euros) **decreased** significantly **by 571 thousand euros** compared to prior year partly because of the declining principal amounts due to loan repayments, but a larger part as a result of the interest income on forint assets in current year**.**

- **Other financial result** (2023: 87 thousand euros loss; 2022: 185 thousand euros loss) is primarily influenced by the exchange rate difference of our forint-denominated assets.

- The balance of **income tax expense** (2023: 13 thousand euros; 2022: 13 thousand euros) is minimal as the Group – except for Graphisoft Park Engineering & Management Kft. – has "SzIT" status and as such is not subject to corporate income tax and local business tax.

- Overall, **net profit** (2023: 5,573 thousand euros; 2022: 4,311 thousand euros) is significantly, 1,262 thousand euros, or 29% higher compared to the same period of last year.

2023 Q1-Q3 results according to the financial statements

In the first nine months of 2023, results according to the financial statements are 2,024 thousand euros higher than the “pro forma” results due to the following two factors: unrecognized depreciation expense of investment properties increased the results by 4,979 thousand euros, while fair value losses decreased the results by 2,955 thousand euros. As previously the economic situation due to covid, the current energy crisis, high inflation and shrinking demand for office space will affect the entire office market in the coming periods. Even considering these effects, according to the independent valuer's calculations, they resulted in only a moderate decrease in the fair value of the completed and leased properties in the case of Graphisoft Park, given the still high and stable occupancy rate.

In 2022 Q1-Q3, results according to the financial statements were 2,686 thousand euros higher than the “pro forma” results: unrecognized depreciation expense of investment properties increased the results by 5,071 thousand euros, while fair value losses decreased the results by 2,385 thousand euros.

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

Utilization, occupancy

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

Period:	**2022Q1**	**2022Q2**	**2022Q3**	**2022Q4**	**2023Q1**	**2023Q2**	**2023Q3**
Occupancy of gross leasable area (%):	**97%**	**98%**	**98%**	**97%**	**97%**	**97%**	**97%**
Gross leasable area (m^2):	82,000	82,000	82,000	82,000	82,000	82,000	82,000

During 2020, the previously persistently high utilization rate declined slightly to 94%, partly due to the economic downturn caused by the coronavirus epidemic and partly to individual tenant needs. During 2021, despite the protracted crisis, the level of occupancy started to increase again, and it reached 98% by the 2nd quarter of 2022. In the last quarter of 2022, due to the drastic increase in energy prices and the recessionary economic environment, some tenants optimized their office use and reduced a bit their need for space, however, the utilization decreased by only 1% remaining stable at 97%. Although, according to expectations, in a further deteriorating economic environment, occupancy is expected to decrease in 2024 (see below under the Section **“Forecasts for 2023 and 2024”**), the expected occupancy will still exceed the Budapest office market average, proving the significant and lasting demand for the office park dominated by the green environment as a working place.

Modernization plans

Between 2017-2022, we carried out the systematic, mainly mechanical, modernization and renovation of several office buildings, on a total of nearly 25,000 m2, worth around 6.5 million euros. At the same time, in order to satisfy their own unique needs, the tenants financed additional investment of 6 million euros in the buildings. From 2023, the focus of our renovation and modernization programs will be on projects that increase energy efficiency, optimize energy consumption and support the achievement of decarbonization goals, which we will implement in constant consultation and cooperation with our tenants. In the last one and a half year – partly due to the emerging energy crisis – we put a lot of emphasis on monitoring energy consumption, and in cooperation with the tenants, **we achieved savings exceeding 20%** by consciously reducing consumption. Furthermore, at the same time as evaluating the carbon footprint calculation for the year 2022, we are currently working with the involvement of experts on the development of the Company's ESG strategy, which we will publish during 2023 with the release of the first ESG report.

Financing

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

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

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

On November 19, 2019, the Company concluded another euro-based, 10 years to maturity loan facility agreement of 40 million euro value with UniCredit Bank in order to optimize the Company's capital structure and to take advantage of the current very favorable borrowing conditions, which has been drawn on December 30, 2019. To fix the interest rate, the new loan facility was also complemented by an interest rate swap agreement (IRS) for its entire term.

At the end of the period the notional value of the outstanding loan liability went below 87 million euro, which is currently 38% of the property fair value. After concluding the hedge agreements, all of the Company's outstanding loan liabilities have been switched to fixed interest rates for the 10 year loan term, which further strengthens the Park's stable operation. As of September 30, 2023, the average interest rate of the outstanding loans is 1.87% because of the concluded interest rate swaps. The increased positive fair value of interest rate swaps (5.8 million euro) reflects the difference between the current financing conditions available in the higher interest rate environment and the Company's fixed interest rates.

Bank	Initial loan value	Due date	Outstanding loan amount on September 30, 2023
	(thousand euros)		(thousand euros)
Erste Bank Hungary Zrt	15,600	27.12.2025	8,302
UniCredit Bank Hungary Zrt	24,000	23.12.2026	16,400
Erste Bank Hungary Zrt	40,000	31.12.2027	30,138
UniCredit Bank Hungary Zrt	40,000	15.12.2029	31,769
Sum	119,600		86,609

Forecasts for 2023 and 2024

Considering the currently exceptionally high occupancy level, the indexed rents, the Q1-Q3 results, as well as the domestic and European inflation and interest rate environment, but also taking into account the changing expectations of office use and the expected consequences of the deteriorating economic environment, the Company prepared its pro forma result forecasts for 2023 and 2024:

(million euros)	2022 actual	*2023 forecast*	*2024 plan*
Rental revenue	15.54	*16.9*	*16.6*
Other income (net)	0.64	*(0.0)*	*0.6*
Operating expense	(1.42)	*(1.7)*	*(1.9)*
EBITDA	14.76	*15.2*	*15.3*
Depreciation	(7.01)	*(6.9)*	*(6.6)*
Operating profit	7.75	8.3	*8.7*
Net financial result	(1.71)	*(1.2)*	*(1.6)*
Profit before tax	6.04	*7.1*	*7.1*
Income tax expense	(0.02)	*(0.0)*	*(0.0)*
Net profit	6.02	*7.1*	*7.1*

- In our current estimate, we do not expect a change in the leased area for the rest of the year, so we expect a sales revenue of **16.9 million euros in 2023**, which represents a 9% increase compared to the previous year. This is due to the indexation of the rental price following inflation in the euro area and the still maintained high occupancy rate. In our more moderate rental revenue expectation for 2024, we considered the changing office usage habits; and that due to the deteriorating economic environment, during the next year's contract renewals some tenants will only extend their contracts for a smaller area; and also that some tenants requested a reduction of their leased area even before their contract expired. As compensation for this, most of their rental fees for the year 2024 will be paid as compensation, which will be accounted for among other income. When planning rental revenue for 2024, we also take into account that the rate of rental fee indexation will be lower than this year. Based on these, we expect **rental revenue of 16.6 million euros in 2024**, which may be 300 thousand euros, i.e. 2% lower than the previous year.

- **Other income** traditionally refers to the income received to compensate for renovations requested by tenants. In **2023**, however, this is expected to be **minimal**, as other revenues will be reduced by the larger than previous contribution undertaken by the Company in order to achieve the decarbonization goals. In **2024**, however, the compensation to be paid against the reduction of certain rental areas before their expiration will increase the other income, which may thus reach **600 thousand euros**, like previous years.

- In **2023**, based on the significant increase in the fees for the services used, we expect an increase in **operating costs** of nearly **300 thousand euros**, exceeding previous years, which also includes the necessary increase in personal payments in the current inflationary environment. In **2024**, with the further increase in service fees, the new cost elements necessary to achieve the goals defined in the ESG strategy, and the expected increase in personal payments, we expect a **further 12% increase**.

- As a combined effect of the above, according to our current calculations, the **EBITDA** in **2023** is expected to be **15.2 million euros**, an increase of about 400 thousand euros from the previous year, which may increase by another 100 thousand euros and reach **15.3 million euros** in **2024**.

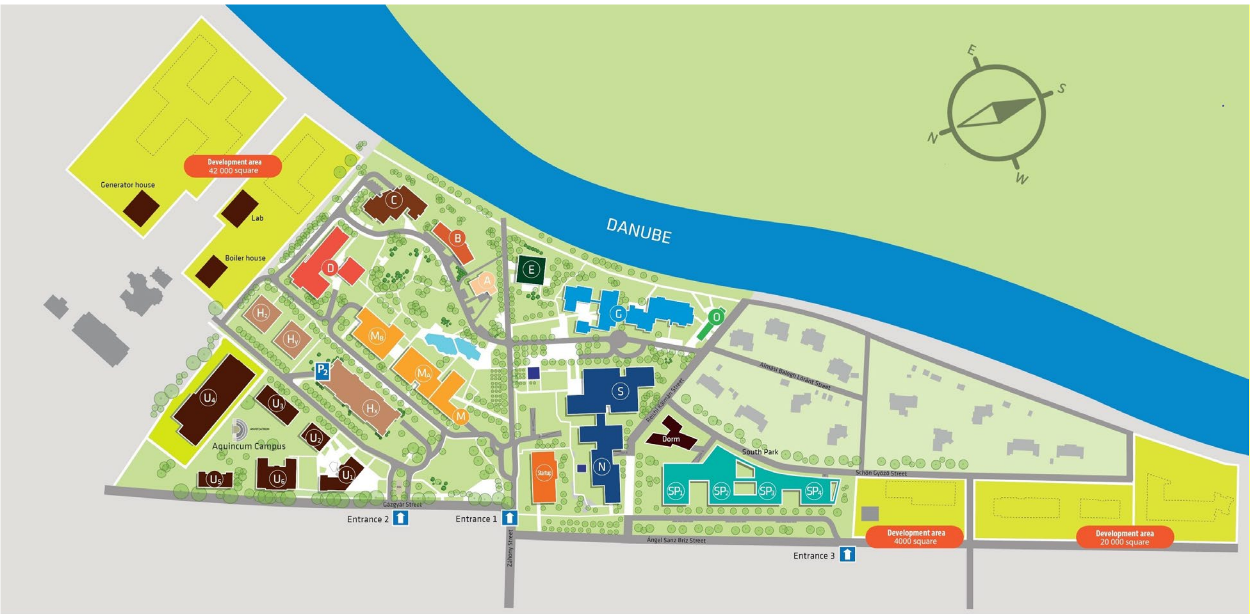
- In **2023**, the **depreciation** (which does not appear in the consolidated accounts according to the SZIT rules) due to the depletion of some older assets is expected to **decrease by around 100 thousand euros** compared to the previous year, and in **2024 by another 300 thousand euros**.

- The **net financial result** is expected to be exceptionally high in 2023 because of the decreasing outstanding capital due to continuous loan repayments, but especially the interest income that can be realized on free funds. At the same time, we also count on an estimated reserve for possible exchange rate losses resulting from fluctuations in the HUF/EUR exchange rate. In 2024, due to the changes in the interest rate environment, we no longer expect interest income of the same level as this year, and the volatility of the forint may also cause further exchange rate losses. In total, a net financial cost of **1.2 million euros is expected for 2023 and 1.6 million euros for 2024**.

- As a result of all this, the expected **pro forma net result** in **2023** may exceed the previous year by almost 1.1 million euros and reach **7.1 million euros**, which means an increase of about 18%, while we expect **a similar result in 2024**.

Further development opportunities

By the completion of the developments in the core and the southern area from September 2018, Graphisoft Park has **82,000 m^2 gross leasable area** as well as **underground parking for** around **2,000 cars** available for its tenants, ensuring the green dominance in the Park.



The southernmost part of the southern development area, named South Park II, offer room for another 20,000 m^2 potential development. The preparatory works were finished in 2020 to deliver new buildings on this area even within 18 months if demand would arise.

The property purchased in 2021 with an area of cca. 1,200 m2, which is located between the already built-in South Park I and South Park II development areas, allows the development of an additional 4,000 m2 of leasable office space, combined with the neighboring plots already owned by the Company In 2022 we received building permission for the possible development; however, the Company will decide on the initiation of the project at a later date, taking into account the conditions and the possibilities of the construction, in particular the development of raw material and energy prices, the possible capacity limitations and the general economic prospects, in addition to the requests of the tenants.

In the northern area no further preparatory work or development is allowed until MVM Next Energiakereskedelmi Zrt. completes its mandated rehabilitation duties in the area (see details below in the “Main risk factors - rehabilitation of the northern development area” section). After the remediation, this northern development area together with the unused part of the monument area will provide room for another 42,000 m^2 gross leasable area. Altogether this gives **development potential of around additional 66,000 m^2 gross leasable area, and as such, the gross leasable area might increase to 148,000 m^2 in the whole Graphisoft Park.**

In addition to the above, we should mention that next to the 18 hectares of the former Óbuda Gas Works owned by the Company, there is **another 12 hectares of development land** owned by the Municipality of Budapest. Following the required remediation, according to the currently valid regulations, an **additional 120,000 m^2 of leasable area can be developed**, for which an underground garage suitable for accommodating around 3,000 cars can also be built. If the Municipality of Budapest wishes to sell its development areas, the Company has the right of pre-emption for the larger part of it (7.5 hectares).

In addition to the 82,000 m^2 developed and delivered leasable area currently owned by Graphisoft Park, the further development opportunities are summarized below:

Development opportunities	Leasable area (m^2)
Owned by Graphisoft Park:	
Not affected by remediation, prepared for development by archaeological work:	24,000 m^2
Awaiting remediation:	42,000 m^2
Owned by the Municipality of Budapest, awaiting remediation:	120,000 m^2
Additional development opportunities in total:	186,000 m^2

In summary, in the **entire area of the former Óbuda Gas Works**, in addition to the buildings that have already been delivered, an **additional 186,000 m^2 of leasable area can be developed** - partly immediately, partly after the prescribed remediation (refer to section "Main risk factors associated with the areas") **on properties owned by Graphisoft Park and the Municipality of Budapest**. Thus, with a total **leasable area of nearly 270,000 m^2**, a high-tech park can be developed which is unique in Central Europe and based on technology companies and education.

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

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

Main risk factors associated with the areas

Rehabilitation of the northern development area:

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 MVM Next Energiakereskedelmi Zrt.). After the final administrative judgment made on December 12, 2019, the Pest County Government Office conducted new proceedings. In the resolution received on April 30, 2020, the Pest County Government Office notified us about the repeated prolongation of the completion deadline of the rehabilitation in the northern development area, and stated new deadlines of May 31, 2021, and September 30, 2022.

Government Decree nr. 286/2021 (V. 27.) on the establishment of rules related to certain administrative authority procedures was published on May 27, 2021. Pursuant to Section 1 of the Government Decree in force between May 28, 2021, and June 24, 2021, the polluter became entitled to request an extension of the deadline for remediation from the environmental authority, which was obliged to grant the extension. MVM Next Energiakereskedelmi Zrt. submitted the relevant request, which was approved by the authority and the decree ruled out the possibility of an appeal, so the current deadline for carrying out remediation and submitting the final documentation was December 31, 2022.

We requested information from MVM Next Energiakereskedelmi Zrt. about its implementation plans related to the said deadline, to which we received the following information in response. MVM Next Energiakereskedelmi Zrt. still has the necessary permits to call for the construction tender and start construction, and has prepared the necessary documentation for the tender, however, despite its best intentions, it cannot make any responsible statement about the expected completion date of the remediation.

On December 23, 2022, Government Decree of 566/2022 (XII. 23) was published, which deals with the establishment of rules related to certain administrative authority procedures. On the basis of this decree, the legal entity obliged to remediate became entitled to request an extension of the remediation deadline from the environmental protection authority. If the application was submitted, the authority was obliged to grant the deadline extension. MVM Next Energiakereskedelmi Zrt., which is obliged to remediate the damage, submitted its request for this on December 27, 2022, which was granted by the authority on December 28, 2022. The decree ruled out the possibility of an appeal, so the currently valid new deadline for carrying out the remediation and submitting the final documentation is **December 31, 2024**, and the deadline for the remediation of certain sub-areas and for sub-surface water is **April 30, 2026**.

The actual remediation work did not start till the date of this Report, and we are not aware of the preparation of the works either. Based on all of this, Graphisoft Park considers the date of the actual start and end of the remediation to be uncertain, and therefore does not see it possible to start developments in the northern development area within the foreseeable future.

Flood risk:

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.

Economic environment:

Since the properties in Graphisoft Park are mainly rented by stable companies, operating in research & development, which are less affected by the crisis caused by the coronavirus epidemic, the utilization of the office park has decreased only slightly and temporarily as a direct effect of the crisis and is at 97% again. At the same time, temporary or longer-term vacancies occuring because of the change in tenant behavior due to the hectic movements of the forint exchange rate, the high inflation rate and the energy crisis: this means that we must once again consider the demands for reducing office space and the permanent transformation of office use. Considering the risks affecting the rental revenue and the recession forecasts, we cannot exclude a more permanent devaluation of the property fair value either, as a result of the increasing market yield expectations.

***

Forecasts published here are based on the valid lease contracts in effect at the time of writing this report. Factors significantly affecting results are changes in the HUF/EUR exchange rate (of which effects on the Company's results are unpredictable due to year-on-year fluctuations), the inflation rate and the regulatory environment with special regards to the tax regulations. In this forecast we calculate with 390 HUF/EUR exchange rate, euro inflation rate of 5.6% and unchanged legal and taxation environment till the end of 2024.

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 9, 2023

Kocsány János

Bojár Gábor
Chairman of Board of Directors

Kocsány János
Chief Executive Officer

GRAPHISOFT PARK SE

QUARTERLY REPORT

for the quarter ended September 30, 2023

in accordance with International Financial Reporting Standards (IFRS)

(consolidated, unaudited)

Budapest, November 9, 2023

Kocsány János

Chief Executive Officer

Farkas Ildikó

Chief Financial Officer

GRAPHISOFT PARK SE
QUARTERLY REPORT
SEPTEMBER 30, 2023

CONTENTS:

GRAPHISOFT PARK SE
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2023
(all amounts in thousands of euros unless otherwise indicated)

	Notes	December 31, 2022	September 30, 2023
Cash and cash equivalents	3	12,236	10,898
Trade receivables	4	1,252	1,610
Current tax receivable	5	18	671
Other current assets	6	4,241	2,891
Current assets		**17,747**	**16,070**
Investment property	9	221,966	219,782
(Owner-occupied) Property, Plant and Equipment	7	1,256	1,152
Intangible assets	8	65	61
Long-term financial assets	13	8,118	7,538
Non-current assets		**231,405**	**228,533**
TOTAL ASSETS		**249,152**	**244,603**
Short-term loans	12	5,310	5,454
Trade payables	10	419	630
Current tax liability	5	459	393
Other short-term liabilities	11	5,855	3,973
Current liabilities		**12,043**	**10,450**
Long-term loans	12	83,533	79,552
Long-term financial liabilities	13	2,699	1,747
Other long-term liabilities	14	1,258	871
Non-current liabilities		**87,490**	**82,170**
TOTAL LIABILITIES		**99,533**	**92,620**
Share capital	1.3	250	250
Retained earnings		144,810	146,969
Treasury shares	22	(972)	(979)
Cash flow hedge reserve	13	7,937	8,136
Revaluation reserve of properties		681	681
Accumulated translation difference		(3,087)	(3,074)
Shareholders' equity		**149,619**	**151,983**
TOTAL LIABILITIES & EQUITY		**249,152**	**244,603**

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF INCOME
SEPTEMBER 30, 2023
(all amounts in thousands of euros unless otherwise indicated)

	Notes	3 months ended		9 months ended	
		Sept 30, 2022	**Sept 30, 2023**	**Sept 30, 2022**	**Sept 30, 2023**
Property rental revenue		3,885	4,225	11,594	12,639
Revenue	**15**	**3,885**	**4,225**	**11,594**	**12,639**
Property related expense	16	(31)	(39)	(86)	(111)
Employee related expense	16	(155)	(163)	(772)	(801)
Other operating expense	16	(76)	(82)	(271)	(306)
Depreciation and amortization	7, 16	(54)	(50)	(173)	(161)
Operating expense		**(316)**	**(334)**	**(1,302)**	**(1,379)**
Valuation (losses) from investment property	9	(1,634)	(1,760)	(2,385)	(2,955)
Other income	17	103	55	492	25
OPERATING PROFIT		**2,038**	**2,186**	**8,399**	**8,330**
Interest income	18	31	170	92	619
Interest expense	18	(436)	(411)	(1,296)	(1,252)
Exchange rate difference	19	(9)	(154)	(185)	(87)
Financial result		**(414)**	**(395)**	**(1,389)**	**(720)**
PROFIT BEFORE TAX		**1,624**	**1,791**	**7,010**	**7,610**
Income tax expense	20	(4)	(5)	(13)	(13)
PROFIT FOR THE PERIOD		**1,620**	**1,786**	**6,997**	**7,597**
Attributable to equity holders of the parent		1,620	1,786	6,997	7,597
Basic earnings per share (EUR)	21	0.16	0.18	0.69	0.75
Diluted earnings per share (EUR)	21	0.16	0.18	0.69	0.75

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
SEPTEMBER 30, 2023
(all amounts in thousands of euros unless otherwise indicated)

	Notes	3 months ended		9 months ended	
		Sept 30, 2022	**Sept 30, 2023**	**Sept 30, 2022**	**Sept 30, 2023**
Profit for the period		**1,620**	**1,786**	**6,997**	**7,597**
Cash-flow hedge valuation reserve*		3,042	230	9,295	199
Translation difference**		(29)	(33)	(71)	13
Other comprehensive income		**3,013**	**197**	**9,224**	**212**
COMPREHENSIVE INCOME		**4,633**	**1,983**	**16,221**	**7,809**
Attributable to equity holders of the parent		4,633	1,983	16,221	7,809

* 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, 2023
(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, 2021	**250**	**140,390**	**(988)**	**(1,440)**	**681**	**(3,039)**	**135,854**
Profit for the period	-	6,904	-	93	-	-	**6,997**
Translation difference	-	-	-	-	-	(71)	**(71)**
Revaluation reserve	-	93	-	9,202	-	-	**9,295**
Treasury share transfer	-	(25)	25	-	-	-	**-**
Dividend	-	(4,341)	-	-	-	-	**(4,341)**
Treasury share purchase	-	-	(9)	-	-	-	**(9)**
September 30, 2022	**250**	**143,021**	**(972)**	**7,855**	**681**	**(3,110)**	**147,725**
December 31, 2022	**250**	**144,810**	**(972)**	**7,937**	**681**	**(3,087)**	**149,619**
Profit for the period	-	7,596	-	1	-	-	**7,597**
Translation difference	-	-	-	-	-	13	**13**
Revaluation reserve	-	1	-	198	-	-	**199**
Treasury share purchase	-	-	(11)	-	-	-	**(11)**
Treasury share transfer	-	(4)	4	-	-	-	**-**
Dividend	-	(5,434)	-	-	-	-	**(5,434)**
September 30, 2023	**250**	**146,969**	**(979)**	**8,136**	**681**	**(3,074)**	**151,983**

* Treasury share details are disclosed in Note 22.
** Cash flow hedge transaction details are disclosed in Note 12 (Loans).
*** Revaluation surplus on leasing a part of owner-occupied property, i.e., transfers from owner-occupied property to investment property.

GRAPHISOFT PARK SE
CONSOLIDATED STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2023
(all amounts in thousands of euros unless otherwise indicated)

	3 months ended		9 months ended	
	Sept 30, 2022	**Sept 30, 2023**	**Sept 30, 2022**	**Sept 30, 2023**
OPERATING ACTIVITIES				
Income before tax	1,624	1,791	7,010	7,610
Fair value change of investment properties	1,634	1,760	2,385	2,955
Depreciation and amortization	54	50	173	161
Interest expense	436	411	1,296	1,252
Interest income	(31)	(170)	(92)	(619)
Unrealized foreign exchange (gain) / loss	(117)	(83)	(272)	93
Changes in working capital:				
(Increase) / decrease in receivables and other current assets	(1,338)	(1,063)	(1,408)	342
Increase / (decrease) in liabilities	1,802	(1,479)	1,526	(1,720)
Corporate income tax paid	(5)	(8)	(16)	(19)
Net cash from operating activities	**4,059**	**1,209**	**10,602**	**10,055**
INVESTING ACTIVITES				
Purchase of investment property	(444)	(296)	(802)	(768)
Purchase of other tangible assets and intangibles	(17)	(8)	(30)	(41)
Interest received	31	176	93	622
Net cash used in investing activities	**(430)**	**(128)**	**(739)**	**(187)**
FINANCING ACTIVITIES				
Loan repayments	(1,465)	(1,484)	(4,396)	(4,450)
Interest paid	(430)	(406)	(1,289)	(1,213)
Treasury share purchase	-	-	(9)	(11)
Dividend paid	-	-	(4,341)	(5,434)
Net cash used in financing activities	**(1,895)**	**(1,890)**	**(10,035)**	**(11,108)**
Increase / (decrease) in cash and cash equivalents	1,734	(809)	(172)	(1,240)
Cash and cash equivalents at beginning of period	8,046	11,837	10,066	12,236
Exchange rate gain / (loss) on cash and cash equivalents	14	(130)	(100)	(98)
Cash and cash equivalents at end of period	**9,794**	**10,898**	**9,794**	**10,898**

(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 the software development company 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. Graphisoft Park Engineering & Management Kft. is responsible for the Group's certain property management, engineering, and administration activities.

Graphisoft Park SE (court registration number: CG 01-20-000002) and subsidiaries are incorporated under the laws of Hungary. Registered address of the Company is H-1031 Budapest, Záhony utca 7., Hungary. Headcount was 25 on September 30, 2023.

1.2. Properties

The total area of Graphisoft Park is nearly 18 hectares. Over the past 25 years, 82,000 m^2 gross leasable area (offices, laboratories, educational area, and auxiliary facilities) have been developed and occupied by tenants. Belonging to them underground parking facilities for around 2,000 cars are available. The remaining area provides the opportunity to develop an additional 66,000 m^2 of gross leasable area together with underground parking and auxiliary facilities.

The real estate is categorized as follows:

Area	Property	
Gross leasable area	Office area	58,000 sqm
	Laboratory	7,000 sqm
	Educational area	8,000 sqm
	Storage	6,000 sqm
	Service area	3,000 sqm
	Underground parking	2,000 pcs
Development area	Northern development area (after rehabilitation)	42,000 sqm
	Southern development area	24,000 sqm

(all amounts in thousands of euros unless otherwise indicated)

1.3. Stock information

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

	December 31, 2022			September 30, 2023		
Shareholder	**Shares (pcs)**	**Share (%)**	**Voting right (%)**	**Shares (pcs)**	**Share (%)**	**Voting right (%)**
ORDINARY SHARES:	**10,631,674**	**100.00**	**87.92**	**10,631,674**	**100.00**	**89.90**
Directors and management	**1,789,082**	**16.83**	**15.60**	**1,789,082**	**16.83**	**15.95**
Bojár Gábor - Chairman of the BoD	1,685,125	15.85	14.69	1,685,125	15.85	15.02
Dr. Kálmán János - Member of the BoD	13,500	0.13	0.12	13,500	0.13	0.12
Kocsány János - Member of the BoD, CEO	90,457	0.85	0.79	90,457	0.85	0.81
Shareholders over 5% share	**2,948,817**	**27.74**	**25.71**	**2,960,406**	**27.85**	**26.39**
HOLD Alapkezelő Zrt.	701,233	6.60	6.12	735,386	6.92	6.56
AEGON Magyarország Befektetési Alapkezelő Zrt.	747,584	7.03	6.52	725,020	6.82	6.46
B.N.B.A. Holding Zrt.	1,500,000	14.11	13.08	1,500,000	14.11	13.37
Other shareholders	**5,344,699**	**50.27**	**46.61**	**5,333,110**	**50.16**	**47.55**
Treasury shares*	**549,076**	**5.16**	**-**	**549,076**	**5.16**	**-**
EMPLOYEE SHARES:**	**1,876,167**	**-**	**12.08**	**1,876,167**	**-**	**10.10**
Kocsány János - Member of the BoD, CEO***	1,384,819	-	12.08	923,213	-	8.23
Farkas Ildikó – Member of the BoD***	-	-	-	90,000	-	0.80
Pálfalvi Zsuzsa – Director of Operations***	-	-	-	120,000	-	1.07
Employee treasury shares*	491,348	-	-	742,954	-	-
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 fifty percent 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.
***As announced on April 6, 2023, the Company repurchased 461,606 employee shares from Kocsány János CEO and transferred 90,000 employee shares to Farkas Ildikó CFO and transferred 120,000 employee shares to Pálfalvi Zsuzsa Operational Director.

(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, 2026
Dr. Kálmán János	Member	August 21, 2006	May 31, 2026
Kocsány János	Member	April 28, 2011	May 31, 2026
Dr. Martin-Hajdu György	Member	July 21, 2014	May 31, 2026
Szigeti András	Member	July 21, 2014	May 31, 2026
Hornung Péter	Member	April 20, 2017	May 31, 2026
Farkas Ildikó	Member	April 28, 2023	May 31, 2026

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

According to the resolution of the AGM held on April 28, 2023, Farkas Ildikó CFO was elected as member of the Board of Directors.

2. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year (see Notes to the Consolidated Annual Financial Statements of 2022), with the following differences:

Seasonality of business

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

Exchange rates used

Exchange rates used are as follows:

	9 months ended September 30, 2022	9 months ended September 30, 2023
EUR/HUF opening:	369.00	400.25
EUR/HUF closing:	421.41	391.25
EUR/HUF average:	384.95	381.89

(all amounts in thousands of euros unless otherwise indicated)

3. Cash and cash equivalents

	December 31, 2022	September 30, 2023
Cash in hand	1	1
Cash at banks	12,235	10,897
Cash and bank	**12,236**	**10,898**

4. Trade receivables

	December 31, 2022	September 30, 2023
Trade receivables	1,267	1,625
Provision for doubtful debts	(15)	(15)
Trade receivables	**1,252**	**1,610**

Trade receivables are on 8-30 day average payment terms according to the contracts.

5. Current tax receivables and liabilities

	December 31, 2022	September 30, 2023
Current tax receivables	18	671
Current tax liabilities	(459)	(393)
Current tax (liabilities) / receivables, net	**(441)**	**278**

(all amounts in thousands of euros unless otherwise indicated)

6. Other current assets

	December 31, 2022	**September 30, 2023**
Accrued income	251	133
Prepaid expense	1,546	251
Bank security accounts	2,313	2,331
Other receivables	131	176
Other current assets	**4,241**	**2,891**

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

	(Owner-occupied) Property	Plant and Equipment	**(Owner-occupied) Property, Plant and Equipment**
Net value:			
December 31, 2021	1,023	418	**1,441**
Gross value:			
December 31, 2021	1,375	1,135	**2,510**
Addition	-	54	**54**
Sale	-	(56)	**(56)**
Scrapping	-	(3)	**(3)**
Translation difference	-	(63)	**(63)**
December 31, 2022	1,375	1,067	**2,442**
Depreciation:			
December 31, 2021	352	717	**1,069**
Addition	82	122	**204**
Sale	-	(47)	**(47)**
Scrapping	-	(3)	**(3)**
Translation difference	-	(37)	**(37)**
December 31, 2022	434	752	**1,186**
Net value:			
December 31, 2022	941	315	**1,256**

(all amounts in thousands of euros unless otherwise indicated)

Gross value:			
December 31, 2022	1,375	1,067	**2,442**
Addition	2	26	**28**
Sale	-	-	**-**
Scrapping	-	(124)	**(124)**
Translation difference	-	17	**17**
September 30, 2023	1,377	986	**2,363**
Depreciation:			
December 31, 2022	434	752	**1,186**
Addition	61	77	**138**
Sale	-	-	**-**
Scrapping	-	(124)	**(124)**
Translation difference	-	11	**11**
September 30, 2023	495	716	**1,211**
Net value:			
September 30, 2023	882	270	**1,152**

8. Intangible assets

	Software	**Intangible assets**		Software	**Intangible Assets**
Net value:			***Net value:***		
December 31, 2021	91	**91**	**December 31, 2022**	65	**65**
Gross value:			***Gross value:***		
December 31, 2021	137	**137**	December 31, 2022	136	**136**
Addition	9	**9**	Addition	18	**18**
Translation difference	(10)	**(10)**	Translation difference	3	**3**
December 31, 2022	136	**136**	**September 30, 2023**	157	**157**
Depreciation:			***Depreciation:***		
December 31, 2021	46	**46**	December 31, 2022	71	**71**
Addition	30	**30**	Addition	23	**23**
Translation difference	(5)	**(5)**	Translation difference	2	**2**
December 31, 2022	71	**71**	**September 30, 2023**	96	**96**
Net value:			***Net value:***		
December 31, 2022	65	**65**	**September 30, 2023**	61	**61**

(all amounts in thousands of euros unless otherwise indicated)

9. Investment property

	Development Land	Completed investment property	**Investment property**
Book value:			
December 31, 2021	8,348	216,723	**225,071**
Addition	6	903	**909**
Change in fair value	-	(4,014)	**(4,014)**
December 31, 2022	8,354	213,612	**221,966**
Addition	-	771	**771**
Change in fair value	-	(2,955)	**(2,955)**
September 30, 2023	8,354	211,428	**219,782**

2023 Q1-Q3 additions in construction in progress of 771 thousand EUR comprise the following:

- refurbishment of buildings in progress in the core area (292 thousand EUR),
- fit-out works in completed investment properties upon tenant's requests (167 thousand EUR) and
- other developments in progress (312 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.

(all amounts in thousands of euros unless otherwise indicated)

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

		December 31, 2022	September 30, 2023
Rental area	• office, laboratory, and related service areas	73,000 m^2	73,000 m^2
	• education area	6,000 m^2	6,000 m^2
	• Dormitory	3,000 m^2 / 85 persons	3,000 m^2 / 85 persons
Development lands	• rentable area which can be developed	66,000 m^2	66,000 m^2
Long term occupancy		82-90%	82-90%
Average discount factor		7.16%	7.73%

10. Trade payables

	December 31, 2022	September 30, 2023
Trade payables – domestic	419	630
Trade payables	**419**	**630**

11. Other short-term liabilities

	December 31, 2022	September 30, 2023
Amounts due to employees and related tax liabilities	77	71
Deposits from tenants	796	825
Fair value difference of loans*	548	518
Other payables and accruals	4,434	2,559
Other short-term liabilities	**5,855**	**3,973**

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

(all amounts in thousands of euros unless otherwise indicated)

12. Loans

12.1. Loan details

	December 31, 2022	September 30, 2023
Short-term	5,310	5,454
Long-term	83,533	79,552
Loans	**88,843**	**85,006**

Loans provided by Erste Bank Hungary Zrt.:

Loan number 1. (Erste)

	December 31, 2022	September 30, 2023
Short-term	719	758
Long-term	7,634	7,200
Loan 1 / Erste Bank Hungary Zrt.	**8,353**	**7,958**

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

As of September 30, 2023, the outstanding capital of the forint-based facility amounts to 2.5 billion HUF (6,487 thousand EUR); and the euro-based facility amounts to 1,813 thousand EUR. The fair value of the loans (calculated using market interest rates) is 7,958 thousand EUR (see details under point 12.2 below).

In order to manage exchange rate risks associated with the forint-based loan, we have executed a cash flow hedge (CCIRS) transaction agreement on June 24, 2016, covering the entire loan amount and cash flows from the beginning of the loan repayment period until the expiration of the loan contract (from end of 2017 until end of 2025), by which we have converted the forint-based capital and interest payment obligations onto euro base. As of September 30, 2023, the fair value of the cash flow hedge transaction is presented among long-term financial liabilities in the amount of 1,747 thousand EUR.

(all amounts in thousands of euros unless otherwise indicated)

Loan number 2. (Erste)

	December 31, 2022	September 30, 2023
Short-term	1,964	2,006
Long-term	29,558	28,042
Loan 2 / Erste Bank Hungary Zrt.	**31,522**	**30,048**

On November 30, 2017, based on the decision of the Board of Directors, the Company concluded a new euro-based, 10 years to maturity loan facility with Erste Bank Hungary Zrt., which is complemented by an interest rate swap agreement (IRS) for its entire term from the second half of 2018, thus the interest rate is fixed for the entire term. On September 30, 2023, the fair value of the IRS is 2,653 thousand EUR, which is presented among the long-term financial assets.

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

Loans provided by UniCredit Bank Hungary Zrt.:

Loan number 1. (Unicredit)

	December 31, 2022	September 30, 2023
Short-term	1,223	1,245
Long-term	15,046	14,110
Loan 1. / UniCredit Bank Hungary Zrt.	**16,269**	**15,355**

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

As of September 30, 2023, the outstanding capital amounts to 16,400 thousand EUR, whose fair value was 15,355 thousand EUR (calculated using market interest rates) (see details under point 12.2 below).

(all amounts in thousands of euros unless otherwise indicated)

Loan number 2. (Unicredit)

	December 31, 2022	September 30, 2023
Short-term	1,404	1,445
Long-term	31,295	30,200
Loan 2./ UniCredit Bank Hungary Zrt.	**32,699**	**31,645**

On November 19, 2019, the Company concluded a euro-based, 10 years to maturity loan facility agreement of 40 million EUR value with UniCredit Bank to optimize the Company's capital structure, which has been already drawn on December 30, 2019. To fix the interest rate, the loan facility is complemented by an interest rate swap agreement (IRS) for its entire term. On September 30, 2023, the fair value of the IRS is 4,885 thousand EUR, which is presented among the long-term financial assets.

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

12.2. Analyses

Fair value of the loans:

	December 31, 2022	September 30, 2023
Erste Bank Hungary Zrt. Loan nr. 1.*	8,353	7,958
Erste Bank Hungary Zrt. Loan nr. 2.	31,522	30,048
UniCredit Bank Hungary Zrt. Loan nr. 1.*	16,269	15,355
UniCredit Bank Hungary Zrt. Loan nr. 2.	32,699	31,645
Loans at fair value*	**88,843**	**85,006**

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

(all amounts in thousands of euros unless otherwise indicated)

Loans with preferential interest rate:

As part of its monetary policy instruments, National Bank of Hungary (MNB) launched its Funding for Growth Scheme (NHP) in 2013, Under NHP, 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 NHP 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, 2023:

	Outstanding loan liability	**Fair value difference	*Fair value
Erste Bank Hungary Zrt.	8,302	344	7,958
UniCredit Bank Hungary Zrt.	16,400	1,045	15,355
Loans (NHP)	**24,702**	**1,389**	**23,313**

* 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 under other short-term liabilities (Note 11) and other long-term liabilities (Note 14) and amortized through profit and loss based on the effective interest rate method.

13. Fair value of hedges

	December 31, 2022	**September 30, 2023**
ERSTE Bank Hungary Zrt. loan nr. 1.	(2,699)	(1,747)
ERSTE Bank Hungary Zrt. loan nr. 2.	2,888	2,653
UniCredit Bank Hungary Zrt. loan nr. 2.	5,230	4,885
Fair value of hedges*	**5,419**	**5,791**
Of which long term financial asset	8,118	7,538
Of which long term financial liability	(2,699)	(1,747)
Reserve of the relating cash flow hedge	7,937	8,136

*The period end fair valuation of IRSs has been prepared by the financing banks.

(all amounts in thousands of euros unless otherwise indicated)

14. Other long-term liabilities

	December 31, 2022	September 30, 2023
Fair value difference of loans*	1,251	871
Warranty retention	7	-
Other long-term liabilities	**1,258**	**871**

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

(all amounts in thousands of euros unless otherwise indicated)

15. Revenue

	3 months ended		9 months ended	
	Sept 30, 2022	**Sept 30, 2023**	**Sept 30, 2022**	**Sept 30, 2023**
Property rental revenue	3,885	4,225	11,594	12,639
Revenue	**3,885**	**4,225**	**11,594**	**12,639**

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

16. Operating expense

	3 months ended		9 months ended	
	Sept 30, 2022	**Sept 30, 2023**	**Sept 30, 2022**	**Sept 30, 2023**
Property related expense	31	39	86	111
Employee related expense	155	163	772	801
Other operating expense	76	82	271	306
Depreciation and amortization	54	50	173	161
Operating expense	**316**	**334**	**1,302**	**1,379**

Other operating expense consists of the following items:

	3 months ended		9 months ended	
	Sept 30, 2022	**Sept 30, 2023**	**Sept 30, 2022**	**Sept 30, 2023**
Office and telecommunication	3	3	5	5
Legal and administration	27	29	111	134
Other	46	50	155	167
Other operating expense	**76**	**82**	**271**	**306**

(all amounts in thousands of euros unless otherwise indicated)

17. Other income

	3 months ended		9 months ended	
	Sept 30, 2022	**Sept 30, 2023**	**Sept 30, 2022**	**Sept 30, 2023**
Income from recharged construction expenses	70	16	370	145
Recharged construction expenses	(62)	(12)	(328)	(118)
Income from recharged operation expenses	1,377	1,561	4,337	5,024
Recharged operation expenses	(1,281)	(1,488)	(4,017)	(4,978)
Others	(1)	(22)	130	(48)
Other income	**103**	**55**	**492**	**25**

18. Interest income and interest expense

	3 months ended		9 months ended	
	Sept 30, 2022	**Sept 30, 2023**	**Sept 30, 2022**	**Sept 30, 2023**
Interest income	31	170	92	619
Interest expense on loans	(425)	(395)	(1,276)	(1,203)
Other interest expense	(11)	(16)	(20)	(49)
Net interest expense	**(405)**	**(241)**	**(1,204)**	**(633)**

19. Other financial result

	3 months ended		9 months ended	
	Sept 30, 2022	**Sept 30, 2023**	**Sept 30, 2022**	**Sept 30, 2023**
Exchange rate (loss) / gain realized	(269)	(81)	(448)	100
Exchange rate gain / (loss) not realized	197	(49)	168	(188)
Ineffective part of hedge*	63	(24)	95	1
Other financial result	**(9)**	**(154)**	**(185)**	**(87)**

*Ineffective part of IRS deal relating to loan nr. 2. provided by Erste Bank Hungary Zrt.

(all amounts in thousands of euros unless otherwise indicated)

20. Income taxes

	3 months ended		9 months ended	
	Sept 30, 2022	**Sept 30, 2023**	**Sept 30, 2022**	**Sept 30, 2023**
Current income tax	(4)	(5)	(13)	(13)
Income tax expense	**(4)**	**(5)**	**(13)**	**(13)**

Based on the business activity, Graphisoft Park Engineering & Management Kft does not operate under the “SzIT” regulation and therefore is subject to corporate income tax, local business tax and deferred income tax, if applicable. Applicable tax rates are as follow: corporate income tax at 9% and local business at tax 2% both in 2022 and 2023.

21. Earnings per share

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

	3 months ended		9 months ended	
	Sept 30, 2022	**Sept 30, 2023**	**Sept 30, 2022**	**Sept 30, 2023**
Net profit attributable to equity holders	1,620	1,786	6,997	7,597
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Basic earnings per share (EUR)	**0.16**	**0.18**	**0.69**	**0.75**
Weighted average number of ordinary shares	10,082,598	10,082,598	10,082,598	10,082,598
Diluted earnings per share (EUR)	**0.16**	**0.18**	**0.69**	**0.75**

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, 2022	September 30, 2023
Number of ordinary shares	549,076	549,076
Number of employee shares	491,348	742,954
Face value per share (EUR)	0.02	0.02
Total face value (EUR)	20,808	25,841
Total value of treasury shares (at historical cost)	972	979

23. Net asset value

Book value and fair value of assets and liabilities as of September 30, 2023:

	Note	Book value Sept 30, 2023	Fair value Sept 30, 2023	*Difference*
Investment property and other tangible assets*	7,9	220,934	228,154	*7,220*
Intangible assets	8	61	61	-
Current tax assets, net	5	278	278	-
Non-financial instruments		**221,273**	**228,493**	***7,220***
Cash and cash equivalents	3	10,898	10,898	-
Trade receivables	4	1,610	1,610	-
Other current assets	6	2,891	2,891	-
Other long term financial assets	13	7,538	7,538	-
Trade payables	10	(630)	(630)	-
Other short-term liabilities	11	(3,973)	(3,973)	-
Loans	12	(85,006)	(85,006)	-
Other long term financial liabilities	13	(1,747)	(1,747)	-
Other long-term liabilities	14	(871)	(871)	-
Financial instruments		**(69,290)**	**(69,290)**	**-**
Net asset value		**151,983**	**159,203**	***7,220***

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 227,884 thousand euros as of September 30, 2023.

(all amounts in thousands of euros unless otherwise indicated)

Book value and fair value of assets and liabilities as of December 31, 2022:

	Note	Book value Dec 31, 2022	Fair value Dec 31, 2022	*Difference*
Investment property and other tangible assets*	7,9	223,222	231,180	*7,958*
Intangible assets	8	65	65	-
Current tax liabilities, net	5	(441)	(441)	-
Non-financial instruments		**222,846**	**230,804**	***7,958***
Cash and cash equivalents	3	12,236	12,236	-
Trade receivables	4	1,252	1,252	-
Other current assets	6	4,241	4,241	-
Other long term financial assets	13	8,118	8,118	-
Trade payables	10	(419)	(419)	-
Other short-term liabilities	11	(5,855)	(5,855)	-
Loans	12	(88,843)	(88,843)	-
Other long term financial liabilities	13	(2,699)	(2,699)	
Other long-term liabilities	14	(1,258)	(1,258)	-
Financial instruments		**(73,227)**	**(73,227)**	**-**
Net asset value		**149,619**	**157,577**	***7,958***

* Based on the valuation of the independent appraiser the fair value of the entire property portfolio is 230,865 thousand euros as of December 31, 2022.

24. Remediation of the northern development area

Due to the prior gas production activity the northern development area is still contaminated. The rehabilitation of this area is the duty of the polluter Capital City Gas Works (currently MVM Next Energiakereskedelmi Zrt.). After the final administrative judgment made on December 12, 2019, the Pest County Government Office conducted new proceedings. In the resolution received on April 30, 2020, the Pest County Government Office notified us about the repeated prolongation of the completion deadline of the rehabilitation in the northern development area, and stated new deadlines of May 31, 2021, and September 30, 2022.

Government Decree nr. 286/2021 (V. 27.) on the establishment of rules related to certain administrative authority procedures was published on May 27, 2021. Pursuant to Section 1 of the Government Decree in force between May 28, 2021, and June 24, 2021, the polluter became entitled to request an extension of the deadline for remediation from the environmental authority, which was obliged to grant the extension. MVM Next Energiakereskedelmi Zrt. submitted the relevant request, which was approved by the authority and the decree ruled out the possibility of an appeal, so the current deadline for carrying out remediation and submitting the final documentation was December 31, 2022.

We requested information from MVM Next Energiakereskedelmi Zrt. about its implementation plans related to the said deadline, to which we received the following information in response. MVM Next Energiakereskedelmi Zrt. still has the necessary permits to call for the construction tender and start construction, and has prepared the necessary documentation for the tender, however, despite its best intentions, it cannot make any responsible statement about the expected completion date of the remediation.

On December 23, 2022, Government Decree of 566/2022 (XII. 23) was published, which deals with the establishment of rules related to certain administrative authority procedures. On the basis of this decree, the legal entity obliged to remediate became entitled to request an extension of the remediation deadline from the environmental protection authority. If the application was submitted, the authority was obliged to grant the deadline extension. MVM Next Energiakereskedelmi Zrt., which is obliged to remediate the damage, submitted its request for this on December 27, 2022, which was granted by the authority on December 28, 2022. The decree ruled out the possibility of an appeal, so the currently valid new deadline for carrying out the remediation and submitting the final documentation is December 31, 2024, and the deadline for the remediation of certain sub-areas and for sub-surface water is April 30, 2026.

The actual remediation works have not started till the date of this Report, and we are not aware of the preparation of the works either. Based on all of this, Graphisoft Park considers the date of the actual start and end of the remediation to be uncertain, and therefore does not see it possible to start developments in the northern development area within the foreseeable future.

25. Approval of financial statements, dividend

On April 28, 2023, the Annual General Meeting of Graphisoft Park SE approved the 2022 consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS) showing a balance sheet total of 249,152 thousand EUR and a profit for the year of 8,786 thousand EUR. Together with the approval of the consolidated financial statements for issue, the AGM approved dividend distribution of 201 HUF per ordinary share, 2,026,602 thousand HUF in total (5,434 thousand EUR on the MNB exchange rate of April 28, 2023), and in total 113,888 thousand HUF on employee shares (305 thousand EUR on the MNB exchange rate of April 28, 2023). The starting date for dividend payments was May 12, 2023. The Company paid out the dividends to the shareholders identified by shareholder’s registration as of May 5, 2023.

26. 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.*