



Third Quarter Report (nine months ended September 30, 2003)

Budapest, November 12, 2003

Dear Shareholders,

Graphisoft is reporting an operating profit for the fourth consecutive quarter and a € 1.6 million year-on-year revenue improvement in the third quarter of 2003.

In the three-month period in 2003, revenues grew by 36.8% from 4.4 million EUR to 6.1 million EUR, and nine-month revenues improved by 8.8% from 17.7 million EUR to 19.2 million EUR, compared to 2002 results.

Following the operating loss of Q3 2002, the Company made an operating profit of 318 thousand EUR and 1.8 million EUR in the three-, and nine-month periods, respectively.

| Key figures* | 3 months ended September 30 | | % of change | 9 months ended September 30 | | % of change |
|--|--------------------------------|---------|----------------|--------------------------------|---------|----------------|
| | 2003 | 2002 | 03/02 | 2003 | 2002 | 03/02 |
| Revenues | 6,072 | 4,438 | 36.8 | 19,218 | 17,666 | 8.8 |
| Gross profit | 5,417 | 3,625 | 49.4 | 17,196 | 14,982 | 14.8 |
| Operating expenses | 5,099 | 5,961 | (14.5) | 15,399 | 17,263 | (10.8) |
| Operating income | 318 | (2,336) | n.a.*** | 1,797 | (2,281) | n.a.*** |
| EBITDA** | 792 | (1,867) | n.a.*** | 3,249 | (905) | n.a.*** |
| Net income (loss) | 62 | (1,937) | n.a.*** | 1,639 | (2,693) | n.a.*** |
| Net income (loss) per share (€ /share) | 0.01 | (0.19) | n.a.*** | 0.16 | (0.27) | n.a.*** |

* All amounts are in thousand €, earnings per share is in €

** EBITDA: Earnings Before Interest, Tax, Depreciation, Amortization

*** n.a.: the exact calculation is ambiguous

Revenues deriving from Graphisoft's architectural design business line were improved compared to the 2002 Q3 results, due to the following factors:

In 2002 the new version of the Company's flagship product, ArchiCAD 8, was rolled-out only in the fourth quarter, which unfavorably influenced Graphisoft's third quarter revenues. The localized versions of ArchiCAD 8 were launched during the first half of 2003, which positively impacted the Company's revenues in the three-, and nine-month periods, respectively. As a result of these two factors, the quarter-to-quarter comparison is not particularly meaningful in the long run.

Revenues resulting from the major localized versions of ArchiCAD 8 boosted third quarter revenues and, as a result, Graphisoft's sales performance showed an improvement in all geographic regions compared to the same reporting period of 2002.

In the facilities management (FM) business line, revenues grew in the three-, and nine-month periods, respectively, primarily due to a more effective business strategy which was implemented and a more streamlined operations.

In the third quarter of 2003, Graphisoft continued to focus on cost savings: costs of revenues decreased by 19.4% (from 813 thousand EUR to 655 thousand EUR) and 24.7% (from 2.7 million EUR to 2,0 million EUR) in the three-, and nine-month periods ended September 30, 2003. Operating expenses were reduced by 14.5% (from 6,0 million EUR to 5.1 million EUR) and 10.8 % (from 17.3 million EUR to 15.4 million EUR) in the three-, and the nine-month periods. The lower operating expense level is mainly attributed to effectively reduced sales, marketing and development costs.

Due to stronger sales results and decreased operating expenses, Graphisoft realized an operating profit of 318 thousand EUR and 1.8 million EUR in the three-, and the nine-month periods ended September 30, 2003.

Organizational changes

Following the Company's structural and strategic restructuring implemented by Mr. Ray Small, the Board of Directors of Graphisoft N.V. appointed Mr. Dominic Gallelo as the new CEO and Mr. Mark Sawyer as the new Vice President of Worldwide Field Operations as of September 16, 2003.

Subsequent events

- On October 9, 2003 Graphisoft N.V. announced that the Company had decided to make its GDL publishing technology freely available to its users and business partners. Simultaneously, the management of the Company decided to discontinue GDL as a separate business line.
- On October 22, 2003 the new upgrade of ArchiCAD – ArchiCAD 8.1 – was launched.

Outlook

Since ArchiCAD 8.1 is not a major upgrade, revenues deriving from it are expected to influence the Company's fourth quarter results to a proportionally lesser degree than experienced in 2002. Based on the 2003 nine-month performance, and the Company's strong financial position, Graphisoft's management expects a slight growth in revenues and profitability for all of 2003 as compared to 2002.

Consolidated Balance Sheets

(All amounts in thousand €)

| | Period | | |
|--|---|--|--|
| | ended September 30, 2003 (unaudited) | ended June 30, 2003 (unaudited) | ended December 31, 2002 (audited) |
| ASSETS | | | |
| <u>Current Assets</u> | | | |
| Cash and cash equivalents | 3,050 | 3,309 | 3,546 |
| Marketable securities | 13,970 | 11,324 | 9,961 |
| Accounts receivable, net | 5,622 | 6,006 | 6,891 |
| Inventories | 497 | 478 | 638 |
| Other current assets | 1,573 | 1,703 | 2,948 |
| Total current assets | 24,712 | 22,820 | 23,984 |
| <u>Long-term assets</u> | | | |
| Property, plant and equipment, net | 14,509 | 14,074 | 16,425 |
| Intangible assets, net | 2,156 | 2,262 | 2,305 |
| Investments and other assets | 549 | 522 | 609 |
| Total long-term assets | 17,214 | 16,858 | 19,339 |
| Assets total | <u>41,926</u> | <u>39,678</u> | <u>43,323</u> |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | |
| <u>Current liabilities</u> | | | |
| Bank overdrafts | - | 4 | 56 |
| Accounts payable and accrued expenses .. | 3,482 | 3,134 | 3,493 |
| Deferred income | 511 | 418 | 617 |
| Total current liabilities | 3,993 | 3,556 | 4,166 |
| Minority interest | 16 | 13 | 9 |
| <u>Shareholders' equity</u> | | | |
| Share capital, € 0.02 nominal value, 40,000,000 authorized shares, 30,000,000 common shares, 10,000,000 preference shares, 10,631,674 outstanding as of December 31, 2002, June 30 and September 30, 2003 | 243 | 243 | 243 |
| Additional paid in capital | 19,916 | 19,916 | 19,916 |
| Treasury stock, at cost (588,910 shares in portfolio as of December 31, 2002, June 30 and September 30, 2003) | (5,498) | (5,498) | (5,498) |
| Retained earnings | 30,098 | 30,036 | 28,459 |
| Accumulated other comprehensive income | (6,842) | (8,588) | (3,972) |
| Total shareholders' equity | 37,917 | 36,109 | 39,148 |
| Liabilities total | <u>41,926</u> | <u>39,678</u> | <u>43,323</u> |

Consolidated Statements of Operations

(All amounts in thousand €, per share figures are in €, unaudited.)

| | 3 months ended | | 9 months ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2003 | September 30, 2002 | September 30, 2003 | September 30, 2002 |
| Revenues, net | 6,072 | 4,438 | 19,218 | 17,666 |
| Cost of revenues..... | 655 | 813 | 2,022 | 2,684 |
| GROSS PROFIT | 5,417 | 3,625 | 17,196 | 14,982 |
| Operating expenses | | | | |
| Sales and marketing expenses..... | 2,204 | 2,532 | 6,892 | 7,791 |
| Research and development expenses | 1,017 | 1,376 | 2,926 | 3,848 |
| General and administrative expenses | 1,404 | 1,584 | 4,129 | 4,248 |
| Depreciation and amortization | 474 | 469 | 1,452 | 1,376 |
| Total operating expenses..... | 5,099 | 5,961 | 15,399 | 17,263 |
| OPERATING INCOME | 318 | (2,336) | 1,797 | (2,281) |
| Foreign currency transaction income/loss, net | (161) | 175 | (80) | (383) |
| Interest and other income, net | 271 | 203 | 804 | 555 |
| INCOME BEFORE INCOME TAXES | 428 | (1,958) | 2,521 | (2,109) |
| Provision for income taxes | 363 | (24) | 875 | 227 |
| NET INCOME BEFORE MINORITY INTEREST AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | 65 | (1,934) | 1,646 | (2,336) |
| Minority interest | (3) | (3) | (7) | (5) |
| NET INCOME/(LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | 62 | (1,937) | 1,639 | (2,341) |
| Cumulative effect of change in accounting principle | - | - | - | (352) |
| NET INCOME/(LOSS) | 62 | (1,937) | 1,639 | (2,693) |
| Basic and diluted earnings/(loss) per share before the cumulative effect of change in accounting principle (€/share) | 0.01 | (0.19) | 0.16 | (0.23) |
| Cumulative effect of change in accounting principle (€/share) | - | - | - | (0.04) |
| Basic and diluted earnings/(loss) per share (€/share) | 0.01 | (0.19) | 0.16 | (0.27) |

Consolidated Statements of Cash Flow

(All amounts in thousand €.)

| | 9 months ended September 30 | |
|---|-----------------------------|----------------|
| | 2003 | 2002 |
| | (unaudited) | (unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss)..... | 1,639 | (2,693) |
| Adjustments to reconcile operating income with net cash provided by operating activities: | | |
| Depreciation..... | 1,452 | 1,683 |
| Effect of change in accounting principle..... | - | 352 |
| Revaluation of trade securities..... | 11 | (89) |
| Provision for doubtful receivables..... | 155 | 466 |
| Deferred tax provision..... | 178 | 90 |
| Non-cash compensation..... | - | 17 |
| | <u>3,435</u> | <u>(174)</u> |
| Changes in assets and liabilities:..... | | |
| Accounts receivable..... | 1,114 | 3,549 |
| Other assets..... | 1,197 | (1,450) |
| Inventories..... | 141 | 386 |
| Accounts payable and accrued expenses..... | (60) | (611) |
| Deferred income..... | (106) | (20) |
| Effect of exchange rate changes..... | (1,632) | 426 |
| Cash provided by operating activities..... | <u>4,089</u> | <u>2,106</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of intangible assets..... | (255) | (33) |
| Purchase in marketable securities – available for sale and held to maturity, net..... | (4,020) | (1,649) |
| Purchases of tangible fixed assets..... | (466) | (867) |
| Purchases/disposals of long-term investments..... | 60 | (495) |
| Proceeds from disposals of tangible fixed assets..... | 96 | 183 |
| Net cash used in investing activities..... | <u>(4,585)</u> | <u>(2,861)</u> |
| Net increase (decrease) in cash and cash equivalents..... | (496) | (755) |
| Cash and cash equivalents at the beginning of the year..... | 3,546 | 3,474 |
| Cash and cash equivalents at the end of the period..... | <u>3,050</u> | <u>2,719</u> |

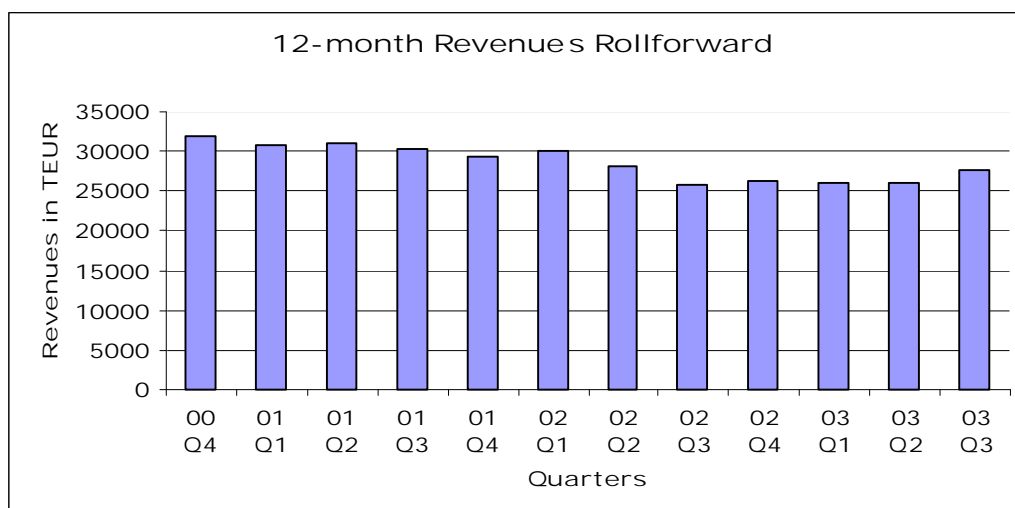
Statement of Changes in Consolidated Shareholders' Equity

| | Share capital | Additional paid-in capital | Treasury stock | Retained earnings | Acc. other compr. loss | Shareholders' Equity |
|--------------------------|---------------|----------------------------|----------------|-------------------|------------------------|----------------------|
| As of December 31, 2002 | 243 | 19,916 | (5,498) | 28,459 | (3,972) | 39,148 |
| Translation adjustment | - | - | - | - | (2,881) | (2,881) |
| Net profit | - | - | - | 1,639 | - | 1,639 |
| Unrealized gain on AFS* | - | - | - | - | 11 | 11 |
| As of September 30, 2003 | 243 | 19,916 | (5,498) | 30,098 | (6,842) | 37,917 |

* Available-for-sale securities

Management's Discussion and Analysis

Revenues



The roll-out of the localized versions of ArchiCAD 8 influenced Q3 sales performance positively. Consolidated revenues grew by 36.8% and totaled 6.1 million EUR. Nine-month period revenues increased by 8.8% and were 19.2 million EUR.

| Geographical breakdown | 3 months ended | | % of 03/02 | 9 months ended | | % of 03/02 |
|------------------------|----------------|--------------|-------------|----------------|---------------|------------|
| | 09/30/03 | 09/30/02 | | 09/30/03 | 09/30/02 | |
| Europe | 3,760 | 2,702 | 39.2 | 12,254 | 10,323 | 18.7 |
| North-America | 1,198 | 912 | 31.4 | 3,319 | 3,915 | (15.2) |
| Asia-Pacific | 949 | 684 | 38.7 | 3,140 | 3,022 | 3.9 |
| Rest of the World | 165 | 140 | 17.8 | 505 | 406 | 24.4 |
| Total | 6,072 | 4,438 | 36.8 | 19,218 | 17,666 | 8.8 |

In the European region, the Company's sales results improved by 39.2% for the third quarter (with sales totaling 3.8 million EUR) and 18.7% for the nine-month period (12.3 million EUR), compared to the same reporting periods of 2002. In Italy, Switzerland and the Nordic region, third-quarter revenues further improved, following impressive half-year results. In Germany, one of the Company's key markets, revenues showed a slight improvement in the third quarter, however, business continues to be a challenge in light of the ongoing downturn in the construction market place.

Revenues of the North American region grew by 31.4% in the third quarter but could not offset low sales performance of the first half of the year primarily due to the effect of USD depreciation to the Euro. As a result, North American revenues showed a 15.2% decrease at the end of the nine-month period 2003, compared to nine-month results in 2002. Without the effect of exchange rate changes nine-month revenues measured in USD grew by 2.0% in the North American region.

In the Asia/Pacific region, revenues rose in both the three- and nine-month periods mainly due to strong sales performance in Australia, New Zealand, Korea and Singapore, but higher third-quarter revenues did not offset lower sales

results of the first half of the year, which were primarily caused by the depreciation of the Japanese Yen against the Euro.

Sales performance in the rest of the world improved by 17.8% in the three-, and by 24.4% in the nine-month period, but the region's contribution to Graphisoft's total revenues is still marginal.

| Product group breakdown | 3 months ended | | % of 03/02 | 9 months ended | | % of 03/02 |
|--------------------------|----------------|----------|---------------|----------------|----------|---------------|
| | 09/30/03 | 09/30/02 | | 09/30/03 | 09/30/02 | |
| Architectural design | 4,295 | 2,872 | 49.6 | 13,841 | 11,843 | 16.9 |
| Facility management | 951 | 741 | 28.4 | 2,578 | 2,412 | 6.9 |
| Building services | 79 | 155 | (49.0) | 362 | 496 | (27.1) |
| GDL and custom solutions | 221 | 268 | (17.6) | 777 | 1,041 | (25.4) |
| Other revenues | 526 | 402 | 30.8 | 1,660 | 1,874 | (11.4) |
| Total | 6,072 | 4,438 | 36.8 | 19,218 | 17,666 | 8.8 |

Revenues deriving from the architectural design business line grew by 49.6% in the three-, and by 16.9% in the nine-month period ended September 30, 2003.

The improvement is mainly attributed to a substantial increase in upgrade revenues.

ArchiCAD highlights in the third quarter of 2003:

- Europe's biggest automobile group, Volkswagen AG, implemented ArchiCAD for the construction and refurbishment of all their dealers' car showrooms worldwide. With the comparative advantage of ArchiCAD and its incorporated GDL object technology, the Dealership Building Consulting Division of Volkswagen intends to further optimize its services to VW's dealer network. ArchiCAD was selected for its capabilities in working with predefined, standardized design elements without sacrificing design creativity and individuality.
- The United States Coast Guard (USCG), the largest facilities owner in the US Department of Homeland Security, has purchased ArchiCAD as the approved 3D modeling software for its Regional Strategic Planning initiative. Graphisoft partner, AEC InfoSystems of Baltimore, MD, was selected by the USCG to provide software and implementation services, and to lead the modeling efforts. The Regional Strategic Planning initiative, started in 2002 at Base Charleston, SC and expanding to other USCG locations over time, aims to tie the mission of each USCG facility to the individual planning, support and new construction requirements of the facility.
- Davis Brody Bond, LLP has selected ArchiCAD for its unique investigative program to learn in detail how Building Information Modeling (Graphisoft's so-called Virtual Building concept) can yield productivity and added value in their design practice. Davis Brody Bond is one of the United States' leading architectural design firms having been honored by more than one-hundred major design awards in the past ten years. The firm's work centers on bringing strong, successful designs to complex building types and planning projects, such as universities, libraries, research laboratories, offices and industrial buildings, healthcare facilities, housing complexes, and cultural and performing arts centers.

In the facilities management business line (FM), license and service revenues showed an improvement both in the three- and nine-month periods, primarily due to a more effective business strategy and streamlined operations. The 28.4% and 6.9% revenue improvement can be mainly attributed to strong Hungarian and German sales results.

During the third quarter of 2003 the following significant FM projects got under way:

- Capital Facility GmbH & Co.KG (CFG) is responsible for all technical and infrastructure services in the field of trade show and congress organizations, and further for the management of the whole fair and congress site in Berlin. CFG opted for Graphisoft's ArchiFM after an exhaustive selection process including more than 40 providers. Messe Berlin – the Berlin Trade Show and Convention Center (approximately 160,000 m²) – started to be managed by Graphisoft's facility management solutions: ArchiFM and ArchiFM Maintenance. The complete software systems are deployed in maintenance management and a long-term basis in space management, as well.
- A strategic cooperation has been implemented between Graphisoft and Hewlett Packard (HP) in the reconstruction of Nyíregyháza College. One of Hungary's largest institutes of higher education will be reconstructed as "Intelligent Campus" using HP's building automation system linked with Graphisoft ArchiFM's integrated facility management modules.
- XL Capital LTD a leading provider of insurance, reinsurance, financial products and services, has expanded in the past decade to 90 operating subsidiaries and affiliates in 30 countries with approximately 3,000 employees. Graphisoft U.S. was awarded a contract to implement a complete facility management and operations system including ArchiFM, ArchiFM WebServer and ArchiFM Maintenance at their global headquarters located in Hamilton, Bermuda.
- ACE Insurance (Hamilton, Bermuda), a leader in the international insurance and reinsurance market, has over 7,500 employees in over 50 countries. To manage its vast space, IT assets, furniture and operations, ACE Insurance has implemented Graphisoft's ArchiFM, ArchiFM WebServer and ArchiFM Maintenance.

HVAC revenues showed a decrease (49.0% and 27.1%) in the three- and the nine-month periods, respectively. During the last quarter the HVAC business has been restructured. The business has been focused on the Company's UK market placed to distribution.

GDL and custom solutions sales results decreased by 17.6% and 25.4% in the three- and nine-month periods ended as of September 30, 2003.

Other revenues include office space rent, miscellaneous services and other sales. Rental income was almost flat (1.0 million EUR) in the nine-month periods of 2002 and 2003.

Expense Analysis

The Company's focus on cost management continued in the third quarter and operating expenses decreased by 0.9 million EUR compared to the same period in 2002. On a nine-month basis savings were 1.9 million EUR, or 10.8%. Graphisoft's efforts in cost efficiency improvement were further aided by the EUR appreciating against other functional currencies of the Company.

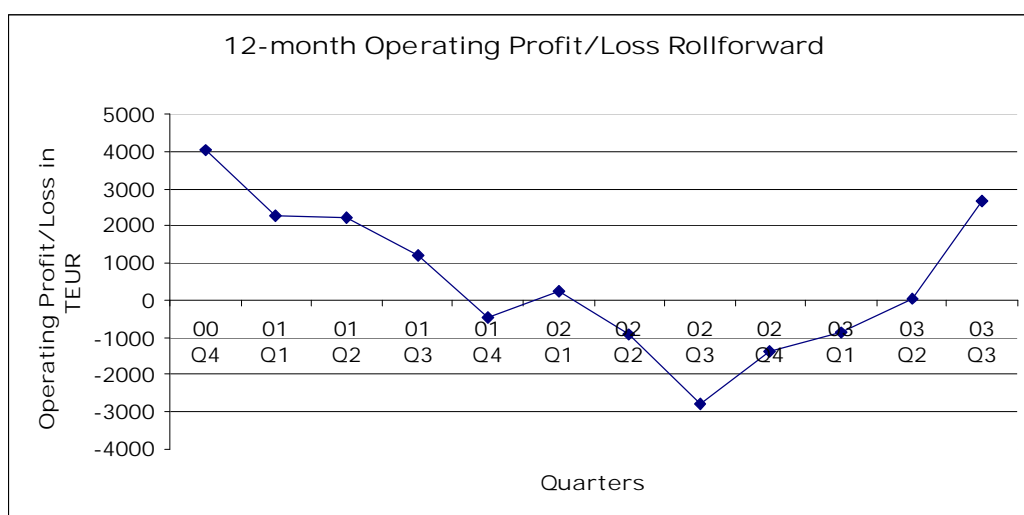
While overheads (general and administrative expense plus depreciation and amortization) showed a slight increase in 2003, sales and marketing costs decreased by 13.0% and 11.5% in the three-, and in the nine-month terms, respectively. The decline in software development expenses was even higher, 26.1% and 24.0% in these periods. A similar trend can be seen in the twelve-month rollforward figures. Savings derive from a decrease in software development headcount and a fall in the Company's marketing expenses. While expense reduction played and plays an important role in the stabilization of Graphisoft, in order to accelerate revenue growth we anticipate a reasonable increase in sales and marketing expenses together with software development expenses as we move into 2004.

Efficiency improvement in the Company's logistics is measured by comparing cost of revenues to revenues. When expressed as percentage of revenues, it decreased from 15.2% in 2002 to 10.5% in 2003 (in the nine-month period). The positive change is the aggregate result of process reengineering and careful vendor selection as well as developments in the infrastructure of order processing. Gross profit increased by 2.2 million EUR, and was 89.5% of revenues in the three quarters ended September, 2003.

Operating income, EBITDA

The above 2.2 million EUR increase in gross profit, coupled with a 1.9 million decrease in operating expenses resulted in a 4.1 million EUR improvement in operating profit in the first nine months in 2003, compared to the same term in 2002. The Company closed its fourth consecutive quarter with an operating profit as of September 30: in Q3 Graphisoft reached 318 thousand EUR return. The modest gain in the third quarter (summer is typically a low season for Graphisoft) pulled down the Q1 and Q2 double-digit operating margin to 9.4% for the entire nine-month period.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) reached 3.25 million EUR from January through September, which is by 4.15 million EUR higher than it had been in 2002.



Interest and other income, foreign exchange gain. Provision for income taxes

Interest and other income grew by 44.9 % to € 804 thousand compared to the same reporting period in 2002. Lower interest rates led to a slight decrease in interest income, while the net of other incomes and expenses more than offset this effect.

Graphisoft continued to hedge in anticipation of exchange rate fluctuations. The net impact of exchange rate fluctuations and hedging costs was a € 80 thousand consolidated loss for the first three quarters in 2003. (The revaluation gain, which resulted from the general strengthening of the Euro assets was offset by the loss on the hedging transactions. Evaluating the positions according to the September 30, 2003 EUR/HUF exchange rate, the hedging induced a € 714 thousand loss.)

Income tax provisions grew from € 227 thousand to € 875 thousand in the first nine months in 2003 as compared to the same period in 2002. The nominal income tax rate changed to 18.0% from the earlier 7.2% (as the 60% tax holiday of Graphisoft in Hungary ceased). The effective tax rate is much higher than the nominal one, because of the uneven distribution of earnings and losses among the Group's subsidiaries.

Net income, Earnings per share, Current year comprehensive loss

Graphisoft generated a € 1,639 thousand net income and a € 0.16 earnings per share in the first nine months in 2003 in comparison to a € 2,693 thousand net loss and a € 0.27 loss per share in the same period in 2002. The three-quarter change in shareholders' equity was € (1,231) thousand in 2003, compared to € (2,032) thousand in 2002. The significant increase in the absolute value of the translation adjustment is largely due to the depreciation of the Hungarian Forint.

| | September 30, 2003 | | September 30, 2002 | |
|---|--------------------|----------------|--------------------|----------------|
| | 9 months ended | 3 months ended | 9 months ended | 3 months ended |
| Net income / (loss) | 1,639 | 62 | (2,693) | (1,937) |
| Translation adjustment | (2,881) | 1,778 | 634 | 214 |
| Unrealized gain/(loss) on available for sale securities | 11 | (32) | 27 | 39 |
| Comprehensive income/(loss) | (1,231) | 1,808 | (2,032) | (1,684) |

Liquidity and capital resources

Graphisoft continued to improve its balance sheet positions in the third quarter, too. The ratio of current assets to assets total increased to 58.9% (as of September 30, 2003) from 55.4% (as of December 31, 2002), and the ratio of cash, cash equivalents and marketable securities to total current assets grew to 68.9% from 56.3% as of the above balance sheet dates. Accounts receivable dropped to € 5.6 from € 6.9 million during the last nine months, and the Company's DSO (Days Sales Outstanding) further decreased to 74 (June 30, 2003: 84 days, December 31, 2002: 96 days). From January through September 2003, working capital grew by € 0.9 million, and was € 20.7 million as of the quarter end.

This year the Company spent € 0.7 million to purchase tangible and intangible assets till September 30, 2003. Similar to previous years, Graphisoft financed its operations mainly from shareholders' equity (90.4%) and has no long-term liabilities.

Staff

The following table sets forth the changes in the Company's staff in the last twelve months.

| | Sep 30, 2003 | June 30, 2003 | December 31, 2002 | Sep 30, 2002 |
|----------------------------|--------------|---------------|-------------------|--------------|
| Sales and marketing | 108 | 104 | 93 | 105 |
| Research and development | 105 | 109 | 120 | 132 |
| General and administrative | 66 | 67 | 64 | 69 |
| Total employees | 279 | 280 | 277 | 306 |

The Company's staff decreased by 1 vs. June 30, 2003, as follows: Sales and Marketing (4), Research and Development (-4), General and Administrative (-1).

Share options

The following table shows the changes in the options granted in the framework of the Company's Incentive and Non-statutory Stock Option Plan.

| | Available for grant | Options outstanding | Options vested | Already exercised | Weighted av. Price |
|----------------------------------|------------------------|------------------------|-------------------|----------------------|-----------------------|
| Balance as of December 31, 2002 | 525,838 | 1,325,515 | 753,125 | 148,647 | € 6.12 |
| Options granted 01/27/2003 | (230,700) | 230,700 | - | - | € 2.10 |
| Options granted 02/03/2003 | (40,000) | 40,000 | - | - | € 2.30 |
| Options granted 02/21/2003 | (75,000) | 75,000 | - | - | € 2.58 |
| Options granted 03/17/2003 | (7,500) | 7,500 | - | - | € 2.90 |
| Options granted 08/18/2003 | (550,000) | 550,000 | - | - | € 4.04 |
| Options cancelled | 377,632 | (377,632) | (93,232) | - | € 6.50 |
| Options vesting in the period | - | - | 252,835 | - | € 5.79 |
| Balance as of September 30, 2003 | 270 | 1,851,083 | 912,728 | 148,647 | € 4.68 |

The Company has adopted the disclosure provisions of FASB Statement 123, but opted to remain under the expense recognition provisions of APB Opinion No. 25, in accounting for options granted to employees under Stock Option Plans.

Shareholders' structure

Dominic Gallelo, CEO of Graphisoft N.V. bought 50,000 Graphisoft N.V. shares on September 30, 2003. Following the transaction the total number of Graphisoft shares owned by Mr. Gallelo is 50,000 and his influence in the Company approximates 0.5 per cent.

Tamás Hajas, one of the Company's major shareholders, sold 50,000 Graphisoft N.V. shares on September 30, 2003. Following the selling transaction he owns 508,115 Graphisoft shares and his influence in the Company decreased to 4.78 per cent.

| | September 30, 2003 | | December 31, 2002 | |
|------------------------------|--------------------|------------------|-------------------|------------------|
| | % of ownership | Number of shares | % of ownership | Number of shares |
| Board of Directors | | | | |
| Gábor Bojár | 25.0 | 2,658,004 | 25.0 | 2,658,004 |
| Laurence Orbach | 0.08 | 8,250 | 0.08 | 8,250 |
| Esther Dyson | 0.0 | - | 0.0 | - |
| Victor Leventhal | 0.09 | 10,000 | 0.09 | 10,000 |
| Kazumichi Shimamoto | 0.0 | - | 0.0 | - |
| Chief Executive Officer | | | | |
| Dominic Gallelo | 0.47 | 50,000 | 0.0 | - |
| Executive Committee | | | | |
| Péter Hornung | 4.85 | 515,426 | 4.85 | 515,426 |
| Johannes Reischböck | 0.75 | 80,000 | 0.75 | 80,000 |
| Sándor Bihari | 0.0 | - | 0.0 | - |
| Other managers and employees | 24.39 | 2,593,213 | 25.33 | 2,693,213 |
| Treasury | 5.54 | 588,910 | 5.54 | 588,910 |
| Free float | 38.83 | 4,127,871 | 38.36 | 4,077,871 |
| Total | 100.0 | 10,631,674 | 100.0 | 10,631,674 |

Share options of members of the Board of Directors, Executive Committee and Chief Executive Officer

| | September 30, 2003 | December 31, 2002 |
|-------------------------|--------------------|-------------------|
| Board of Directors | | |
| Gábor Bojár | 10,000 | 10,000 |
| Laurence Orbach | 10,000 | 10,000 |
| Esther Dyson* | 10,000 | 20,000 |
| Victor Leventhal | 10,000 | 10,000 |
| Kazumichi Shimamoto | 10,000 | 10,000 |
| Chief Executive Officer | | |
| Ray Small** | 150,000 | 300,000 |
| Dominic Gallelo | 500,000 | 0 |
| Executive Committee | | |
| Sándor Bihari | 46,000 | 46,000 |
| Péter Hornung | 15,000 | 15,000 |
| Johannes Reischböck | 113,741 | 113,741 |

* 10,000 options were renounced

** 150,000 options were cancelled. Vested options can be exercised until December 31, 2003.

Significant accounting policies

Basis of presentation - The accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America. Such consolidated financial statements for the periods ended September 30, 2003 consist of the accounts of Graphisoft N.V. consolidated with the following subsidiaries:

| Subsidiary | % held as of 30 Sep, 2003 |
|---|------------------------------|
| Graphisoft R&D Számítástechnikai Fejlesztő Rt | 90.21%* |
| Graphisoft Deutschland GmbH | 100% |
| Graphisoft USA Inc. | 100% |
| Graphisoft Japan KK | 100% |
| ArchiCad España SL. | 100% |
| Graphisoft UK Ltd. | 100% |
| Graphisoft CAD Stúdió Kft. | 92% |
| Graphisoft Brasil Ltda | 90% |
| CAD Works Inc. (Drawbase) | 100% |
| GDL Technologies | 100% |

* 10% shares in GS R&D represent employee preference shares as of 30 September 2003.

The Company expects to merge the GDL Technologies operations into Graphisoft R&D Rt. in 2003.

Basis of Consolidation - Subsidiaries, defined as enterprises under the control (ownership in excess of 50%) of the Group, have been consolidated in the financial statements presented here. As of September 30, 2003 and 2002, the entire Group was controlled by Graphisoft N.V., and, accordingly, financial statements for the periods ended September 30, 2003 and 2002 include the accounts of Graphisoft N.V. consolidated with its subsidiaries. All significant inter-company balances and transactions have been eliminated.

Currency Translation - The functional currency of each of the Group's operating entities is the local currency of the jurisdiction in which the entity operates. The consolidated financial statements of the Group are prepared using Euro ("€") as the reporting currency. Operating entities' financial statements are translated into Euro in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 52 Foreign Currency Translation. According to the provisions of SFAS No. 52, the statements of operations are translated using the average exchange rate in the relevant period. Balance sheet items, other than equity, are translated using the exchange rates as of the balance sheet date. Equity accounts are translated at historic rates. Effects of the foreign currency translation are included as a component of shareholders' equity.

Revenue Recognition - Revenues are comprised primarily of the value of software packages, upgrades and enhancements, excluding sales taxes and trade discounts. The Company's software licenses generally have provided for an upfront license fee and prior to 2002 did not include post contract support.

The Group accounts for software license and maintenance revenues in accordance with the American Institute of Certified Public Accountants Statement of Position (SOP 97-2). "Software Revenue Recognition" and SOP 98-9 "Modification to SOP 97-2 With Respect to Certain Transactions".

Accordingly, revenue from software license sales, upgrades and enhancements are recognized when a persuasive evidence of an arrangement exists, delivery has been made, a fixed fee and collectibility of the fee has been determined; to the extent that obligations exist for other services, the Company allocates revenue between license, upgrade or enhancement and the services based upon their relative fair value. Revenues from customer maintenance support agreements is deferred and recognized ratably over the term of the agreements.

In instances where significant customizations are required, the Group applies contract accounting using the percentage of completion method to recognize revenues in accordance with the provisions of SOP 97-2

Stock-Based Compensation - Compensation costs associated with the grant of options and other stock awards to employees is determined using the intrinsic value method. Compensation cost associated with the grant of options and other stock awards to non-employees is determined using the fair value method.

Earnings per share - Basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Basic net income per share is determined by dividing net income (loss) by the weighted average number of common shares outstanding during each period. Diluted net income (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.

The following table sets forth the computation of shares used in the calculation of earnings (loss) per share:

| | September 30, 2003 | | September 30, 2002 | |
|---------------------------------------|--------------------|----------------|--------------------|----------------|
| | 9 months ended | 3 months ended | 9 months ended | 3 months ended |
| Shares for the basic computation | 10,042,764 | 10,042,764 | 10,032,764 | 10,032,764 |
| Stock options (treasury stock method) | 88,095 | 136,310 | - | - |
| Shares for diluted computation | 10,130,859 | 10,179,074 | 10,032,764 | 10,032,764 |

Goodwill and Other Intangible Assets - The Company adopted SFAS No. 142, and completed the transitional intangible asset impairment test as of January 1, 2002, the date of adoption of SFAS No. 142. Goodwill and intangible assets are included in the Company's building management and building services segments, two reporting units (FM and HVAC). The intangible asset impairment test compared the carrying amount of the Reporting Units to the estimated fair value of the Reporting Units. Estimated fair value of the Reporting Units was determined based upon the net present value of undiscounted cash flows from these Reporting Units.

The Company expects to perform the required annual intangible asset impairment test as of December 1, every year, unless required to perform an interim impairment test due to events or circumstances that would more likely than not reduce the fair value of the Reporting Unit below its carrying amount. As a result of adopting SFAS No. 142, the Company discontinued amortizing all existing goodwill and indefinite lived intangible assets and did not record any related amortization expense after January 1, 2002.

For other significant accounting policies see the Notes to the consolidated financial statements in the 2002 Annual Report of Graphisoft.