

ORCO PROPERTY GROUP

Condensed interim consolidated financial information

Orco Property Group's Board of Directors has approved on 31 August 2006 the condensed consolidated interim financial information for the period ended 30 June 2006. All the figures in this report are presented in thousands of Euros, except if explicitly stated.

I. Interim consolidated income statement

The accompanying notes form an integral part of this condensed interim consolidated financial information.

	Note	June 2 006	June * 2 005	December 2 005
Revenues	3	33 728	22 302	50 348
Net gain from fair value adjustment on investment property	3	40 276	14 213	78 975
Other operating income		905	992	2 219
Gain on sale of activities held for sale		-	-	2 365
Cost of sales		-12 507	-11 447	-17 795
Employee benefit	10	-11 583	-5 966	-13 259
Amortization, impairments and provisions		32	-945	-2 093
Other operating expenses		-12 831	-8 380	-23 872
Operating result		38 020	10 769	76 888
Net interest expenses		-6 892	-2 749	-6 962
Other net financial results		1 816	247	2 411
Financial result		-5 076	-2 502	-4 551
Profit before income taxes		32 944	8 267	72 337
Income taxes		-2 926	-4 688	-16 065
Net profit		30 018	3 579	56 272
Attributable to minority interests		3 278	760	1 749
Attributable to the Group		26 740	2 819	54 523
Basic earnings in EUR per share	12	3,61	0,52	9,25
Diluted earnings in EUR per share	12	2,96	0,52	7,83

* Restated (see note 2.2)

II. Interim consolidated balance sheet

The accompanying notes form an integral part of this condensed interim consolidated financial information.

Assets			
	Note	June 2 006	December * 2 005
NON-CURRENT ASSETS			
Intangible assets		978	718
Investment property	5	430 778	361 193
Property, plant and equipment		176 259	158 295
Hotels and own-occupied buildings	6	138 658	126 034
Fixtures and fittings		10 223	7 397
Properties under development	7	27 378	24 864
Financial assets		19 055	13 121
Deferred tax assets		4 930	3 469
CURRENT ASSETS			
Inventories	8	230 938	55 637
Trade receivables		24 804	5 553
Other current assets		76 387	43 500
Cash and cash equivalents		120 974	49 089
TOTAL		1 085 103	690 575

Equity and liabilities			
	Note	June 2 006	December * 2 005
EQUITY			
Shareholders' equity		317 282	243 197
Minority interests		58 379	47 726
LIABILITIES			
Non-current liabilities		544 005	312 943
Bonds	9	230 699	84 364
Financial debts	9	240 552	183 060
Provisions		13 001	1 001
Deferred tax liabilities		59 753	44 518
Current liabilities		165 437	86 709
Bonds and financial debts		52 082	35 700
Trade payables		28 786	20 787
Advance payments		50 459	19 210
Other current liabilities		34 110	11 012
TOTAL		1 085 103	690 575

* Restated (see note 2.2)

III. Interim consolidated statement of changes in equity

The accompanying notes form an integral part of this condensed interim consolidated financial information.

	Share Capital	Share premium	Translation reserve *	Treasury shares	Other * reserves	Shareholders Equity *	Minority Interests *	Equity *
Balance at 1 January 2005	18 954	46 089	3 991	-72	34 913	103 875	2 104	105 979
Gains or losses for the period :								
Translation differences			680			680	453	1 133
Profit of the period					2 819	2 819	760	3 579
Dividends relating to 2004					-3 498	-3 498		-3 498
Capital increase	5 684	38 143			-1 089	42 738		42 738
Convertible loan					-404	-404		-404
Treasury shares				-106		-106		-106
Stock option plan					1 393	1 393		1 393
Minority interests' transactions					-366	-366	3 160	2 794
Balance at 30 June 2005	24 638	84 232	4 671	-178	33 768	147 131	6 477	153 608
Gains or losses for the period :								
Translation differences			4 682			4 682	129	4 811
Profit of the period					51 704	51 704	989	52 693
Capital increase	3 212	34 732			-1 697	36 247		36 247
OBSAR					2 577	2 577		2 577
Treasury shares				178	35	213		213
Acquisition of Suncani Hvar						-	40 625	40 625
Minority interests' transactions					643	643	-494	149
Balance at 31 December 2005	27 850	118 964	9 353	0	87 030	243 197	47 726	290 923
Gains or losses for the period :								
Translation differences			-3 378			-3 378	111	-3 267
Profit of the period					26 740	26 740	3 278	30 018
Dividends relating to 2005					-5 993	-5 993		-5 993
Capital increase	4 331	45 452			-1 664	48 119		48 119
Convertible loan					18 826	18 826		18 826
Treasury shares				-12 776		-12 776		-12 776
Stock option plan					3 028	3 028		3 028
Orco Germany Capital increase						-	5 424	5 424
Minority interests' transactions					-481	-481	1 840	1 359
Balance at 30 June 2006	32 181	164 416	5 975	-12 776	127 486	317 282	58 379	375 661

* Restated (see note 2.2)

The capital increase of Orco Germany SA and some sale of shares previously held by the Group led to a decrease of the interest and control of the first company by the Group from 100% to 76.7%.

IV. Interim consolidated cash flow statement

The accompanying notes form an integral part of this condensed interim consolidated financial information.

	June 2 006	December 2 005
Operating Result	38 020	76 888
Net gain from fair value adjustments	-40 276	-78 975
Amortization, impairments & provisions	-32	2 093
Gain and losses on disposal of investments	-171	-2 777
Stock options plans	3 029	1 393
Adjusted operating profit	570	-1 378
Financial result	1 290	2 821
Income tax paid	-989	-4 331
Financial result and income taxes paid	301	-1 510
Changes in operating assets and liabilities	-24 852	-47 354
NET CASH FROM OPERATING ACTIVITIES	-23 981	-50 242
Acquisition of subsidiaries, net of cash acquired	-70 100	3 759
Capital expenditures	-86 652	-171 526
Proceeds from sales of non current tangible assets	1 090	3 085
Purchase of intangible assets	-358	-157
Proceeds from sales of intangible assets	-	-
Purchase of financial assets	-3 026	-10 680
Proceeds from sale of held for sale activities	0	12 430
Net interest paid	-5 985	-6 136
NET CASH USED IN INVESTING ACTIVITIES	-165 031	-169 225
Issue of equity instruments from shareholders	49 783	81 398
Issue of equity instruments from minority	5 424	4 360
Proceeds from borrowings	249 803	195 152
Repayments of borrowings	-36 093	-25 560
Dividend paid to company's shareholders	-5 993	-3 498
NET CASH FROM FINANCING ACTIVITIES	262 924	251 852
NET INCREASE IN CASH	73 912	32 385
Cash and cash equivalents at the beginning of the period	49 089	15 742
Exchange difference on cash	-2 027	962
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	120 974	49 089

Notes to the condensed interim consolidated financial information

1. General information

Orco Property Group, société anonyme (the Company) and its subsidiaries (together the Group) is a real estate group with a major portfolio in Central and Eastern Europe. It is principally involved in leasing out investment property under operating leases as well as in asset management, in operating hotels and extended stay hotels and is also very active in the development of properties for its own portfolio or intended to be sold in the ordinary course of business. During the first six months of this year, the Group has substantially focused on growing its property portfolio with acquisitions in Germany, Budapest and Warsaw.

The Company is a limited liability company incorporated for an unlimited term and registered in Luxembourg. The address of its registered office is 48, boulevard Grande Duchesse-Charlotte, L-1330 Luxembourg.

The Company has a dual listing on the EuroNext Paris stock exchange and on the Prague stock exchange.

This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 31 August 2006.

2. Summary of significant accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30 June 2006 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

2.2 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005, as described in the annual financial statements for the year ended 31 December 2005. As a result of the first consolidation of Viterra, there is only one exception to this which is the application of the accounting principles related to the provision for pensions as described in section 2.4.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31 December 2006.

Amendment to IAS 39, Amendment to 'The fair value option' effective for annual periods beginning on or after 1 January 2006. This amendment does not have any impact on the classification and valuation of the Group's financial instruments as the Group does not hold financial instruments classified as at fair value through profit or loss;

Amendment to IAS 21, Amendment 'Net investment in a foreign operation', effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

Amendment to IAS 39, Amendment 'Cash flow hedge accounting of forecast intragroup transactions', effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

Amendment to IAS 39 and IFRS 4, Amendment 'Financial guarantee contracts', effective for annual periods beginning on or after 1 January 2006. This amendment is not relevant for the Group;

IFRS 6, 'Exploration for and evaluation of mineral resources', effective for annual periods beginning on or after 1 January 2006. This standard is not relevant for the Group.

IFRIC 5, 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds', effective for annual periods beginning on or after 1 January 2006. This interpretation is not relevant for the Group; and

IFRIC 6, 'Liabilities arising from participating in a specific market - waste electrical and electronic equipment', effective for annual periods beginning on or after 1 December 2005. This interpretation is not relevant for the Group.

Additionally, the comparatives figures in respect of 2005 as published as part of the condensed consolidated interim financial information for the half-year ended 30 June 2005 have been restated in order to reflect the recognition of deferred tax liabilities on all revaluations at their fair value of the investment properties. This change has been required by the strict application of IAS 12 that requires, as recommended by the Group auditors, not to take into account the fact that the sale of our properties takes place through a share deal while the group has adopted such a structure in order to not bear any tax on sale of investment properties. This resulted in a deferred income tax amounting to EUR 1.5 million in the comparative income statement for the period ended 30 June 2005.

Furthermore, EUR 6.5 million were reclassified from other operating expenses to cost of sales in the comparative income statement to reflect in a more appropriate way the operations of the Group.

Finally, the opening balance sheet, as at 1 January 2005, has been restated to reflect the derecognition of a deferred tax asset included in the IFRS transition. This restatement has the following impact on the 2005 comparative figures :

- decrease of the deferred tax assets by EUR 2.8 million; and
- decrease of the other reserves in shareholders' equity by the same amount.

2.3 Seasonality

Given the seasonal nature of retail sales in the hotel and extended stay residences activities and given high correlation between the sales in the development segment and the number of units ready to be sold, as well as the volatile impact of the valuation of financial instruments at market value, the results for the first six months cannot be extrapolated to the remainder of the year.

2.4 Provisions for pensions

In the Group, only the newly acquired Viterra Development GmbH and Viterra Baupartner GmbH have defined benefit plans. The Viterra plan is a so-called book reserve plan. The important attribute of this kind of plan is that there is no separate vehicle to accumulate assets to provide for the payment of benefits. Rather, the employer sets up a book reserve (provision) in its balance sheet.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

3. Segment reporting – business segments

The Group is organised on a European basis into four main segments determined in accordance with the type of activity :

- Renting : leased out residences, offices or retail buildings, property management and asset management and buildings under construction that are meant to be leased.
- Extended stay hotels : includes all the MaMaison Residences activities.
- Hotels : small luxury hotels.
- Development : development of projects meant to be disposed off unit by unit, the land bank as well as empty buildings for which the future destination is still under study and project management.
- Other services : mainly include the fees from the investment fund managed by the Group.

Corporate expenses are allocated on the basis of the revenue realised by each activity.

At 30 June 2006	Development	Hotels	Extended stay hotels	Renting	Other services	Intersegment activities	TOTAL
Revenues	12 461	8 503	3 145	8 052	4 862	-3 295	33 728
Net gain from fair value adjustment on investment property	23 174	0	0	17 102	0	0	40 276
Operating result	22 422	-3 567	-371	16 355	4 145	-964	38 020
Financial result							-5 076
Profit before income taxes							32 944
Income taxes							-2 926
Net Profit							30 018
Attributable to minority interests							3 278
Attributable to the group							26 740

At 30 June 2005	Development	Hotels	Extended stay hotels	Renting	TOTAL
Revenue	12 850	4 573	1 869	3 010	22 302
Net gain from fair value adjustment on investment property	6 847	-	2 864	4 502	14 213
Operating result	5 608	-854	2 345	3 671	10 769
Financial result					-2 502
Profit Before income taxes					8 267
Income taxes					-4 688
Net profit					3 579
Attributable to minority interests					760
Attributable to the Group					2 819

Other operating results include amongst others the operating expenses representing advisory and marketing expenses, maintenance and service costs, professional fees and travel expenses. As at 30 June 2005, there were no material transactions between the business segments.

4. Acquisition of Viterra

During the first half of 2006 the Group has entered into one business combination.

As at 23 June the Group directly acquired 100% of Viterra Development Polska and through Orco Germany (a 77% fully consolidated subsidiary) 100% of Viterra Development GmbH and Viterra Baupartner GmbH. Those companies and their subsidiaries are referred to as Viterra in this report. Viterra is essentially active in Germany. The development and building portfolio has been fair valued on the basis of an independent valuation report (established by DTZ Debenham).

As at 30 June 2006, Viterra only contributes to the consolidated balance sheet and a negative goodwill of EUR 23.7 million has been recognized in the income statement on the same line as the gains and losses from fair value adjustments on investment property.

As part of the transaction, the Group also acquired for a total cash consideration of EUR 10 million two buildings whose property has only been transferred in August with some cash flow adjustment mechanisms.

The purchase accounting for the business combination has been determined on a provisional basis and will be completed by the end of 2006 as the fair value of some contingent liabilities has been provisionally estimated.

The following table describes the calculation of the cash flow on acquisition net of the cash and cash equivalents acquired :

Viterra	
Tangible assets	21 422
Financial assets	1 300
Deferred tax assets	1 070
Inventories	108 305
Trade receivables	36 391
Other current assets	5 733
Cash and cash equivalents	28 031
Long term financial debts	-1 301
Provisions	-10 445
Deferred tax liabilities	-4 433
Payables	-34 991
Short term debts and provisions	-29 285
Net equity acquired	-121 797
Negative goodwill on acquisitions	23 666
Acquisition price	-98 131
Less cash acquired	28 031
Cash flow on acquisition net of cash acquired	-70 100

As at the end of June, the different projects in which Viterra was engaged presented a global remaining development cost (i.e. total forecasted development costs less costs already realised) amounting to EUR 315.6 million, of which EUR 250.5 million in office development and EUR 315.5 million in residential development. In its present strategy, Viterra only starts construction once they achieve 60% pre-sales.

5. Investment property

Investment property	Buildings under finance lease	Freehold buildings	Land	Extended stay hotels	Land bank	Total
Balance at 1 January 2005	1 510	49 620	5 893	47 199	30 281	134 503
Revaluation	-428	28 826	6 874	9 065	21 341	65 678
Investments / acquisitions	5	127 316	-	10 802	12 655	150 778
Asset sale	-	-2 312	-	-	-	-2 312
Transfer	404	10 419	-4 234	-416	859	7 032
Translation differences	19	2 300	67	769	2 359	5 514
Balance at 31 December 2005	1 510	216 169	8 600	67 419	67 495	361 193
Revaluation	-	14 394	-	-	2 071	16 465
Scope movements	-	21 367	-	-	-	21 367
Investments / acquisitions	-	41 198	-	-	15 381	56 579
Asset sale	-	-1 176	-	-	-	-1 176
Transfer	-	1 862	9 067	-	-35 799	-24 870
Translation differences	-5	297	162	153	613	1 220
Balance at 30 June 2006	1 505	294 111	17 829	67 572	49 761	430 778

Variations in 2006

All investment properties are revalued at the end of the year. Some of them may be revalued at an interim closing if we have indications of a significant variation in their fair value. This year it was essentially the case for the office part of Luxembourg Plaza (EUR 8.7 million), Starlight hotel and Parish Department Store building in Budapest (EUR 5.7 million), new land bank sites in Warsaw and Prague (EUR 2.1 million). The total revaluation of investment properties amounts to EUR 16.5 million. This amount does not include the negative goodwill of EUR 23.7 million on the first consolidation of Viterra which is recognised in the same line in the income statement (see note 4).

The scope movements refer to one office building acquired in Viterra's asset portfolio in Germany that is recognized at its fair value.

During the period, the Group has invested EUR 56.6 million in the following projects :

- Freehold buildings: various residential and office buildings in Berlin (EUR 22.8 million); the CIB Bank and Parish Department Store buildings in Budapest (EUR 17.0 million).
- Land bank : acquisition of a plot for future development project in Warsaw for EUR 9.0 million and the rest in plots in the Czech Republic.

In the freehold building category the transfer is a movement of Luxembourg Plaza's office part transferred from properties under development (EUR 15.7 million) into investment properties after obtention of the occupation permit and the Zlota Tower transferred in inventory (EUR 22.8 million) after the obtention of the construction permit. A part of the Luxembourg Plaza's office will finally be occupied by the Group as from September 2006 and will be transferred in own occupied buildings during the 3rd quarter 2006.

During the period, 4 apartments of the Zahrebska building in Prague have been sold for EUR 1.1 million.

Variations in 2005

Two projects (Kosic project -a joint-venture with a subsidiary of General Electric- and Nove Medlanky) have been divided in three phases. The plots of land relating to the two last phases have therefore been transferred from inventory to investment property until the potential developments start.

During the year, the Group has invested EUR 151 million in the following projects :

- Freehold buildings: the Ofer portfolio in Budapest for EUR 74.9 million (revaluation recognised in 2005: EUR 0.9 million), EUR 26.8 million in the Na Porici office building in Prague 1 (revaluation recognised in 2005: EUR 7.2 million), EUR 12.8 million in five apartment buildings in Berlin (revaluation recognised in 2005: EUR 5.8 million), one shopping center in Brno for EUR 4.2 million (revaluation recognised in 2005: EUR 1.1 million) and buildings to be refurbished in Spedleruv mlyn and Prague for EUR 5.8 million.
- Extended stay hotels : the new Diana residence in Warsaw represented an investment of EUR 10.7 million (revaluation recognised in 2005: EUR 5.2 million).
- Land bank : acquisition of a plot for future development project in Slovakia for EUR 4.4 million and the rest in plots in the Czech Republic.

As its offices and shopping spaces are currently for rent, the Zlota City Center building located in the center of Warsaw is fair valued at EUR 23.0 million after recognition of a gain on revaluation of EUR 6.6 million in 2005 (EUR 4.8 million in 2004) and is classified under the "Freehold buildings". The fair value is based on the fact that in the near future, the Group is confident in obtaining a building permit to replace the existing building by a prestigious commercial and residential tower of 192 meters. The acquisition cost of this building also includes a prepaid operating lease for the land with an upfront payment in 2004 amounting to PLN 23.8 million. The term of the lease is 99 years starting from 1991.

The plot Hagibor located in Prague 10 in the Czech Republic is dedicated to the future development of an office property for Radio Free Europe with very high specifications. While the plot is still classified as "Landbank", it has been fair valued at EUR 17.5 million with a gain on revaluation of EUR 9.2 million in 2005 (EUR 0.4 million in 2004) on the assumption that the property will be leased to Radio Free Europe.

The Luxembourg Plaza in Prague is currently under development. However, the land on which the Luxembourg Plaza is located is classified in investment property and revalued at year end. The revaluation recorded on this land in 2005 amounts to EUR 6.9 million.

In 2005, the freehold buildings sale relates to the finalisation of the sale of one apartment to a Board member of the Group. The total transaction amounted to EUR 0.4 million and the Group did not record any material difference compared to the last DTZ valuation. The other sales concern luxury apartments in Prague in the Zharebska, Americka and Rybalkova buildings. The total transactions amounted to EUR 2 million.

The total revaluation of investment properties amounts to EUR 65.7 million. This amount does not include the negative goodwill of EUR 13.3 million on the first consolidation of Suncani Hvar which is recognised on the same line in the income statement.

6. Hotels and own-occupied buildings

Hotels and own-occupied buildings	Own-occupied buildings	Prepaid operating leases	Hotels	TOTAL
GROSS AMOUNT				
Balance at 1 January 2005	5 158	2 449	41 585	49 192
Scope variation	0	0	73 192	73 192
Investments / acquisitions	2 056	427	381	2 864
Disposal	-41	0	0	-41
Transfer and other movements	-118	621	186	689
Translation differences	265	110	2 099	2 474
Balance at 31 December 2005	7 320	3 607	117 443	128 370
Investments / acquisitions	233	0	60	293
Transfer and other movements	-81	0	13 247	13 166
Translation differences	89	-78	-38	-27
Balance at 30 June 2006	7 561	3 529	130 712	141 802
AMORTIZATION				
Balance at 1 January 2005	477	25	292	794
Allowance	65	91	1 383	1 539
Disposal	-12	0	0	-12
Transfer and other movements	-58	-18	40	-36
Translation differences	35	1	15	51
Balance at 31 December 2005	507	99	1 730	2 336
Allowance	149	61	546	756
Write off	-65	0	0	-65
Transfer and other movements	28	0	82	110
Translation differences	8	0	-1	7
Balance at 30 June 2006	627	160	2 357	3 144
NET AMOUNT AT 30 June 2006	6 934	3 369	128 355	138 658
Net amount at 31 December 2005	6 813	3 508	115 713	126 034

2006

During the first half year 2006, the transfer relates to the Marriott Courtyard in Prague that entered into operations in the Luxembourg Plaza. Upon completion, the developed building has been transferred from properties under development.

The investment in own-occupied buildings relates mainly to the refurbishment of the new headquarters in Luxembourg that has been acquired at the end of the 2005.

2005

In 2005, the scope variation relates only to the first consolidation of Suncany Hvar. All the assets and liabilities have been valued by Deloitte & Touche Croatia at the time of the acquisition, using the EBITDA and rate per room multiples valuation methods. Please refer to note 4 detailing the business combination accounting on this company.

7. Properties under development

The caption Properties under development also includes advance payments for EUR 9.6 million (2005 EUR 3.3 million). These advance payments essentially relate to the acquisition of various buildings in Berlin. The rest represents the buildings under construction that have known the following evolution :

	June 2006	December 2005
Opening Balance	21 601	10 803
New projects and work in progress	23 916	16 516
Finalized projects	-28 164	-8 841
Transfer and other movements	-41	2 285
Translation differences	503	838
Total	17 815	21 601

2006

The work in progress represents the investments in the hotels on the Hvar island before the start of the summer season (EUR 13.2 million), and the share of the Group in the completion works for the Luxembourg Plaza building (EUR 8.6 million).

After its finalization, the Luxembourg Plaza building has been transferred in investment properties for the offices for rent part (EUR 15.7 million) and, in hotels and own occupied buildings for the hotel part (EUR 13.2 million).

2005

In 2005, the group invested EUR 3.0 million in the finalization of a hospital in Londynska that has been transferred to investment properties with a value of EUR 8.8 million. The other investments relate mainly to the Luxembourg plaza building that will be half dedicated to offices and half to hotel premises. The office part is a 50% joint venture with Trigranit. In the beginning of 2006, Trigranit has sold its share in the joint venture to the Group which sold it subsequently to the Endurance Real Estate Fund for Central Europe at the fair value determined by DTZ.

8. Inventories

	June 2006	December 2005
Opening balance	55 637	31 778
Acquisition of Viterra	90 916	-
Transfer with investment property	41 207	3 023
Net impairments	1 684	-1 891
Other variations	41 494	22 727
Total	230 938	55 637

2006

All the transfers relate to plots and buildings transferred from investment properties and particularly the Zlota Tower in Warsaw (EUR 22.8 million).

On the basis of the updated DTZ valuation as at 30 June 2006, the impairment of EUR 1.8 million recognized on a development in Hungary has been reversed.

2005

As at December 2005, an impairment of EUR 1.8 million has been recognised on a development in Hungary. This impairment has been calculated by comparing the DTZ value with the net book value of the project.

9. Borrowings

The derivative instruments are not described in this note. In 2005, the derivative instruments' fair value amounts to EUR 7.1 million and in June 2006 amounts to EUR 21.6 million.

Non-current Bonds	June 2006	December 2005
Opening	84 364	30 829
Issue of new bonds	167 059	62 221
Interest accumulated during the period	1 276	545
Repayments of bonds	-21 823	-8 981
Transfer	-	-250
Translation differences	-177	-
Total	230 699	84 364

Non-current Loan	June 2006	December 2005
Opening	175 930	56 655
Issue of new loans	60 470	121 805
Acquisition of subsidiaries	1 301	8 698
Repayments of loans	-14 270	-11 658
Transfer	-3 392	-3 754
Translation differences	-1 089	4 184
Total	218 950	175 930

The new bonds issued in 2006 are described below.

9.1 Convertible bond 2006-2013

Within the authorized capital, the Board of Directors decided on 15 May 2006 to issue a convertible bond without preferential subscription rights with the following terms :

Nominal	EUR 149 999 928
Number of bonds	1 086 956
Nominal value	EUR 138.00
Issue price	at par value, EUR 138.00
Redemption price if not converted	138.62% of par at EUR 191.29; i.e. a gross yield-to-maturity of 5.65%
Nominal interest rate	1.0%
Listing	Euronext Paris
ISIN	FR0010333302
Normal Redemption	the non converted bonds will be reimbursed in cash on 31 May 2013.
Conversion ratio	One new share for one bond
Issuance date	1 June 2006
Early Redemption	see the prospectus for the detailed conditions

As at 30 June 2006, no bond had been converted.

In the IFRS accounts, the funds raised with this convertible bond have been at issuance divided into a long-term debt component and an equity component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component, classified in other reserves, represents the market value on the date of issue of the call options embedded in the convertible bond.

Debt component on issue	118 375
Interest accumulated during the period	330
Balance at 30 June 2006	118 705

9.2 CZK 1.4 billion Floating rate bond

The Board of Directors decided on 2 February 2006 to issue a convertible bond without preferential subscription rights with the following terms :

Nominal	CZK 1 400 000 000
Number of bonds	140
Nominal value	CZK 10 000 000
Issue price	CZK 10 000 000
Nominal interest rate	6M Pribor + 2.20% (4.74%)
Listing	Prague Stock Exchange
ISIN	CZ0000000195
Issuance date	2 March 2006
Final redemption date	2 March 2011

Debt component on issue	48 684
Interest accumulated during the period	52
Exchange differences	-177
Balance at 30 June 2006	48 559

10. Provisions for pensions

In the non-current liabilities, the amount of provisions has increased from EUR 1.0 million as the end of 2005 to EUR 13.0 million as at 30 June 2006. This evolution is mainly a consequence of the first consolidation of Viterra with a contribution amounting to Eur 10.3 million. Out of these provisions, EUR 9.9 million represent the book reserves for retirement benefit obligations.

The principal actuarial assumptions used in the calculation of the provisions are:

	2005
Discount rate	4.00%
Salary growth rate	2.75%
Long term inflation rate	1.75%

11. Minority interest transactions

The minority interest transactions refer essentially to the transfer of equity resulting from the dilution of Orco Property Group in the capital of Orco Germany from 100% to 76.7% due to a sale of shares and a capital increase.

12. Earnings per share

	June 2006	June 2005
At the beginning of the period	6 792 578	4 620 898
Shares issued	6 792 578	4 622 824
Treasury shares	0	-1 926
Weighted average movements	620 590	768 442
Issue of new shares for cash	630 189	761 378
Issue of new shares in acquisitions	0	6 069
Treasury shares	-9 599	995
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	7 413 168	5 389 340
Dilutive potential ordinary shares	2 705 853	6 202
Share subscription rights BSA	224 235	-
Share subscription rights BSAR	217 119	-
Convertible bond 04-11	268 357	-
Convertible bond 06-13	1 086 956	-
Employee stock options	54 186	6 202
PACEO	855 000	-
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	10 119 021	5 395 542
Net profit attributable to the Group	26 740	2 819
Effect of assumed conversions / exercises	3 235	0
Convertible bond 04-11	191	-
Convertible bond 06-13	89	-
PACEO	2 955	-
Net profit attributable to the Group after assumed conversions / exercises	29 975	2 819
Basic earnings in EUR par share	3,61	0,52
Diluted earnings in EUR par share	2,96	0,52

Basic earnings per share is calculated by dividing the profit attributable to the Group by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

13. Equity

	Number of shares	Capital	Share premium
Balance at 31 December 2004	4 622 824	18 954	46 089
Exercise of employee stock options	51 000	209	1 408
Exercise of Share subscription rights	620 120	2 542	11 720
Conversion of convertible bonds	290 613	1 192	8 224
Share private placement	300 000	1 230	11 970
Exercise of PACEOs	834 060	3 420	36 885
Acquisition of minority interests	32 307	132	1 243
Dividend paid in shares	41 654	171	1 425
Balance at 31 December 2005	6 792 578	27 850	118 964
Exercise of employee stock options	76 500	314	2 364
Exercise of Share subscription rights	184 895	758	3 495
Conversion of convertible bonds	442 593	1 814	12 525
Exercise of PACEOs	310 940	1 275	23 839
Dividend paid in shares	41 411	170	3 229
Balance at 30 June 2006	7 848 917	32 181	164 416

On 12 April 2006, Orco Property Group S.A. and Société Générale in Paris (SG) have arranged a new Step-up Equity Subscription (PACEO: Programme d'Augmentation de Capital par Exercices d'Options). It allows Orco Property Group S.A. to issue a maximum of 1 million new shares subscribed on the demand of Orco Property Group S.A. by SG. All subscriptions will be at an issue price of 96% of the share price at the time of execution. As at 30 June 2006, as part of this new PACEO program, the Company has exercised 145,000 options for a total proceeds of EUR 14,234,650.

The dividends paid in 2006 and 2005 were EUR 6.0 million (EUR 0.80 per share) and EUR 3.5 million (EUR 0.58 per share) respectively.

14. Related party transactions

A loan amounting to EUR 4.5 million bearing an interest of 10% with a renewable term of one year has been granted to a member of the Board of Directors of a subsidiary. As at the end of June 2006, the group also had a receivable on Orco Holding amounting to EUR 3.1 million; this receivable has been paid at the end of July.

During the first six months of 2006, three houses built by the Group in the Czech Republic have been sold to Group employees for a global amount of Eur 2.4 million. As at June 30, the total amount in respect with those sale was recognized as a receivable (arms' length transaction compared to other sales).

Among the 350.000 new stock options, 339.000 have been granted to members of the executive committee which have also received a global compensation of EUR 1.5 million over the first six months.

15. Events after balance sheet date

Orco Property Group won in the tender for a plot of 27 hectares in Prague 7 – Bubny district, originally announced by Správa železniční dopravní cesty (SŽDC) and already signed the contract for CZK 1.1 billion. The plot, which has stood vacant and neglected for the last 20 years, is the only area of such a type and size in the Prague City Centre. As such, one of Orco's main goals is the rejuvenation and revitalisation of the prime Prague 7 – Bubny district. Estimated investment into this project stands at CZK 20 billion.

The group finalised in August the transfer of property of the two German assets mentioned in note 4.

16. Commitments

In a decision taken on March 3rd 2006, the board of directors granted to some members of the management of the group a termination indemnity payment for a total amount of EUR 34 million. This indemnity would become payable by the company to the relevant management member only in case of change of control of the company and in case the relationship between the company and the management member is terminated by either party within a period of 6 months after the change of control.

To the Board of Directors
Orco Property Group S.A.

Review report of the Independent auditors

We have reviewed the accompanying condensed consolidated interim balance sheet of Orco Property Group S.A. and its subsidiaries (the "Group") as of 30 June 2006 and the related condensed consolidated interim statements of income, cash flows and changes in shareholders' equity for the six months then ended. This condensed interim financial information is the responsibility of the Board of Directors. Our responsibility is to issue a report on this condensed consolidated interim financial information based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the condensed consolidated interim financial information is free of material misstatement. A review is limited primarily to inquiries of group personnel and analytical procedures applied to financial data, and therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The Group has not included in the condensed consolidated interim financial information a comparative consolidated statement of cash flows for the period ending June 30, 2005 as required under International Accounting Standard 34 "Interim financial reporting".

Based on our review, except for the exclusion of a comparative consolidated statement of cash flows, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as of 30 June 2006 has not been properly prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Luxembourg, 15 September 2006

HRT Révision S.à r.l.
Réviseur d'entreprises
Représentée parPricewaterhouseCoopers S.à. r.l.
Réviseur d'entreprises
Représentée par

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