Orco Property Group S.A.

Interim consolidated financial statements for the period ending June 30, 2005

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

Review report of the Independent auditors

We have reviewed the interim consolidated financial statements as of 30 June 2005 of Orco Property Group S.A. (the "Group"). The interim consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on the interim consolidated financial statements 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 interim consolidated financial statements are 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.

As described in notes 2.14, 4.1 (c) and 17 of the interim consolidated financial statements, the Group has not accounted for deferred tax liabilities arising from the revaluation at their fair value of the buildings held by specific subsidiaries. Considering the absence of any authoritative guidance specific to the real estate industry and based on its interpretation of IAS 12, the Group has not recorded the deferred tax liability, since the specific ownership structure and the intention of the Group, with respect to any possible disposal, should not result in any taxation. The absence of recognition of deferred tax liabilities is not, in our view, in accordance with International Accounting Standard 12 "Income taxes". As detailed in note 17, under IAS 12, the deferred tax liability on the revaluation at their fair value of the buildings would amount to EUR 9.4 million as of 31 December 2004 and EUR 11.0 million as of 30 June 2005. Accordingly, the net result of the period would be reduced by EUR 1.6 million.

The Group has not included in the interim consolidated financial statements a consolidated statement of cash flows as required under International Financial Reporting Standards.

Based on our review, except for the effect on the interim consolidated financial statements of the matter referred to in the third paragraph above and except for the exclusion of a consolidated statement of cash flows, nothing has come to our attention that causes us to believe that the interim consolidated financial statements as of 30 June 2005 have not been prepared in conformity with the basis set out in note 1 to the interim consolidated financial statements.

Without qualifying our report, we draw attention to the following matters :

- Note 1 describes how International Financial Reporting Standards (IFRS) as endorsed by the European Commission have been applied under IFRS 1, including the assumptions that the Board of Directors has made about the standards and interpretations expected to be effective and, the policies expected to be adopted when the Board of Directors prepares its first complete set of IFRS consolidated financial statements as of 31 December 2005.
- Note 1 of the interim consolidated financial statements also explains why there is a possibility that the interim consolidated financial statements may require adjustment before being considered as the first complete IFRS consolidated financial statements in 2005 and, that under IFRS only a complete set of financial statements with comparative financial information and explanatory notes can provide a fair presentation of the Group's financial position and result of operations in accordance with IFRS.
- The comparative figures and information as of 30 June 2004 included in the interim consolidated financial statements have not been subject to our review. Therefore we do not express any assurance thereon.

Luxembourg, 14 September 2005

HRT Révision S.à r.l. Réviseur d'entreprises Représentée par	PricewaterhouseCoopers S.à. r.l. Réviseur d'entreprises Représentée par
Dominique Ransquin	Anne-Sophie Preud'homme

ORCO PROPERTY GROUP

Interim consolidated financial statements

Orco Property Group's Board of Directors has approved on 14 September 2005 the interim consolidated financial statements for the first-half 2005. All the figures in this report are presented in thousands of Euros, except if explicitly stated.

I. Consolidated interim income statement

	Note	June 2005 6 months	June 2004 6 months	December 2 004 12 months
Revenue	6	**22 302**	**43 251**	**70 670**
Net gain from fair value adjustment on investment property	6	14 213	5 790	25 408
Other operating income		992	264	3 050
Cost of sale		-17 965	-30 668	-51 723
Employee benefit	19.4	-5 966	-3 682	-7 464
Amortization and impairments		-945	367	-6 220
Result from activities held for sale		-24	0	0
Other operating expenses		-1 838	-2 638	-2 892
Operating result		**10 769**	**12 684**	**30 829**
Foreign exchange result		1 043	921	509
Net interest expenses		-2 749	-2 208	-5 515
Other financial results		-796	-233	1 177
Financial result		**-2 502**	**-1 520**	**-3 829**
Profit before income taxes		**8 267**	**11 164**	**27 000**
Income taxes	17	-3 177	-5 282	-7 534
Net profit		**5 090**	**5 882**	**19 466**
Attibutable to minority interests		784	-270	117
Attributable to the Group		**4 306**	**6 152**	**19 349**
Basic earnings per share	18	0,80	1,52	4,61
Diluted earnings per share	18	0,78	1,30	3,32

II. Consolidated interim balance sheet

Assets	Note	June 2 005	December 2 004
NON-CURRENT ASSETS		**265 900**	**208 728**
Intangible assets		**1 313**	**1 250**
Investment property	7	**176 633**	**134 503**
Property, plant and equipment		**77 363**	**66 354**
Hotels and own-occupied buildings	8	49 418	48 398
Fixtures and fittings	9	7 360	5 802
Properties under development	10	20 585	12 154
Financial assets	11	**7 411**	**2 286**
Deferred tax assets	17	**3 180**	**4 335**
CURRENT ASSETS		**107 003**	**80 176**
Inventories	13	30 521	31 778
Trade receivables	14	19 444	22 145
Other current assets		13 575	10 511
Cash and cash equivalents		43 463	15 742
Held for sale activities	12	**27 271**	**20 054**
TOTAL		**400 174**	**308 958**

Equity and liabilities	Note	June 2 005	December 2 004
EQUITY		**167 050**	**117 910**
Shareholders'equity		**159 438**	**114 695**
Minority interests		**7 612**	**3 215**
LIABILITIES		**215 323**	**180 761**
Non-current liabilities		**146 988**	**92 557**
Bonds	16	56 975	30 829
Financial debts	16	83 126	56 655
Provisions		779	762
Deferred tax liabilities		6 108	4 311
Current liabilities		**68 335**	**88 204**
Financial debt	16	19 297	29 340
Trade payables		13 679	18 116
Advance payments		19 059	26 939
Other current liabilities		16 300	13 809
Held for sale activities	12	**17 801**	**10 287**
TOTAL		**400 174**	**308 958**

III. Consolidated interim statement of changes in equity

	Share Capital	Share premium	Translation reserve	Treasury shares	Cashflow hedge	Other reserves	Shareholders Equity	Minority Interests	Equity
Balance at 1 January 2004	**16 470**	**33 440**	**0**	**-319**	**0**	**30 001**	**79 592**	**3 979**	**83 571**
Gains or losses for the period :									
Translation differences			1 066				1 066	215	1 281
Profit of the period						6 152	6 152	-270	5 882
Dividends relating to 2003						-1 826	-1 826		-1 826
Capital increase	1 005	4 296					5 301		5 301
Treasury shares				314			314		314
Minority interests' transactions						114	114	1 210	1 324
Balance at 30 June 2004	**17 475**	**37 736**	**1 066**	**-5**	**0**	**34 441**	**90 713**	**5 134**	**95 847**
Gains or losses for the period :									
Translation differences			2 955				2 955	1 029	3 984
Profit of the period						13 197	13 197	387	13 584
Capital increase	1 479	8 353				-230	9 602		9 602
Treasury shares				-67		151	84		84
Convertible loan						961	961		961
Minority interests' transactions						-2 817	-2 817	-3 335	-6 152
Balance at 31 December 2004	**18 954**	**46 089**	**4 021**	**-72**	**0**	**45 703**	**114 695**	**3 215**	**117 910**
Gains or losses for the period :									
Net changes in fair value					-273		-273		-273
Translation differences			953				953	453	1 406
Profit of the period						4 306	4 306	784	5 090
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						-367	-367	3 160	2 793
Balance at 30 June 2005	**24 638**	**84 232**	**4 974**	**-178**	**-273**	**46 045**	**159 438**	**7 612**	**167 050**

Notes to the consolidated interim financial statements

1. General information

Orco Property Group SA (the Company) and its subsidiaries (together the Group) is a real estate group with a major portfolio in Central Europe. It is principally involved in leasing out investment property under operating leases, in asset management, in operating hotels and extended stay hotels and is also very active in development of properties for its own portfolio or to be sold in the ordinary course of business.

The Company is a limited liability company for an unlimited term incorporated and registered in Luxembourg. The address of its registered office is 8, Boulevard Emmanuel Servais – L – 2535 Luxembourg.

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

These consolidated interim financial statements have been approved for issue by the Board of Directors on 14 September 2005.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated interim financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Orco Property Group's consolidated interim financial statements have been prepared in accordance with international financial reporting standards (IFRS) applicable as of January 1, 2005.

These June 2005 consolidated interim financial statements of the Group are for the six months ended 30 June 2005. With the exception of the consolidated interim cash flow statements and certain disclosures required by IAS34 Interim Financial Reporting that will only be reported in the 2005 annual financial statements, these consolidated interim financial statements have been prepared in accordance with IFRS and are covered by IFRS 1, First-time Adoption of IFRS, because they are part of the period covered by the Group's first IFRS financial statements for the year ended 31 December 2005. The IFRS standards and IFRIC interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these consolidated interim financial statements.

Orco Property Group's consolidated interim financial statements were prepared in accordance with Luxembourg's Generally Accepted Accounting Principles (GAAP) until 31 December 2004. Luxembourg GAAP differs in some areas from IFRS. In preparing the Group's 2005 consolidated interim financial statements, management has amended certain accounting, valuation and consolidation methods applied in the Luxembourg GAAP financial statements to comply with IFRS. The comparative figures in respect of 2004 were restated to reflect these adjustments, except as described in the accounting policies. Reconciliations and descriptions of the effect of the transition from Luxembourg GAAP to IFRS on the Group's equity and its net income are presented in note 5.

These consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, available-for-sale financial assets, and financial assets or financial liabilities (including derivative instruments) at fair value.

The preparation of consolidated interim financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated interim financial statements, are disclosed in Note 4.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Joint-ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation.

The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. A loss on the transaction is recognised immediately if it provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Joint ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

The exchange rates against Euro used to establish these consolidated interim financial statements are the following ones :

	30 June 2005		**31 December 2004**		**30 June 2004**	
	Average	Closing	Average	Closing	Average	Closing
CZK	0.03320	0.03330	0.03133	0.03282	0.03085	0.03149
HUF	0.00404	0.00404	0.00398	0.00407	0.00392	0.00395
HRK	0.13680	0.13700	N.A.	N.A.	N.A.	N.A.
PLN	0.24508	0.24752	0.22156	0.24565	0.21144	0.22016
SKK	0.02590	0.02606	0.02493	0.02578	0.02472	0.02503

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

When a foreign operation is sold, exchange differences arising from the translation of the net investment in foreign entities are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/joint-ventures at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint-ventures is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (3 to 5 years).

2.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both (including the land bank), and that is not occupied by the Group, is classified as investment property.

Investment property comprises freehold land, freehold buildings, land held under operating lease and buildings held under finance lease.

Land held under operating lease is classified and accounted for as investment property when the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed annually by an independent expert, DTZ Debenham Tie Leung. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of buildings classified as investment property.

Subsequent expenditure is charged to the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Changes in fair values are recorded in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

The lands on which are sitting buildings under construction that will qualify as investment property at construction completion are from the beginning classified as investment property and hence recorded at fair value.

The land bank includes all plots of land held by the Group on which no construction or development has started at the balance sheet date.

Investment property held for sale without redevelopment is classified under current assets as assets held for sale under IFRS5.

2.7 Property, plant and equipment

Hotels and own-occupied buildings, Fixtures and fittings, Properties under development are classified as property, plant and equipment.

All elements in this category are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation, based on a component approach, starts when construction or development is complete. The depreciation is calculated using the straight-line method to allocate the cost over the asset’s estimated useful lives, as follows:

- Land Nil
- Buildings 80 years
- Fixtures and fittings 3 to 20 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset’s carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset.

2.8 Leases

(a) A group company is the lessee

i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

ii) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

(b) A group company is the lessor

i) Operating lease

Properties leased out under operating leases are included in investment property in the balance sheet.

ii) Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

2.9 Impairment of assets

Assets including goodwill that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.10 Inventories

Properties that are being developed for future sale are classified as inventories at their cost or deemed cost , which is the carrying amounts at the date of reclassification from investment property. They are subsequently carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete redevelopment and selling expenses.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds in other reserves.

Orco Property Group's shares held by the Group -Treasury shares- are measured at their acquisition cost and recognized as a deduction from equity.Gains and losses on disposal are taken directly to equity.

2.13 Borrowings

The term Borrowings covers the elements recorded under the captions Bonds and Financial debts within the non-current liabilities and the caption Financial debts within current liabilities.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Investment property

Deferred income tax is provided on temporary differences arising on fair value of buildings and lands held by the Group as investment properties except when they are located in special purpose entities, which are themselves held by a company based in Luxembourg. Each special purpose entity is meant to hold one specific project. Eventually, should a special purpose entity be disposed off, the gains generated from the disposal will be exempted from any tax (in accordance with the Grand-ducal rule of December 21, 2001), if the Luxembourg-based company holds or commits itself to hold this stake for a minimum of a continuous 12-month period and, if, during this same period, the stake amounts to at least 10% of the affiliate's capital or the acquisition price amounts to at least Eur 6 million. The Group is confident that all special purpose entites will comply with these conditions.

For investment properties, this holding structure has an influence on the deferred tax calculation because the Group will recover its investment by selling its shares in the special purpose entity. Therefore deferred taxes have been accounted for only on the temporary differences arising on the land bank (they are not meant to be sold in the framework of a share transaction).

In note 17, you will find the influence on the Group's financial position if the existing holding structure would not exist or would not be used in the hypothesis of a sale of all investment properties.

2.15 Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where the Group, as lessee, is contractually required to restore a leased in property to an agreed condition, prior to release by a lessor, provision is made for such costs as they are identified.

2.16 Derivatives

Derivatives are recognized in the balance sheet at their fair value, which is the market value at the balance sheet date within other current assets or other payables.

Apart from embedded derivatives, the Group enters into derivatives as part of its strategy for hedging interest rate risks. IAS39 subordinates the use of hedge accounting to initial documentation and demonstration of the effectivness of the hedging relationship. If those restrictive conditions are not achieved, changes in their fair value are accounted for through the income statement. If they are recognized as effective hedging instruments of future interest payments, changes in their fair value are taken to equity.

If the derivative is designated as a hedging instrument, the method of recognizing the resulting gain or loss depends on the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Embedded derivatives that are not equity instruments -issued call options embedded in exchangeable bond- are recognized separately and changes in fair value are accounted for through the income statement.

2.17 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading.

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Service and management charges are recognised in the accounting period in which the services are rendered.

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved.

2.19 Interim measurement note

(a) Current income tax

Current income tax expense is recognised in these interim consolidated financial statements based on management's best estimates of the weighted average annual income tax rate expected for the full financial year.

(b) Costs

Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

(c) Seasonality

Since IAS11 Construction contracts is not applicable to the Group, the sales revenue is only accounted when the transfer of property is complete. Therefore and as an important part of the Group revenues is generated by the development activites, revenues for the whole year cannot be extrapolated from the interim report.

Furthermore part of the operating result depends on the revaluation of investment properties and on the sales of properties that are non-recurring events.

2.20 New accounting standards and IFRIC interpretations

Certain new accounting standards and IFRIC interpretations have been published that are mandatory for accounting periods beginning on or after 1 January 2006. Most of these standards and interpretations will not affect the Group.

IFRIC 4, Determining whether an Asset Contains a Lease, is applicable to annual periods beginning on or after 1 January 2006. The Group has elected for early adoption. Implementation of IFRIC 4 has no impact on the accounting for any of the Group's current arrangements.

3. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the CZK for the Czech Republic, the PLN for Poland and the HUF for Hungary. Foreign exchange risk arises from recognised monetary assets and liabilities and net investments in foreign operations. The Group does not hedge its foreign exchange risks. Salaries, overhead expenses, future purchase contracts in the development sector, building refurbishment and construction costs are denominated in local currencies. Loans, operating income and -except in the development activities- building sales are denominated in Euros.

(ii) Price risk

The Group is exposed to property price and property rentals risk but it does not pursue any speculative policy. Eventhough the Group's activities are focused on one geographical area -Central Europe-, they are spread over several business lines (residences, offices, hotels) and different countries that undergo specific cycles.

(b) Credit risk

The Group has no significant concentrations of credit risk. Rental contracts are made with customers with an appropriate credit history. Cash transactions are limited to high-credit-quality financial institutions. The amount of credit exposure to any financial institution is limited.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the nature of its assets the Group is subject to a liquidity risk. However, over the medium and long term this risk is remote. Furthermore most loans expire at the earliest in 2010.

(d) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group has now started to hedge some of its variable interest rates by entering into swap transactions.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

b) Principal assumptions for management's estimation of fair value

If information on current or recent prices of assumptions underlying the discounted cash flow approach investment properties are not available, the fair values of investment properties are determined using discounted flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(c) Income taxes

The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in note 2.14, the calculation of deferred tax on investment properties is based on the assumption that they will be realised through a share deal instead of an asset deal. Indeed as a result of the Group structure, the potential capital gain will be exempted from any tax in the case of share deal.

4.2 Critical judgements in applying the Group's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

5. IFRS transition

2005 is the first year in which accounts will be presented under IFRS. They will also include the accounts as at 31 December 2004 restated for IFRS standards. Pursuant to the recommendation of the EFRAG, the present document includes the following information :

- Reconciliation between the balance sheet for the financial year ending December 2003, prepared according to Luxembourg accounting standards, and the opening balance sheet at 1 January 2004, prepared according to IFRS standards.
- Reconciliation of the income statement for the year ending December 2004, prepared according to Luxembourg accounting standards and IFRS standards.

The main standards having a significant impact on the transposition of Orco Property Group accounts into IFRS are indicated as follows :

IFRS 1	First time adoption of IFRS
IAS 2	Inventories
IAS12	Income taxes
IAS 16	Property, plant and equipment
IAS 17	Leases
IAS 32 and 39	Financial instruments: disclosure and presentation and Financial instruments: recognition and measurement
IAS 40	Investment property

IFRS1 applies to businesses presenting for the first time their financial statements under IFRS. This standard provides for the retroactive application of all the rules and interpretations prevailing during the transition period. The standard provides for exemptions and exceptions in certain cases.

Assets, liabilities and equity, recognized and evaluated according to IFRS, must also be classified according to the same standards.

The Group has opted for the exemptions and exceptions as indicated below:

- Fair value is used as the deemed cost for all investment properties, own-occupied buildings, hotels as well as assets to be sold as part of ordinary activities. Hotels under construction as at 1 January 2004 are accounted for at their historic cost as defined by IFRS.
- Currency translations on all foreign entities are assumed to be equal to zero. Gains and losses on the subsequent sales of foreign entities will exclude the currency translation differences generated before the transition date to IFRS and will include the subsequent translation changes.
- No retroactive application of the standard relating to business combinations. Transactions made before January 1, 2004 are not restated.

Reconciliation between the balance sheet for the financial year ending December 2003, prepared under Luxembourg accounting standards, and the opening balance sheet at 1 January 2004, prepared under to IFRS standards.

Assets	Published	Transfer	Deemed cost	Leasing	IAS 32 & 39	Provisions	Translation	Taxes	Others	IFRS
NON-CURRENT ASSETS	**110 416**	**-1 425**	**41 951**	**804**	**0**	**0**	**0**	**2 331**	**4 866**	**158 943**
Intangible assets	**1 628**	**-977**	**0**	**0**	**0**	**0**	**0**	**0**	**-282**	**369**
Tangible assets	**108 650**	**-6 509**	**41 951**	**804**	**0**	**0**	**0**	**0**	**5 148**	**150 044**
Investment property										92 857
Hotel and own-occupied buildings										32 764
Fixtures and fittings										3 398
Properties under development										21 025
Financial assets	**138**	**17**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**155**
Deferred tax assets		**6 044**						**2 331**		**8 375**
CURRENT ASSETS	**104 839**	**1 442**	**-4 936**	**0**	**-800**	**-3 779**	**-242**	**-170**	**-8 863**	**87 492**
Inventories	42 795	5 075	-4 936	0	0	-3 934	0	0	0	39 001
Trade receivables	21 937	892	0	0	0	155	0	0	33	23 017
Deferred tax assets	8 102	-8 102	0	0	0	0	0	0	0	0
Other current assets	15 454	3 577	0	0	-481	0	-242	-170	-8 896	9 242
Cash and cash equivalents	16 551	0	0	0	-319	0	0	0	0	16 232
TOTAL	**215 255**	**17**	**37 015**	**804**	**-800**	**-3 779**	**-242**	**2 161**	**-3 997**	**246 435**

Equity and liabilities	Published	Transfer	Deemed cost	Leasing	IAS 32 & 39	Provisions	Translation	Taxes	Others	IFRS
EQUITY	**51 146**	**17**	**37 016**	**0**	**-319**	**1 386**	**-613**	**-451**	**-4 611**	**83 571**
Shareholders' equity	52 969	12	30 791	0	-319	1 392	-569	-2	-4 682	79 592
Minority interests	-1 823	5	6 225	0	0	-6	-44	-449	71	3 979
PROVISIONS	**7 579**	**-7 579**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LIABILITIES	**156 530**	**7 579**	**0**	**804**	**-481**	**-5 164**	**371**	**2 611**	**614**	**162 865**
Non-current liabilities	**80 975**	**-7 374**	**0**	**804**	**-481**	**-5 441**	**371**	**2 611**	**0**	**71 465**
Bonds	12 735	-2 735	0	0	-481	0	0	0	0	9 519
Financial debts	67 018	-10 947	0	804	0	0	0	0	0	56 875
Other debts	1 222	-1 159	0	0	0	0	0	-63	0	0
Provisions	0	6 980	0	0	0	-5 441	371	0	0	1 910
Deferred tax liabilities	0	487	0	0	0	0	0	2 674	0	3 161
Current liabilities	**75 555**	**14 953**	**0**	**0**	**0**	**277**	**0**	**0**	**614**	**91 400**
Financial debts	3 615	14 511	0	0	0	0	0	0	0	18 126
Trade payables	10 811	0	0	0	0	0	0	0	0	10 811
Advance payments	52 888	330	0	0	0	0	0	0	0	53 218
Debts towards shareholders	3 457	173	0	0	0	0	0	0	0	3 630
Other current liabilities	4 784	-61	0	0	0	277	0	0	614	5 615
TOTAL	**215 255**	**17**	**37 016**	**804**	**-800**	**-3 778**	**-242**	**2 160**	**-3 997**	**246 435**

Transfer

This column mainly consists of the transfer of IPB land sites (EUR 6.5 million) to inventories which will be used for real-estate projects meant for sale as part of the ordinary activities of the business. All development costs are capitalized and booked to the cost of goods sold at the time of the effective transfer of the good.

The other reclassifications relate to the breakdown between current and non-current activities as well as the transfer to previously unused captions.

Deemed cost

In terms of tangible fixed assets, an exemption to IFRS 1 is applicable. Fair value is used as the deemed cost for all investment buildings, hotels and own-occupied buildings as well as assets to be sold as part of ordinary activities.

In terms of inventories, a certain number of costs linked to IPB real-estate projects, which had earlier been capitalized can no longer be so under IAS 2 (EUR 4.9 million before taxes; EUR 3.7 million net of taxes).

Leasing

The group holds two buildings via finance leases. As they were not booked previously, these buildings are now booked to assets and to debt in liabilities.

The review of operating leases did not lead to a significant change in rental income.

Pursuant to the requirements of IAS 17, financial leases are valued at the present value of the minimum payments for the lease (EUR 0.8 million).

IAS 32 & 39

The impact of the standards relating to financial instruments is limited to the reclassification of treasury stock within Equity (EUR 0.3 million) and the premium on bond issues (EUR 0.5 million) now included in the amortized cost of bonds.

Provisions

The sum of provisions which are not compliant with IAS 37 is booked to opening equity reserves (EUR 1.4 million). An amount of EUR 4 million has been reclassified from provisions to the appropriate assets/liabilities items.

Translation

Cumulative currency translations before January 1, 2004 are booked to the opening equity reserves account.

Taxes

All adjustments to deferred taxes relate to the assessment of local taxes as well as to IFRS restatements (EUR 0.7 million).

The Group has proceeded to a systematic review of the fiscal situation of each of its subsidiaries in order to book correctly the deferred tax. All adjustments relating to parent-company accounts are booked net of taxes when the standard is applicable.

Tax assets and liabilities were estimated using the tax rate and fiscal base that are consistent with the expected method of recovery or settlement. Therefore, given the structure of the Group’s property-asset base, most of the revaluations did not generate deferred tax.

Others

In terms of intangible fixed assets, this mainly entails the cancellation of start-up and research costs, which cannot be capitalized under IFRS (EUR -0.3 million). The correction of other debtors mainly relates to the disposal of 50% of Kosic to General Electric of which the transfer of risks and rewards, according to IFRS, was not complete until 2004 (EUR 3.9 million). The capital gain on this operation is booked in 2004 under IFRS and not in 2003.

Reconciliation of the income statement for the year ending December 2004 under Luxembourg accounting standards and IFRS.

	Published	Transfer	IAS 2, 16 & 40	Leasing	IAS 32 & 39	Translation	Taxes	Others	IFRS
Revenue	**71 224**	**0**	**0**	**0**	**0**	**0**	**0**	**-554**	**70 670**
Net gain from fair value adjustment on investment property	0	0	25 408	0	0	0	0	0	25 408
Fixed production	1 878	-271	0	0	0	0	0	-1 607	0
Other operating income	13 084	-834	-10 693	0	0	0	0	1 493	3 050
Cost of sale	-50 631	-583	-1 169	44	230	0	0	386	-51 723
Employee benefit	-7 726	262	0	0	0	0	0	0	-7 464
Amortization and impairments	-7 702	1 274	-9	0	0	0	0	217	-6 220
Other operating expenses	-2 636	-235	-21	0	0	0	0	0	-2 892
Operating result	**17 491**	**-387**	**13 516**	**44**	**230**	**0**	**0**	**-65**	**30 829**
Foreign exchange result	-949	0	0	0	0	1 458	0	0	509
Net interest charges	-5 274	141	0	-74	-70	0	0	-238	-5 515
Other financial results	1 505	987	0	0	-151	0	0	-1 164	1 177
Financial result	**-4 718**	**1 128**	**0**	**-74**	**-221**	**1 458**	**0**	**-1 402**	**-3 829**
Exceptional result	**-403**	**-741**	**1 137**	**0**	**0**	**0**	**0**	**7**	**0**
Profit before taxes	**12 370**	**0**	**14 653**	**-30**	**9**	**1 458**	**0**	**-1 460**	**27 000**
Income taxes	-6 250	0	0	0	0	0	-1 284	0	-7 534
Net profit	**6 120**	**0**	**14 653**	**-30**	**9**	**1 458**	**-1 284**	**-1 460**	**19 466**
Attributable to minority interests	-472	0	637	0	0	-263	184	32	117
Attributable to the Group	**6 592**	**0**	**14 016**	**-30**	**9**	**1 721**	**-1 468**	**-1 492**	**19 349**

Transfer

The transfers mainly relate to the elimination of the notion of exceptional items, but also to the reclassification of items that had previously been incorrectly allocated.

IAS 2, 16, 40

This column (EUR 14.7 million) mainly reflects the revaluation of land sites and buildings at their market value as well as the correction of the inventory value of development projects booked as stock (EUR 1.2 million), the IFRS criteria for capitalization being different from those previously applied. The reversal of the reduction in value of the Benice site, booked to the property asset reserve, is transferred to profit net of revaluation (EUR 10.6 million).

The correction of exceptional result is attributable to changes in inventory value under IFRS 1 due to the sale of assets during the year ended 31 December 2004.

Leasing

The group holds two buildings via finance leases. As they were not booked previously, these buildings are now booked to assets and to debt in liabilities.

The review of operating leases did not lead to a significant change in rental income.

Pursuant to the stipulations of IAS 17, the contractual payments from financial leases are replaced by the depreciation of capitalized buildings and interest charges.

IAS 32 and 39

This column includes the correction under the effective interest rate method for interest on the convertible bond issued in September 2004 (EUR 0.1 million), the cancellation of capital-increase costs (EUR 0.2 million) and the cancellation of gains/losses on treasury-stock operations (EUR 0.2 million).

Currency translations

Under IFRS the Group has adopted as functional currency the local currency of each entity. The euro was previously considered as the functional currency for certain entities.

Taxes

All adjustments to deferred taxes relate to the assessment of local taxes as well as to IFRS restatements.

The Group has proceeded to a systematic review of the fiscal situation of each of its subsidiaries in order to book correctly the deferred tax. All adjustments relating to parent-company accounts are booked net of taxes when the standard is applicable.

Tax assets and liabilities were valued using the tax rate and fiscal base that are consistent with the expected method of recovery or settlement. Therefore, given the structure of the Group's property-asset base, most of the revaluations did not generate deferred tax.

Others

The other adjustment mainly concern:

- The disposal of 50% of Kosik to General Electric of which the transfer of risks and rewards according to IFRS took place in 2004. The capital gain on this operation was booked in 2004.
- The restatement of acquisition deals of third-party interests.
- The adjustment of inter-company transactions.

6. Segment reporting

6.1 Primary reporting format – business segments

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

- Leasing : 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 and project management.

There are no material transactions between the business segments. Corporate expenses are allocated on the basis of the revenue realised by each activity. Segment assets consist primarily of tangible assets, inventory and receivables. Unallocated assets comprise deferred tax assets and cash and cash equivalents. Segment liabilities include operating liabilities. Unallocated liabilities are essentially the aggregate of litigation provisions, taxation liabilities and borrowings.

At 30 June 2005	**Leasing**	**Extended stay hotels**	**Hotels**	**Development**	**Total**
Revenue	3 010	1 869	4 573	12 850	**22 302**
Net gain from fair value adjustment on investment property	4 502	2 864	0	6 847	**14 213**
Segment result	**3 671**	**2 345**	**-854**	**5 608**	**10 769**
Finance costs - net					-2 502
Profit Before income taxes					**8 267**
Income taxes					-3 177
Net profit					**5 090**
Attributable to minority interests					784
Attributable to the Group					**4 306**
Segment assets	**122 026**	**68 027**	**59 123**	**99 910**	**349 086**
Unallocated assets					51 088
Total assets					**400 174**
Segment liabilities	**26 357**	**1 437**	**5 178**	**24 264**	**57 236**
Unallocated liabilities					342 938
Total liabilities					**400 174**

At 30 June 2004	Leasing	Extended stay hotels	Hotels	Development	Total
Revenue	1 646	1 241	3 258	37 106	**43 251**
Net gain from fair value adjustment on investment property	129	0	0	5 661	**5 790**
Segment result	**-839**	**103**	**-986**	**14 405**	**12 684**
Finance costs - net					-1 520
Profit Before income taxes					**11 164**
Income taxes					-5 282
Net profit					**5 882**
Attributable to minority interests					270
Attributable to the Group					**6 152**

6.2 Secondary reporting format – geographical segments

The Group's four business segments operate in Central European countries among which the most activities are presently generated in the Czech Republic, in Hungary and in Poland. With exception of these countries, no other individual country contributed more than 10% of consolidated sales or assets. The location of the customers is the same as the location of the assets.

	June 2 005	June 2 004
Czech Republic	18 357	41 794
Hungary	1 723	1 432
Poland	1 838	16
Other Central European countries	384	9
Revenue	**22 302**	**43 251**

	June 2 005
Czech Republic	227 088
Hungary	60 161
Poland	48 583
Other Central European countries	13 254
Unallocated assets	51 088
Total Assets	**400 174**

7. Investment property

Investment property	Buildings under finance lease	Freehold buildings	Land	Extended stay hotels	Land bank	Total
Balance at 1 January 2004	**1 511**	**38 633**	**3 660**	**32 583**	**16 470**	**92 857**
Revaluation	-2	7 745	2 424	3 043	12 198	**25 408**
Investments / acquisitions	0	9 297	0	5 549	9	**14 855**
Asset sale	0	-6 361	0	0	0	**-6 361**
Transfer	0	0	0	6 688	0	**6 688**
Translation differences	1	306	-191	-664	1 604	**1 056**
Balance at 31 December 2004	**1 510**	**49 620**	**5 893**	**47 199**	**30 281**	**134 503**
Revaluation	0	915	3 587	2 864	6 847	**14 213**
Investments / acquisitions	0	8 167	0	10 403	7 988	**26 558**
Asset sale	0	-498	0	0	0	**-498**
Transfer	0	147	0	0	1 274	**1 421**
Translation differences	5	-3	-47	5	476	**436**
Balance at 30 June 2005	**1 515**	**58 348**	**9 433**	**60 471**	**46 866**	**176 633**

Variations in 2004

At 31 December 2003, the Group signed an agreement about the transfer of a 12-apartment building –the building n°2 of the Americka project in Prague- to the company Helmine Entreprises Inc. The transfer of ownership occurred in 2004 and has therefore been accounted for the same year under IFRS. The total transaction proceeds amounted to EUR 5.4 millions.

In August 2004, the Group completed the refurbishment of an extended stay hotel -The Pachtuv Palace- located in Prague and transferred this item from properties under development to investment properties; the investments in extended stay hotels also mainly relate to the same building.

At 31 December 2004, all the investment properties have been revalued while at 30 June 2005 only the properties for which there were indications of a significative evolution were revalued. The valuation has been performed by DTZ Debenham Tie Leung.

Variations in 2005

The Kosic project -a joint-venture with a subsidiary of General Electric- has 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 development starts.

In the first six months, the Group has invested EUR 26.5 millions in the following projects : a shopping center in Brno for EUR 3.8 millions, two apartment buildings in Berlin for EUR 3.2 millions, two luxury apartments in Prague for EUR 1.0 million, an extended stay hotel in Warsaw for EUR 10.4 millions and different plots of lands in the Czech Republic for EUR 8.0 millions. Most of these transactions occurred through the acquisition of special purpose vehicles in which the properties have been revalued at the acquisition price on the first consolidation.

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 13.8 millions and is classified under the “Freehold buildings”. 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 millions. The term of the lease is 99 years starting from 1991.

In 2005, the freehold buildings sale relates mainly 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.

8. Hotels and own-occupied buildings

Hotels and own-occupied buildings	Own-occupied buildings	Prepaid operating leases	Hotels	TOTAL
GROSS AMOUNT				
Balance at 1 January 2004	**5 005**	**837**	**27 048**	**32 890**
Investments / acquisitions	181	1 366	2 391	3 938
Transfer and other movements	-340	113	10 447	10 220
Translation differences	312	133	1 699	2 144
Balance at 31 December 2004	**5 158**	**2 449**	**41 585**	**49 192**
Investments / acquisitions	5	428	182	615
Transfer and other movements	-155	0	4	-151
Translation differences	73	23	319	415
Balance at 30 June 2005	**5 081**	**2 900**	**42 090**	**50 071**
AMORTIZATION				
Balance at 1 January 2004	**109**	**17**	**0**	**126**
Allowance	439	7	294	740
Transfer and other movements	-78	0	0	-78
Translation differences	7	1	-2	6
Balance at 31 December 2004	**477**	**25**	**292**	**794**
Allowance	26	10	171	207
Transfer and other movements	-356	0	0	-356
Translation differences	6	1	1	8
Balance at 30 June 2005	**153**	**36**	**464**	**653**
NET AMOUNT AT 30 JUNE 2005	**4 928**	**2 864**	**41 626**	**49 418**
Net amount at 31 December 2004	4 681	2 424	41 293	**48 398**

The prepaid operating leases relate to one building serving as an extended stay hotel in Bratislava that was acquired in 2004 and the land on which the Regina hotel is located.

In 2004, most investments and transfer from properties under development concern the hotel Le Regina located in Warsaw that was opened to the public at the end of that year. The Luxembourg Plaza in Prague is presently under development and hence not classified under this caption yet.

9. Fixtures and fittings

	Gross amount	Amortization	Net amount
At 1 January 2004	**5 814**	**-2 415**	**3 399**
Increase	3 670	-1 321	2 349
Assets sales	-815	703	-112
Translation difference	312	-146	166
At 31 December 2004	**8 981**	**-3 179**	**5 802**
Increase	2 536	-1 027	1 509
Assets sales	-10	0	-10
Translation difference	80	-21	59
At 30 June 2005	**11 587**	**-4 227**	**7 360**

The main investments of fixtures and fittings in 2004 were realised in Warsaw for the hotel Regina (EUR 1.7 Million), in Prague for the extended stay hotel Pachtuv Palace (EUR 1.1 Million) and in Bratislava for the extended stay hotel Sulekova. The same year, most sales of fixtures and fittings were realised by IPB (EUR 0.7 million).

In 2005, the Group has invested in two extended stay hotels : Diana Residence in Warsaw (EUR 1.2 Million) and the Pachtuv Palace in Prague (EUR 0.5 million).

10. Properties under development

The caption Properties under development also includes advance payments for EUR 2.9 million (2004 EUR 1.3 million). The rest represents the buildings under construction that have known the following evolution :

	June 2005	December 2004
Opening Balance	**10 803**	**18 805**
New projects and work in progress	6 919	6 935
Projects finished		-14 937
Total	**17 722**	**10 803**

In 2004, the major part of the investments have been dedicated to the Luxembourg Plaza in Prague (EUR 4.2 million). The same year, two projects have been finalized :the hotel Le Regina in Warsaw (EUR 8.7 millions) and the Pachtuv Palace in Prague (EUR 5.0 millions).

In 2005, most investments have been allocated to the Luxembourg Plaza (EUR 5.6 million) which will be half dedicated to offices and half to hotel premises and a hospital in Londyncka in Prague (EUR 1.2 million).

11. Financial assets

In 2004, the financial assets mainly relate to the non eliminated part of the joint-ventures' long-term financing. The increase in 2005 comes from the guarantee deposit (EUR 5.5 millions) made for the investment in Suncany Hvar dd.

12. Held for sale activities

The held for sale activities represent the net investment in the company previously denominated Atronyx kft holding the Orco Business Park building in Budapest that is meant to be sold to the Endurance Fund before the end of this year.

13. Inventories

	June 2005	December 2004
Opening	**31 778**	**39 000**
Transfer to investment property	-2 542	0
Other variations	1 285	-7 222
Total	**30 521**	**31 778**

14. Trade receivables

	June 2005	December 2004
Trade receivables gross	25 238	29 918
Provision for impairment of receivables	-5 794	-7 773
Total	**19 444**	**22 145**

As the Group has a large number of customers, there is no specific concentration of credit risk with respect to trade receivables apart from the fact that most of them are located in the Czech Republic.

15. Minority interests' transactions

The Group acquired during the second quarter of 2005, most of the minority interest present in the capital of Orco Hotel Group increasing its shareholding to 99 %. This acquisition has been paid through the issue of 32 307 new shares for an amount of EUR 1.4 million.

In the first quarter of 2005, the Group has been diluted in the capital of MaMaison Résidences through a capital increase in cash of EUR 4.4 millions of MaMaison Résidences S.A. subscribed by the minority shareholder.

16. Borrowings

16.1 Borrowings maturity

The following tables describe the maturity of the Group's borrowings. For most floating rates borrowings, the Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interests costs may increase or decrease as a result of such changes.

At 30 June 2005	Less than one year	1 to 5 years	More than 5 years	Total
Non-current				
Bonds:	-	**12 240**	**44 735**	**56 975**
Convertible bonds	-	-	21 793	21 793
Exchangeable bonds	-	-	22 942	22 942
Bonds	-	12 240	-	12 240
Financial debts		**43 997**	**39 129**	**83 126**
Bank loans :	-	43 997	38 218	82 215
Fixed rate	-	10 445	20 565	31 010
Variable rate	-	33 552	17 653	51 205
Finance lease liabilities	-	-	911	911
Total	**-**	**56 237**	**83 864**	**140 101**
Current				
Financial debts				
Bonds	13 914	-	-	13 914
Bank loan fixed rate	795	-	-	795
Bank loan variable rate	3 070	-	-	3 070
Others borrowings	1 518	-	-	1 518
Total	**19 297**	**-**	**-**	**19 297**

At 31 December 2004	Less than one year	1 to 5 years	More than 5 years	Total
Non-current				
Bonds:	-	**250**	**30 579**	**30 829**
Convertible bonds	-	-	30 579	30 579
Bonds	-	250	-	250
Financial debts		**13 931**	**42 724**	**56 655**
Bank loans :	-	13 931	41 818	55 749
Fixed rate	-	6 124	21 146	27 270
Variable rate	-	7 807	20 672	28 479
Finance lease liabilities	-	-	906	906
Total	**-**	**14 181**	**73 303**	**87 484**
Current				
Financial debts				
Bonds	13 767	-	-	13 767
Bank loan fixed rate	12 354	-	-	12 354
Bank loan variable rate	1 025	-	-	1 025
Others borrowings	2 194	-	-	2 194
Total	**29 340**	**-**	**-**	**29 340**

Bank loans include amounts secured by a mortgage on properties and a pledge on the shares of the companies benefiting from the loan to the value of EUR 78.8 millions (December 2004 EUR 63.0 millions). Bank loans also include amounts secured by a mortgage on properties to the value of EUR 7.3 millions (December 2004 EUR 6.1 millions). The guarantees granted to financial institutions remain fully valid until complete reimbursement of credits. No partial waiver on pledge or mortgage has been scheduled.

The carriyng amount of the Group's borrowings are denominated in the following currencies :

	June 2005	December 2004
Euro	152 168	110 722
CZK	7 230	6 101
Total	**159 398**	**116 823**

16.2 Convertible bond

Within the authorized capital, the Board of Directors decided on September 21, 2004 to issue a convertible bond without preferential subscription rights with the following terms :

Nominal	EUR 32,450,641.20
Number of bonds	1,001,563
Issue price	at par value, €32.40
Redemption price if not converted	111.76% of par at EUR 36.21, i.e. a gross yield-to-maturity of 6.80%
Nominal interest rate	5.5 %
Conversion price	EUR 32.40
Conversion ratio	One new share for one bond
Issuance date	September 22, 2004
Conversion at the discretion of bondholder	From the issuance date until eight days later. The final redemption date is on December 24, 2011
The issuer's call rights	As of April 1, 2006, i.e. the first day of the 19^{th} month following the issuance date, should Orco Property Group share be at or above the price of EUR 40.50, bondholders who have not converted after a 30-days call notification period will receive, in addition to redemption of principal and interests accrued, a redemption premium allowing them to achieve a gross yield-to-maturity of 8%.

As at December, 2004, no bond had been converted. During the first half 2005, 290 499 rights of conversion have been exercised leading to the creation of same amount of new shares.

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 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 bond. The difference between the debt component and the par value of the bond will be taken in profit and loss accounts using the effective interest method.

Debt component on issue	**30 487**
Interest accumulated in 2004	91
Balance at 31 December 2004	**30 578**
Interest accumulated during the period	113
Conversion rights exercised	-8 898
Balance at 30 June 2005	**21 793**

16.3 Exchangeable bond

The acquisition of Suncani Hvar dd is financed by a private placement of an exchangeable bond issued by the Company under the following terms :

Nominal	EUR 24,169,193.39
Issue price	26.03 EUR (190 KN)
Issue date	30 June 2005
Nominal interest rate	5.5 %
Exchange at the discretion of bondholder	between 1 July 2010 and 11 June 2012 in Suncani Hvar dd share, one share for one bond.
Repayment date	the non exchanged bonds will be reimbursed in cash on 30 June 2012
ISIN	XS 0223 58 64 20
Listing	Luxembourg stock exchange as from November 2005

As at 30 June 2005, no bond had been converted.

In the IFRS accounts, the funds raised with this exchangeable bond have been at issuance divided into a long-term debt component and a derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The derivative component, classified in other current liabilities, represents the market value on the date of issue of the call options embedded in the bond. This derivative will be revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond will be taken in profit and loss accounts using the effective interest method.

The Debt component on issue	EUR 23 047 thousands
Derivative component on issue	EUR 799 thousands

16.4 Average effective interest rates

	June 2005		December 2004	
	EUR	CZK	EUR	CZK
Bonds	6,11%	-	6,04%	-
Bank borrowings	5,61%	4,43%	5,27%	4,88%

16.5 Undrawn borrowing facilities

	June 2005	December 2004
Expiring within one year	3 706	4 727
Expiring after one year	17 684	21 918
Total	**21 390**	**26 645**

16.6 Minimum lease payments

	2 005 June	2 004 December
More than 5 years	**4 032**	**4 002**
Future finance charges on finance leases	-3 121	-3 096
Present value of finance lease liabilities	**911**	**906**

17. Income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes of one entity relate to the same fiscal authority. All deferred taxes are assumed to be recoverable after more than 12 months. The offset amounts are as follows :

Deferred tax assets	4 335
Deferred tax liabilities	-4 311
Balance at 31 December 2004	**24**
Income statement charge	-2 851
Translation differences	-101
Balance at 30 June 2005	**-2 928**
Deferred tax assets	3 180
Deferred tax liabilities	-6 108

The net balance at 30 June 2005 is generated by the following temporary differences :

	June 2 005
Tangible assets	-9 844
Recognized tax losses	2 434
Inventories	3 472
Financial assets	1 069
Others	-59
Total	**-2 928**

As stated in note 2.14, deferred income tax liabilities are provided on temporary differences arising on fair value of buildings and lands held by the Group as investment properties except when they are located in special purpose entities, which are themselves held by a company based in Luxembourg.

In the income statement, at 30 June 2005, would the Group not take the holding structure into account, an income tax expense of EUR 1.6 millions should have been recognized on the investment properties' revaluations in excess of the EUR 1.6 millions already recognized on the change in fair value of the land bank.

On the face of the balance sheet, at 30 June 2005, would the Group not take the holding structure into account, income tax liabilities amounting to EUR 11.0 millions should be recognized in excess of the EUR 6.1 millions already recognized.

The Group has an amount of EUR 20.1 millions of tax losses on which no deferred tax assets were recognized.

As at 30 June 2005, the amount of income tax recognized in the income statement includes current income taxes of EUR 326 thousands (EUR 3.2 millions as at 30 June 2004).

18. Earnings per share

	June 2 005	June 2 004	December 2 004
At the beginning of the period	**4 620 898**	**4 004 157**	**4 004 157**
Shares issued	4 622 824	4 017 073	4 017 073
Treasury shares	-1 926	-12 916	-12 916
Weighted average movements	**768 442**	**39 867**	**192 917**
Issue of new shares for cash	761 378	27 177	181 927
Issue of new shares in acquisitions	6 069	-	-
Treasury shares	995	12 690	10 990
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**5 389 340**	**4 044 024**	**4 197 074**
Dilutive potential ordinary shares	**2 015 553**	**1 012 952**	**2 013 751**
Share subscription rights	398 287	1 012 952	1 012 188
Convertible bond	711 064	-	1 001 563
Employee stock options	6 202	-	-
PACEO	900 000	-	-
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**7 404 893**	**5 056 976**	**6 210 825**

Net profit attributable to the Group	**4 306**	**6 152**	**19 349**
Effect of assumed conversions / exercises	**1 460**	**442**	**1 272**
Share subscription rights	174	442	883
Convertible bond	622	-	389
PACEO	664	-	-
Net profit attributable to the Group after assumed conversions / exercises	**5 766**	**6 594**	**20 621**

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. The potential dilutive ordinary shares are described hereafter.

19. Equity

19.1 Share capital

	Number of shares	Capital	Share premium
Balance at 1 January 2004	**4 017 073**	**16 470**	**33 440**
Exercise of employee stock options	80 000	328	997
Exercise of Share subscription rights	1 003	4	19
Share private placement	150 000	615	2 985
Acquisition of minority interests	319 984	1 312	7 683
Dividend paid in shares	54 764	225	965
Balance at 31 December 2004	**4 622 824**	**18 954**	**46 089**
Exercise of employee stock options	8 000	33	167
Exercise of Share subscription rights	613 901	2 517	11 603
Conversion of convertible bonds	290 499	1 191	8 221
Share private placement	300 000	1 230	11 970
Exercise of PACEOs	100 000	410	3 515
Acquisition of minority interests	32 307	132	1 243
Dividend paid in shares	41 654	171	1 424
Balance at 30 June 2005	**6 009 185**	**24 638**	**84 232**

The Extraordinary Shareholders' Meeting of April 29, 2004 renewed the authorization granted by shareholders to the Board of Directors on May 18, 2000, in accordance with article 32-3 (5) of Luxembourg corporate law. The Board of Directors was granted full powers to proceed with the capital increases within the authorized capital of EUR 50 000 000, under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorized capital.

The Board of Directors has been authorized and empowered to carry out capital increases, in a single operation or in successive tranches, through the issuance of new shares paid up in cash, capital contributions in-kind, transformation of trade receivables, the conversion of convertible bonds into shares or, upon approval of the Annual General Shareholders' Meeting, through the capitalization of earnings or reserves, as well as to set the time and place for the launching of one or a succession of issues, the issuance price, terms and conditions of subscription and payment of new shares. This authorization is valid for a five-year period ending on April 29, 2009.

A total of EUR 19 924 134,50 has been used to date under this authorization. As such, the Board of Directors still has a potential of EUR 30 075 865,50 at its disposal. Considering that all new shares are issued at the par value price of EUR 4.10, a potential total of EUR 7 335 576 new shares may still be created.

19.2 Share subscription rights

The Board of Directors decided, in its meeting on November 5th, 2003, to initiate the issue of rights allowing their bearer to subscribe to new shares to be issued by the Company, shareholders having waived their preferential subscription right on the basis of new shares likely to be created following rights exercise.

Rights have been granted free of charge to all the shareholders who composed the capital of the Company on the day of issue. One share subscription rights has been granted free of charge for one Orco Property Group share held at the end of day 14th November 2003.

Three share subscription rights allow to subscribe to one new share to be issued at the unit price of EUR 23. The exercise period spreads from 17th November 2003 to 16 November 2006 included. At issuance, the maximum number of shares that can be created this way amounts 1 013 191. The remaing number of rights not subscribed at 30 June 2005 amount to 398 287.

19.3 Convertible bonds

See note 16.2

19.4 Employee stock options

A new stock option plan was granted to employees on May 2nd 2005 under the following conditions:

Exercise price:	35 EUR/share	
Exercise period:	from May 2nd 2005 until 30 April 2010	
Beneficiary:	Orco Holding	45 000
	Arnaud Bricout	20 000
	Steven Davis	20 000
	Nicolas Tommasini	20 000
	Ales Vobruba	20 000
	Gilbert Irondelle	5 000
	Pavel Klimes	5 000
	Dragan Lazukic	5 000
	Andy Smith	5 000

In total, the outstanding stock option plans gives right to subscribe to 145 000 shares as at June 30 2005. In accordance with IFRS 2 Share-based payments, the total theoretical and non cash cost of Eur 1 393 thousands has been estimated and accounted for in the first half of 2005 under the Employee benefit caption. This fair value was determined using the Black-Scholes valuation model. The significant input into the model were share price of EUR 38.9 at grant date, exercise price as stated above, risk-free interest rate EURIBOR, dividend increase of 7.5% a year, long term standard deviation of expected share price return of 22%.

As at 30 June 2005, none of these employee share options have been taken into account in the diluted earnings per share calculation because their exercise price as defined by IAS33 is higher than the average market price over the period.

Apart from the new plan, 8 000 options granted to employees in the past have been exercised since the start of the year with an exercise price of EUR 25 a share. The other outstanding employee stock options are the following ones :

- 6 000 shares in favour of Mr. Ales Vobruba in three instalments of 2 000 shares each, to be exercised between 2002 and 2005 at the price of EUR 20; EUR 25 and EUR 30 per share.
- 1 000 shares in favour of Mr. Pavel Klimes in one instalment of 1 000 shares, to be exercised between 2004 and 2006 at the price of EUR 30 per share.
- 3 000 shares in favour of Mr. Verek Machuta in two instalments of 1 500 shares each, to be exercised between 2004 and 2006 at the price of EUR 25 and EUR 30 per share.

As at 31 December and 30 June 2004, none of these employee share options have been taken into account in the diluted earnings per share calculation because their exercise price as defined by IAS33 is higher than the average market price over the period.

19.5 PACEO

On March 31, 2005, Orco Property Group S.A. and Société Générale in Paris (SG) have arranged a Step-up Equity Subscription (PACEO: Programme d'Augmentation de Capital par Exercices d'Options). The PACEO has been filed with and approved by the AMF (Autorité des Marchés Financiers) with the visa No. 05-201. 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 95% of the share price at the time of execution. As at 30 June 2005, the Company has exercised 100 000 options for a total proceeds of EUR 3 925 000.

20. Dividends per share

The dividends paid in 2005 and 2004 were EUR 3.5 million (EUR 0.58 per share) and EUR 1.8 million (EUR 0.39 per share) respectively.

21. Contingencies

The Group has given guarantees in the ordinary course of business : see note 16

22. Capital commitments

Orco Property Group issued a bank guarantee in favour of the Croatian Privatization Fund amounting to EUR 5.5 millions in connection with the capital increase of Suncani Hvar dd to which Orco Property Group has subscribed in July 2005. Orco Property Group is committed to subscribe to 2 000 000 shares of Suncani Hvar dd at a share price of 100 Kn per share. Additionally to this subscription, Orco Property Group will receive 500 000 shares for free. The participation of Orco Property Group in Suncani Hvar dd corresponds to 47 % of the capital. This commitment amounts to EUR 27.7 millions.

Orco Property Group has the right to launch a take over bid on the Suncani Hvar shares in the market. Orco Property Group will benefit from the Privatization Fund of one free share for 3 shares bought in the market, this take over bid is to take place in the 3rd quarter 2005.

The construction of the Luxembourg Plaza in Prague is split in two different projects. In the first part the group intends to develop office space to be leased out. This project is a 50% joint venture and the capital commitments of the Group amount to EUR 7.6 millions. The other part of the development will be dedicated to an hotel activity. The Group's capital commitment for this second part amount to EUR 6.9 millions.

23. Related party transactions

As at 30 June 2005, the Company has a debt of EUR 4 467 thousands towards Atronyx that is a 100% subsidiary of the Company that is held for sale see note 12.

The global consideration given as employee benefit to the members of the Executive Committee amounted to EUR 888 thousands as at 30 June 2005 (EUR 637 thousands at 30 June 2004). Besides, Board Members receive a EUR 500 fee for each board they attend. The Company did not grant any advance or credit to board members nor to members of the Executive Committee and does not finance any pension plan in their favour. The stock options granted to members of the Executive Committee is detailed in note 19.4.

In 2005, the Group finalized 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.

24. Events after the balance sheet date

These financial statements were authorized for issue on 14 September 2005.

Orco Property Group launched a take over bid (TOB) on Suncani Hvar dd.

The Group has finalised the subscription to 2 000 000 ordinary shares of Suncani Hvar dd (ISIN HRSUNHRA0003) for a total price of HRK 200 000 000 (EUR 27 322 404). Suncani Hvar dd is a croatian company, listed on the Zagreb Stock Exchange, that owns hotels and other assets in the city of Hvar on the island of Hvar. According to the shareholders agreement in force with the Croatian Privatization Fund, the Company will receive 500 000 additional shares for free. Since August the Company is the owner of 2 500 000 shares at HRK 80 average cost price per share out of a total 5 331 097 shares representing 46.89 % of the share capital.

The Company owns also rights to pursue another reserved capital increase of 1 000 000 shares at HRK 100 per share. The Group will conduct a complete renovation or reconstruction of the hotels and other assets over the next 5 years. It is intended that most of the future investments will be financed by bank loans at local level.

This acquisition was partially financed by a private placement of an exchangeable bond issued by the Company (see note 16.3).

The Endurance Real Estate Fund for Central Europe

Beginning of July, the Company has entered into a subscription agreement of EUR 7 000 000 representing 7% of the funds under subscription. The Group is the promoter and the manager of this fund and is also the sole shareholder of the management company.

Radio Free Europe

End of July 2005, an exclusive "build-to-lease" agreement has been signed with Radio Free Europe/Radio Liberty. Radio Free Europe will be relocating its headquarter to the Hagibor district of Prague 10. Annual rental of USD 5.4 millions.

The contract concerns a 15-year lease of 22 000 sqm. This new development is to be located between Vinohradska and Izraelska street, with an option to extend by a further 30 years. The project is estimated for completion in approximately 2.5 years.

25. List of the fully consolidated subsidiaries

Company	Country	Currency	Activity	% shareholding		
				30.06.05	31.12.04	30.06.04
1. Sportovni, a.s.	Czech Republic	CZK	Development	100,00%	100,00%	100,00%
Americka 1, a.s.	Czech Republic	CZK	Leasing	100,00%	100,00%	100,00%
Americka 33, a.s.	Czech Republic	CZK	Leasing	100,00%	100,00%	100,00%
Americka Park, a.s.	Czech Republic	CZK	Extended stay	70,65%	81,38%	65,54%
Americka-Orco, a.s.	Czech Republic	CZK	Leasing	100,00%	100,00%	100,00%
Anglicka 26, s.r.o.	Czech Republic	CZK	Leasing	100,00%	100,00%	100,00%
Belgicka - Na Kozacce, s.r.o.	Czech Republic	CZK	Leasing	100,00%	100,00%	100,00%
BP Servis, sro	Czech Republic	CZK	Leasing	100,00%	-	-
Brno Centrum, sro	Czech Republic	CZK	Development	100,00%	-	-
Byty Podkova, as	Czech Republic	CZK	Development	75,00%	-	-
Diana Development, Sp.Zo.o.	Poland	PLN	Extended stay	70,65%	-	-
IPB Real Development, a.s.	Czech Republic	CZK	Development	100,00%	100,00%	100,00%
IPB Real Reality, a.s.	Czech Republic	CZK	Development	100,00%	100,00%	100,00%

Company	Country	Currency	Activity	% shareholding		
				30.06.05	31.12.04	30.06.04
IPB Real, a.s.	Czech Republic	CZK	Development	100,00%	100,00%	100,00%
IPB Real, s.r.o	Czech Republic	CZK	Development	100,00%	100,00%	100,00%
Iskola project 68 Kft	Hungary	HUF	Development	100,00%	100,00%	-
Izabella 62-64 Kft.	Hungary	HUF	Development	100,00%	100,00%	100,00%
Janackovo Nabrezi 15, s.r.o.	Czech Republic	CZK	Hotel	99,57%	95,00%	76,50%
Jihovychodni Mesto, a.s.	Czech Republic	CZK	Development	100,00%	100,00%	100,00%
Londynska 26, a.s.	Czech Republic	CZK	Leasing	100,00%	100,00%	100,00%
Londynska 39, s.r.o.	Czech Republic	CZK	Leasing	100,00%	100,00%	100,00%
Londynska 41, s.r.o.	Czech Republic	CZK	Leasing	100,00%	100,00%	100,00%
Machova-Orco, a.s.	Czech Republic	CZK	Leasing	100,00%	100,00%	100,00%
MaMaison Bratislava	Slovakia	SKK	Extended stay	70,65%	81,38%	65,54%
MaMaison Residences S.A.	Luxembourg	EUR	Extended stay	70,65%	81,38%	65,54%
Manesova 28, a.s.	Czech Republic	CZK	Leasing	100,00%	100,00%	100,00%
MMR Management, s.r.o.	Czech Republic	CZK	Extended stay	70,65%	81,38%	65,54%
MMR Russia, SA	Luxembourg	EUR	Extended stay	70,65%	-	-
Nad Petruskou, s.r.o.	Czech Republic	CZK	Leasing	100,00%	100,00%	100,00%
Nove Medlanky, as	Czech Republic	CZK	Development	100,00%	100,00%	100,00%
Orco Alfa sro	Czech Republic	CZK	Development	100,00%	100,00%	-
Orco Aparthotel S.A.	Luxembourg	EUR	Extended stay	70,65%	81,38%	65,54%
Orco Budapest Rt.	Hungary	HUF	Development	100,00%	100,00%	100,00%
Orco Commercial Sp. Zo.o.	Poland	PLN	Development	100,00%	-	-
Orco Construction Sp. Zo.o.	Poland	PLN	Development	100,00%	-	-
Orco Croatia, SA	Luxembourg	EUR	Holding	100,00%	-	-
Orco Development Slovakia	Slovakia	SKK	Development	100,00%	100,00%	-
Orco Development a.s.	Czech Republic	CZK	Development	100,00%	100,00%	-
Orco Development Kft	Hungary	HUF	Development	100,00%	100,00%	-
Orco Development Sp. Zo.o	Poland	PLN	Development	100,00%	100,00%	-
Orco Estate Slovakia	Slovakia	SKK	Development	100,00%	100,00%	-
Orco Estate sro	Czech Republic	CZK	Development	100,00%	100,00%	-
Orco Germany SA	Luxembourg	EUR	Leasing	100,00%	100,00%	-
Orco Hospitality Services Sp. Zo.o	Poland	PLN	Hotel	99,57%	95,00%	-
Orco Hotel Collection S.A.	Luxembourg	EUR	Holding	99,57%	95,00%	100,00%
Orco Hotel Development Sp. Zo.o	Poland	PLN	Extended stay	70,65%	81,38%	76,50%
Orco Hotel Development, a.s.	Czech Republic	CZK	Hotel	99,57%	95,00%	76,50%
Orco Hotel Group S.A.	Luxembourg	EUR	Holding	99,57%	95,00%	76,50%
Orco Hotel Management Kft.	Hungary	HUF	Hotel	99,57%	95,00%	76,50%
Orco Hotel Management, s.r.o.	Czech Republic	CZK	Hotel	99,57%	95,00%	76,50%
Orco Hotel Project Sp. Zo.o.	Poland	PLN	Hotel	99,57%	95,00%	76,50%
Orco Hotel Project, a.s.	Czech Republic	CZK	Hotel	99,57%	95,00%	76,50%
Orco Hotel Rt.	Hungary	HUF	Hotel	99,57%	95,00%	76,50%
Orco Hungary Kft	Hungary	HUF	Development	100,00%	100,00%	-

Company	Country	Currency	Activity	% shareholding		
				30.06.05	31.12.04	30.06.04
Orco Immobilien GmbH	Germany	EUR	Leasing	100,00%	-	-
Orco Investment a.s.	Czech Republic	CZK	Development	100,00%	100,00%	-
Orco Investment Kft	Hungary	HUF	Development	100,00%	100,00%	-
Orco Investment Sp. Zo.o	Poland	PLN	Development	100,00%	-	-
Orco Poland Sp. zo.o.	Poland	PLN	Development	100,00%	95,00%	76,50%
Orco Prague, a.s.	Czech Republic	CZK	Leasing	100,00%	100,00%	100,00%
Orco Project Management, s.r.o.	Czech Republic	CZK	Development	100,00%	100,00%	100,00%
Orco Project Organization Rt.	Hungary	HUF	Development	100,00%	100,00%	100,00%
Orco Project Sp zoo	Poland	PLN	Development	100,00%	100,00%	-
Orco Property Management , a.s.	Czech Republic	CZK	Leasing	100,00%	100,00%	100,00%
Orco Property Sp zoo	Poland	PLN	Development	100,00%	100,00%	-
Orco Property Start, a.s.	Czech Republic	CZK	Hotel	99,57%	95,00%	76,50%
Orco Reality a.s.	Czech Republic	CZK	Development	100,00%	100,00%	-
Orco Residential Sp. Zo.o.	Poland	PLN	Development	100,00%	-	-
Orco Slovakia, s.r.o.	Slovakia	SKK	Development	100,00%	100,00%	-
Orco Strategy a.s.	Czech Republic	CZK	Development	100,00%	100,00%	-
Orco Strategy Sp zoo	Poland	PLN	Development	100,00%	100,00%	-
Orco Trade sro	Czech Republic	CZK	Development	100,00%	100,00%	-
Orco Vagyonkezelo Kft.	Hungary	HUF	Leasing	100,00%	100,00%	100,00%
Orco Vinohrady, a.s.	Czech Republic	CZK	Leasing	100,00%	100,00%	100,00%
Orco Warsaw Sp. zo.o.	Poland	PLN	Hotel	99,57%	95,00%	76,50%
Pachtuv Palac, s.r.o.	Czech Republic	CZK	Extended stay	70,65%	81,38%	65,54%
Prague Real Estate II SA	Luxembourg	EUR	Holding	100,00%	-	-
Residence Belgicka, s.r.o.	Czech Republic	CZK	Extended stay	70,65%	81,38%	65,54%
Residence Izabella Rt.	Hungary	HUF	Extended stay	70,65%	81,38%	65,54%
Residence Masaryk, a.s.	Czech Republic	CZK	Extended stay	70,65%	81,38%	65,54%
Révay 10 Kft.	Hungary	HUF	Leasing	100,00%	100,00%	100,00%
Seattle, sro	Czech Republic	CZK	Development	100,00%	-	-
TQE Asset	Czech Republic	CZK	Leasing	100,00%	-	-
Vinohrady s.à r.l.	France	EUR	Holding	100,00%	100,00%	100,00%
Zahrebska 35, s.r.o.	Czech Republic	CZK	Leasing	100,00%	100,00%	100,00%

26. List of the joint ventures

26.1 Kosic s.a.r.l.

The Group has 50% interest in a joint venture, Kosic s.a.r.l. The company is a holding based in Luxembourg and is the sole shareholder of Kosic sro. The following amounts represent the Group's 50% share (50% in 2004) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement :

	June 2005	December 2004
Non-current assets	-	-
Current assets	1 184	289
Assets	**1 184**	**289**
Non-current liabilities	-	-
Current liabilities	41	-1 993
Liabilities	**41**	**-1 993**

	June 2005	December 2004
Income	1	3
Expenses	-55	-56
Profit after income tax	**-54**	**-53**

26.2 Kosic sro

The Group has 50% interest in a joint venture, Kosic s.r.o, which is active in the development sector and holds the Kosic project in the Czech Republic.The following amounts represent the Group's 50% share(50% in 2004) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement :

	June 2005	December 2004
Non-current assets	2 767	15
Current assets	4 110	3 628
Assets	**6 877**	**3 643**
Non-current liabilities	6	2
Current liabilities	2 272	166
Liabilities	**2 278**	**168**
Income	2 653	1 871
Expenses	-1 648	-1 656
Profit after income tax	**1 005**	**215**

26.3 Orco Property a.s.

The Group has 50% interest in a joint venture, Orco Property a.s., which is active in the leasing sector and holds the office part of the Luxembourg Plaza project in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2004) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement :

	June 2005	December 2004
Non-current assets	12 600	5 768
Current assets	324	256
Assets	**12 924**	**6 024**
Non-current liabilities	4 991	2 078
Current liabilities	1 238	1 581
Liabilities	**6 229**	**3 659**

	June 2005	December 2004
Income	3 669	34
Expenses	-74	-369
Profit after income tax	**3 595**	**-335**

26.4 Oak Mill

The Group has 50% interest in a joint venture, Oak Mill, which is active in the development sector and holds the Dobovy Mlyn project in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2004) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	June 2005	December 2004
Non-current assets		
Current assets	2 806	2 087
Assets	**2 806**	**2 087**
Non-current liabilities	1 316	836
Current liabilities	113	271
Liabilities	**1 429**	**1 107**

	June 2005	December 2004
Income	9	15
Expenses	-17	-24
Profit after income tax	**-8**	**-9**