ORCO PROPERTY GROUP

Consolidated financial statements

Orco Property Group's Board of Directors has approved on 28 March 2007 the consolidated financial statements for 2006. All the figures in this report are presented in thousands of Euros, except if explicitly stated.

I. Consolidated income statement

The accompanying notes form an integral part of these consolidated financial statements.

	Note	December 2006	December 2 005
Revenues	5	**172 908**	**50 348**
Net gain from fair value adjustment on investment property	5, 7	145 901	78 975
Other operating income		2 786	2 219
Gain on sale of activities held for sale	15	-	2 365
Cost of sales		-119 224	-17 795
Employee benefit	22.5	-30 141	-13 259
Amortization, impairments and provisions		-4 076	-2 093
Other operating expenses		-33 906	-23 872
Operating result		**134 248**	**76 888**
Net interest expenses	17	-15 740	-6 962
Other financial results	19	4 416	2 411
Financial result		**-11 324**	**-4 551**
Profit before income taxes		**122 924**	**72 337**
Income taxes	20	-25 069	-16 065
Net profit		**97 855**	**56 272**
Attributable to minority interests		1 156	1 749
Attributable to the Group		**96 699**	**54 523**
Basic earnings in EUR per share	21	12,58	9,25
Diluted earnings in EUR per share	21	10,11	7,83

II. Consolidated balance sheet

The accompanying notes form an integral part of these consolidated financial statements.

Assets			
	Note	December 2006	December 2005*
NON-CURRENT ASSETS		**992 605**	**536 796**
Intangible assets		**1 545**	**718**
Investment property	7	**749 438**	**361 193**
Property, plant and equipment		**213 860**	**158 295**
Hotels and own-occupied buildings	8	165 502	126 034
Fixtures and fittings	9	15 036	7 397
Properties under development	10	33 322	24 864
Financial assets	11	**21 196**	**13 121**
Deferred tax assets	20	**6 566**	**3 469**
CURRENT ASSETS		**485 468**	**153 779**
Inventories	12	248 884	55 637
Trade receivables	13	52 602	5 553
Other current assets		85 643	43 500
Cash and cash equivalents	14	98 339	49 089
Held for sale activities	15	**2 281**	**0**
TOTAL		**1 480 354**	**690 575**

Equity and liabilities			
	Note	December 2006	December 2005*
EQUITY		**518 425**	**290 923**
Shareholders'equity		**454 232**	**243 197**
Minority interests	16	**64 193**	**47 726**
LIABILITIES		**960 456**	**399 652**
Non-current liabilities		**673 075**	**312 943**
Bonds	17	240 854	84 364
Financial debts	17	331 651	183 060
Provisions	18	11 822	1 001
Deferred tax liabilities	20	88 748	44 518
Current liabilities		**287 381**	**86 709**
Bonds and financial debts	17	95 370	35 700
Trade payables		55 526	20 787
Advance payments		63 377	19 210
Other current liabilities		73 108	11 012
Held for sale activities	15	**1 473**	**0**
TOTAL		**1 480 354**	**690 575**

* Restated (see note 2.1)

II. Consolidated statement of changes in equity

The accompanying notes form an integral part of these consolidated financial statements.

		Share capital	Share premium	Translation reserve *	Treasury shares	Other * reserves	Shareholders equity *	Minority interests	Equity*
Balance at 1 January 2005		**18 954**	**46 089**	**3 991**	**-72**	**34 913**	**103 875**	**2 104**	**105 979**
Gains or losses for the period :									
Translation differences				5 362			5 362	582	5 944
Profit of the period						54 523	54 523	1 749	56 272
Dividends relating to 2004						-3 498	-3 498		-3 498
Capital increase		8 896	72 875			-2 786	78 985		78 985
Convertible loan						-404	-404		-404
OBSAR	17.4					2 577	2 577		2 577
Treasury shares					72	35	107		107
Stock option plan	22.5					1 393	1 393		1 393
Acquisition of Suncani Hvar	6						-	40 625	40 625
Minority interests' transactions	16					277	277	2 666	2 943
Balance at 31 December 2005		**27 850**	**118 964**	**9 353**	**0**	**87 030**	**243 197**	**47 726**	**290 923**
Gains or losses for the period :									
Translation differences				10 260			10 260	416	10 676
Profit of the period						96 699	96 699	1 156	97 855
Dividends relating to 2005						-5 993	-5 993		-5 993
Capital increase		6 548	78 588			-2 409	82 727		82 727
Convertible loan	17.5					18 826	18 826		18 826
Treasury shares						1 768	1 768		1 768
Stock option plan	22.5					7 572	7 572		7 572
Anglicka 26 revaluation	7					801	801		801
MMR transactions	16					-5 617	-5 617	-5 834	-11 451
Orco Germany transactions	16					5 098	5 098	22 948	28 046
Other minority interests' transactions						-1 106	-1 106	-2 219	-3 325
Balance at 31 December 2006		**34 398**	**197 552**	**19 613**	**0**	**202 669**	**454 232**	**64 193**	**518 425**

* Restated (see note 2.1)

IV. Consolidated cash flow statement

The accompanying notes form an integral part of these consolidated financial statements.

		December 2006	December 2005
Operating result		**134 248**	**76 888**
Net gain from fair value adjustments		-145 901	-78 975
Amortization, impairments & provisions		4 076	2 093
Gain and losses on disposal of investments		-93	-2 777
Stock options plans		7 571	1 393
Adjusted operating profit		**-99**	**-1 378**
Financial result		5 240	2 821
Income tax paid		-1 204	-4 331
Financial result and income taxes paid		**4 036**	**-1 510**
Changes in operating assets and liabilities		**8 696**	**-47 354**
NET CASH FROM OPERATING ACTIVITIES		**12 633**	**-50 242**
Acquisition of subsidiaries, net of cash acquired	6	-69 887	3 759
Capital expenditures	5.1	-342 427	-171 526
Proceeds from sales of non current tangible assets		3 831	3 085
Purchase of intangible assets		-1 199	-157
Purchase of financial assets		-5 820	-10 680
Proceeds from sale of held for sale activities		0	12 430
Net interest paid		-18 441	-6 136
NET CASH USED IN INVESTING ACTIVITIES		**-433 943**	**-169 225**
Issue of equity instruments from shareholders	22	84 495	81 398
Issue of equity instruments from minority	16	31 814	4 360
Proceeds from borrowings	17	434 644	195 152
Repayments of borrowings	17	-75 754	-25 560
Dividend paid to company's shareholders	22.6	-5 993	-3 498
NET CASH FROM FINANCING ACTIVITIES		**469 206**	**251 852**
NET INCREASE IN CASH		**47 896**	**32 385**
Cash and cash equivalents at the beginning of the period		49 089	15 742
Exchange difference on cash		1 359	962
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**98 344**	**49 089**

Notes to the consolidated financial statements

1. General information

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

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

The Company has a dual listing on the EuroNext Paris stock exchange and on the Prague stock exchange. In the course of the first half of 2007, the Company should also be listed on the Warsaw stock exchange and the Budapest stock exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2007.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated 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 consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the European Union. However the Group has not disclosed the reconciliation between tax expense and accounting profit as required by IAS 12 - Income Taxes for the year ended 2006 together the related comparative information for 2005.

The consolidated financial statements are presented in thousands of euros, which is the Company's functional and Group's presentation currency, and have been prepared under the historical cost convention except that investment property is carried at fair value as well as available-for-sale financial assets, and financial assets or financial liabilities (including derivative instruments) at fair value through income statement.

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

The accounting policies have been consistently applied by Group's entities and are consistent with those used in the previous year except for the application of the revised and new standards and interpretations effective as from 1 January 2006 described below. The application of those amendments and interpretations did not result in substantial changes to the Group's accounting policies:

IAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures;

IAS 21 Amendment – Net Investment in a Foreign Operation;

IAS 39 Amendment – Cash Flow Hedge Accounting of Forecast Intragroup Transactions;

IAS 39 Amendment – The Fair Value Option;

IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts;

IFRS 1 Amendment – First-time Adoption of International Financial Reporting Standards, and IFRS 6 Amendment – Exploration for and Evaluation of Mineral Resources;

IFRS 6, Exploration for and Evaluation of Mineral Resources;

IFRIC 4, Determining whether an Arrangement contains a Lease;

IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and

IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

- IAS 19 Amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.
- IAS 21 Amendment, IAS 39 Amendment – Cash flow hedge accounting of forecasted intragroup transactions, IFRS 1, IFRS 6, IFRIC 4 and IFRIC 5 are not relevant to the Group's operating activities and therefore have no material effect on the Group's policies.
- IAS 39 Amendment – The Fair Value Option. Prior to the amendment, the Group applied the unrestricted version of the fair value option in IAS 39. The Group meets the new criteria in the amendment and therefore continues to designate certain financial assets and financial liabilities at fair value through profit and loss.
- IAS 39 and IFRS 4 Amendment – Financial Guarantee Contracts. These types of contract are now accounted for under IAS 39 and no longer accounted for under IFRS 4, as previously required under IFRS. The measurement and disclosure requirements under IAS 39 have not resulted in a material change to the Group's policies.

The Group has chosen not to early adopt the following standard and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2006:

- IFRS 7, Financial Instruments: Disclosures and the Amendment to IAS 1, Presentation of Financial Statements: Capital Disclosures (effective 1 January 2007) require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks.
- IFRS 8, Operating Segments (effective 1 January 2009);
- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective 1 March 2006);
- IFRIC 8, Scope of IFRS 2 (effective 1 May 2006);
- IFRIC 9, Reassessment of embedded derivative (effective 1 June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective 1 November 2006);
- IFRIC 11, IFRS 2 – Group Treasury Share Transactions (effective 1 March 2007); and
- IFRIC 12, Service Concession Arrangements (effective 1 January 2008).

Except for the application of IFRS 7 and amendments to IAS 1, which will require additional disclosures with respect to Group's risk management and share capital in 2007 financial statements, the application of these new interpretations will not have a material impact on the Group's financial statements in the period of initial application.

The comparatives figures in respect of the opening balance sheet, as at 31 December 2005, have been restated to reflect the derecognition of a deferred tax asset included in the IFRS transition. This restatement has the following impact on the 2005 comparative figures :

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

2.2 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 at 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 recognized 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 recognized 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 euros (EUR) used to establish these consolidated financial statements are as follows:

Currency Code	Currency	31 December 2006		31 December 2005	
		Average	Closing	Average	Closing
CZK	Czech Koruna	0,03535	0,03637	0,03355	0,03448
HRK	Croatian Kuna	0,13659	0,13615	0,13570	0,13558
HUF	Hungarian Forint	0,00380	0,00396	0,00402	0,00396
PLN	Polish Zloty	0,25705	0,26101	0,24862	0,25908
SKK	Slovak Koruna	0,02691	0,02892	0,02591	0,02642
USD	US Dollars	0,77224	0,75740	N.A.	N.A.

(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 (EUR), which is the Company's functional and Group's 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 recognized in the income statement.

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss.

(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 recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences arising from the translation of the net investment in foreign entities are recognized 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-venture at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint-ventures is included in 'intangible assets'. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition from which the goodwill arose.

Negative goodwill arising on an acquisition is recognized in the income statement, in net gain from fair value adjustment on investment property.

(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 using the straight-line method over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognized 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 recognized as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortised using the straight-line method over their estimated useful lives (not exceeding three 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, extended stay residences, 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 rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

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

After initial recognition, investment property is carried out 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 recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the financial statements.

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 recognized 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 recognized in the income statement.

The pieces of land on which are located buildings under construction that will qualify as investment property at completion of the construction are from the beginning classified as investment property and hence recorded at fair value. This includes all plots of land held by the Group on which no construction or development has started at the balance sheet date.

Freehold lands, for which the destination is not determined at year end, are classified under the land bank category. The destination of freehold lands remains uncertain until a project design is definitive and the building permit granted. Therefore, the transfer of the land to property, plants and equipment or Inventories is recorded only when the building permit is granted.

Hotel buildings held by the Group are not classified as investment property but rather as property, plants and equipment.

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 property, plant and equipment 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 off when construction or development is completed. Depreciation is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives, as follows:

- Land Nil
- Buildings 50 - 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 recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

Lease income is recognized 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 non-financial assets

Intangible assets including goodwill that have an indefinite useful life are not subject to systematic amortisation and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. 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 recognized 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.10 Financial assets

The Group classifies its financial assets other than derivatives in the following categories: loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade receivables (note 2.12) and other current assets in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

Management assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classified as loans and receivables is impaired. Impairment testing of trade receivables is described in note 2.12.

Financial assets at fair value through profit or loss include financial assets held for trading which are acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. The Group subscriptions in investment property closed end fund managed by the Group are categorised as financial assets designated at fair value at inception as they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis. They are initially recognized at fair value, and transaction costs are expensed in the income statement, and subsequently carried at fair value. This classification is specifically adopted as a reflection of the accounting treatment of the investment properties' portfolio.

Regular purchases and sales of financial assets are recognized on the trade-date on which the Group commits to purchase or sale these assets.

2.11 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.

2.12 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

2.13 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, and bank overdrafts.

2.14 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.

The shares of the Company (Orco Property Group, société anonyme) 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.

2.15 Borrowings

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

Borrowings are recognized 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 recognized in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion a maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equities, net of income tax effect.

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.

2.16 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 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 recognized 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 all temporary differences arising on fair value of buildings and lands held by the Group as investment properties even 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. Possibly, should a special purpose entity be disposed of, the gains generated from the disposal will be exempted from any tax (in accordance with the Grand-ducal regulation of 21 December 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 entities will comply with these conditions.

2.18 Provisions

Provisions for legal claims are recognized 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.

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

2.19 Derivative financial instruments and hedging activities

Derivatives are initially recognized in the balance sheet at their fair value on a date a derivative contract is entered into and are subsequently remeasured at their fair value which is generally the market value. Derivatives are presented, at the balance sheet date, within other current assets when fair value is positive or other current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the income statement under other financial results.

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

2.20 Revenue recognition

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

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

Service and management charges are recognized in the accounting period in which the services are rendered. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

The amount of inventories recognized as an expense during the period, referred to as cost of sales, consists of those costs previously included in the measurement of inventory that has been sold during the year and unallocated production overheads.

The other operating expenses include repair and maintenance costs of buildings and properties, utilities costs, marketing and representation costs, travel and mobility expenses, operating taxes and other general overhead expenses.

2.21 Dividend distribution

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

2.22 Share option plans

Share options are granted to certain directors and senior employees. The options are granted at the market price on the date of the grant and are exercisable at that price.

The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

2.23 Subscription rights and PACEO

The Group grants subscription rights to third parties as part of its financing program. Any consideration received is added directly to equity as a capital increase recorded in share capital and share premium. Changes in the fair value of those equity instruments are not recognized in the financial statements.

3 Financial risk factors

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The group 's overall risk management programme focuses on the unpredictabilitity of financial markets and seeks to minimise potential adverse effects on the group financial performance. The Group uses financial instruments to mitigate certain risk exposures.

Risk management is carried out by the Group's Chief Financial Officer (CFO) and his team under policies approved by the Board of Directors. The Group's CFO identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The

Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(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 Czech Koruna (CZK), the Polish Zloty (PLN), the Hungarian Forint (HUF), the Slovak Koruna (SKK) and the Croatian Kuna (HRK). Foreign exchange risk arises from recognized 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 - sales of building are denominated in euros (EUR).

(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 and Eastern Europe - such activities are spread over several business lines (residences, offices, hotels) and different countries that each undergo specific business 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 Group has policies that limit the amount of credit exposure to any financial institution.

(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 inherent nature of its assets the Group is subject to a liquidity risk. However, over the medium and long term this risk appears as remote since most loans expire at the earliest in 2010.

(d) Cash flow interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

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 mitigate 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.

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through income statement) is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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, including expectations of future events that are believed to be reasonable under the circumstances.

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 disclosed 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.

If information on current or recent prices of assumptions underlying the discounted cash flow approach investment properties is not available, the fair values of investment properties are determined using discounted cash 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 potential use of the asset, the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. The fair value is based on the potential use of the properties as determined by the Group. Fair value is the highest value, determined from market evidence, by considering any other use that is financially feasible, justifiable and reasonably probable. The "highest and best-use" value results in a property's value being determined on the basis of redevelopment of the site. 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.

(b) 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 2.16, the calculation of deferred tax on investment properties is not based on the fact that they will be realised through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers.

(c) Determination of remaining construction costs

All development projects are subject to individual financial forecasts and balances, prepared by the Group and based on the best estimate of the construction costs to be incurred as part of the projects. The costs incurred are subject to specific controls by the Group and the project balances, showing the costs incurred as well as the remaining construction costs, are updated on a regular basis. This information is used to determine the net realisable value of inventories as well as the fair value less cost to sale for the impairment test of properties under development.

4.2 Critical judgements in applying the Group's accounting policies

Distinction between investment properties and owner-occupied properties

The Management determines whether a property qualifies as investment property. In making its judgement, the Management 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 Management considers each property separately in making its judgement.

Where applicable, the land on which new properties are under development is recognized separately as an investment property. In such a case the land is fair valued through the income statement on the basis of a percentage of the value determined by the independent valuation expert for the full property under development (land and construction).

5. Segment reporting

5.1 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 :

- Renting: leased out residences, offices or retail buildings, property management and asset management and buildings under construction that are meant to be leased.
- Hotels and Residences: includes all the MaMaison Hotels and Appartments activities with extended stay hotels and small luxury hotels. This segment also includes the Suncani Hvar activities i.e. leisure hotels in Croatia.
- Development: development of projects meant to be disposed off unit by unit, the land bank and project management.
- Management services: includes property management, management services to group companies and asset management for Endurance Fund.

In 2006, the business segments Extended stay hotels and Hotels were brought together into the business segment Hotels and residences to better reflect the strategy and management structure. The 2005 segmental information has been restated accordingly.

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

As at december 2006	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
Revenues	124 298	30 753	19 856	8 690	-10 689	**172 908**
Net gain from fair value adjustment on investment property	57 394	8 565	79 942	0	0	**145 901**
Other operating result	-137 436	-36 572	-17 008	-799	7 254	**-184 561**
Operating result	**44 256**	**2 746**	**82 790**	**7 891**	**-3 435**	**134 248**
Financial result						-11 324
Profit before income taxes						**122 924**
Income taxes						-25 069
Net Profit						**97 855**
Attributable to minority interests						-1 156
Attibutable to the group						**96 699**
Segment assets	**624 147**	**272 184**	**397 929**	**0**	**-10 232**	**1 284 028**
Unallocated assets						196 326
Total assets						**1 480 354**
Segment liabilities	**144 299**	**8 990**	**17 987**		**-10 971**	**160 305**
Unallocated liabilities						1 320 049
Total liabilities						**1 480 354**
Cash flow elements						
Amortizations, impairments and provisions	1 466	-4 279	-1 223	-39	0	**-4 075**
Capital Expenditure	94 925	64 345	183 157	0		**342 427**

As at December 2005	Development	Hotels and residences	Renting	Other services	Intersegment activities	TOTAL NET
Revenues	21 925	21 534	7 584	3 087	-3 782	**50 348**
Net gain from fair value adjustment on investment property	36 436	22 361	20 178		0	**78 975**
Other operating results	-23 268	-25 493	-8 761	1 681	3 406	**-52 435**
Segment result	**35 093**	**18 402**	**19 001**	**4 768**	**-376**	**76 888**
Financial result						-4 551
Profit before income taxes						**72 337**
Income taxes						-16 065
Net Profit						**56 272**
Attributable to minority interests						-1 749
Attibutable to the group						**54 523**
Segment assets	**184 306**	**207 339**	**209 904**	**0**	**-11 915**	**589 634**
Unallocated assets						100 941
Total assets						**690 575**
Segment liabilities	**38 160**	**8 722**	**11 965**	**0**	**-3 801**	**55 046**
Unallocated liabilities						635 529
Total liabilities						**690 575**
Cash flow elements						
Amortizations, impairments and provisions	1 524	-3 584	-26	-7	0	**-2 093**
Capital expenditure	12 655	17 893	137 549			**168 097**

The segmental information for the year ended 31 December 2005 has been restated by merging the segments hotels and residences.

5.2 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 Germany 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 except for the hospitality activity.

	December 2006	December 2005
Czech Republic	66 363	34 149
Germany	62 796	291
Poland	22 216	4 298
Croatia	9 676	6 797
Hungary	8 593	3 020
Other Central European countries	9 628	3 762
Intersegment activities	-6 364	-1 969
Revenue	**172 908**	**50 348**

	December 2006	December 2005
Czech Republic	563 402	320 013
Germany	289 355	19 775
Croatia	102 463	74 871
Hungary	159 622	111 669
Poland	110 149	64 667
Other Central European countries	80 471	9 561
Intersegment activities	-8 921	-13 084
Segment assets	**1 296 541**	**587 472**
Non allocated assets	183 815	103 103
Total assets	**1 480 356**	**690 575**

6. Acquisitions

In 2006, the Group has enterred into two business combinations.

- Viterra Development activities in Germany, Poland and the Czech Republic acquired at the end of the first half of the year.
- The Stein Brewery in Slovakia at the end of December.

As at 23 June 2006 the Group directly acquired Viterra Development Polska and, through Orco Germany (a 80% fully consolidated subsidiary), Viterra Development GmbH and Viterra Baupartner GmbH. Those companies and their subsidiaries are referred to as Viterra in this report. Viterra is active in Germany, Poland and the Czech Republic. The development and building portfolio has been fair valued on the basis of an independent valuation report (established by DTZ Debenham).

As part of the transaction, the Group also acquired for a total cash consideration of EUR 13 million two buildings whose property has only been transferred in August with some cash flow adjustment mechanisms bringing the final acquisition price to EUR 14 million.

The following table details the fair value of the assets, liabilities and contingent liabilities acquired and describes the calculation of the cash flow on acquisition net of the cash and cash equivalents acquired :

Viterra	
Tangible assets	31 874
Financial assets	1 885
Deferred tax assets	1 290
Inventories	98 709
Trade receivables	35 885
Other current assets	14 631
Cash and cash equivalents	28 961
Provisions	-11 875
Deferred tax liabilities	-4 665
Payables	-34 485
Short term debts and provisions	-40 107
Net equity acquired	**-122 103**
Negative goodwill on acquisitions	23 255
Acquisition price	**-98 848**
Less cash acquired	28 961
Cash flow on acquisition net of cash acquired	**-69 887**

In agregate, the acquired business contributed revenues of EUR 83.2 milion and net profit of EUR 0.7 milion to the Group for the period from the acquisition date to 31 December 2006. The Group is not able to disclose the information relating to revenue and profit which would have been generated by the Group for the year ended 31 December 2006 if the acquisition had ocurred on 1 January 2006 due to the absence of Viterra Development activities sub-consolidated information prior to the acquisition.

At the end of December 2006, the Group closed a transaction to acquire in Slovakia the Stein companies. These companies comprise one holding company with an industrial building complex which has been recognized at its fair value (and as such disclosed as an acquisition in note 7 Investment property under the caption Freehold buildings for EUR 21.6 million) and two subsidiaries running the brewery and distribution activities that are accounted for as business acquisitions. Since the objective of the group is the conversion of the old industrial building complex, the brewery and distribution activities are meant to be sold in 2007. A procedure of due diligence with potential buyers should be finalized in the first half of 2007.

As at December 2006, these acquisitions only contribute to the balance sheet and the specific lines of held for sale activities for the brewery and beer distribution activities.

The following table details the fair value of the assets, liabilities and contingent liabilities acquired and describes the calculation of the cash flow on acquisition net of the cash and cash equivalents acquired :

Stein acquisition

Acquired activities	Brewery & distribution	Investment property	Total
Tangible assets	169	21 902	22 071
Inventories	476	-	476
Trade receivables	1 060	86	1 146
Other current assets	12	10	22
Cash and cash equivalents	564	11	575
Long term debts	-2 751	-514	-3 265
Deferred tax liabilities	-	-2 230	-2 230
Payables	-602	-273	-875
Short term debts and provisions	-595	-	-595
Net equity acquired	**1 667**	**-18 992**	**-17 325**
Goodwill on acquisitions			0
Acquisition price			**-17 325**
Less cash acquired			575
Cash flow on acquisition net of cash acquired			**-16 750**

In 2005 the Group has enterred into two business combinations.

- The acquisition in June 2005 of 100% of the capital of BP Servis, a property management company. The company is fully consolidated since the date of acquisition. The following table describes the calculation of the cash flow on acquisition net of the cash and cash equivalents acquired:

BP Servis

Intangible assets	86
Trade receivables	301
Other current assets	58
Cash and cash equivalents	274
Payables	-572
Acquisition price	**-147**
Less cash acquired	274
Cash flow on acquisition net of cash acquired	**127**

- The acquisition in July 2005 through a capital increase of 47.7% of Suncani Hvar dd, a company carrying 10 hotels on the island of Hvar in Croatia. The company is fully consolidated since the date of acquisition.

  The hotel portfolio has been fair valued using EBITDA multiples and rates per room multiples based on management assumptions and estimates. The valuation has been made on the basis of the future intended use of the hotels. For hotels which will be demolished, 95% of the fair value has been attributed to the land whereas for hotels to be refurbished, the allocation of value to the land has been based on a ratio of 40% applied to the estimated properties values after refurbisment costs. The remaining fair value has been attributed to the buildings.

  The contribution of Suncani Hvar dd to the 2005 revenues amounts to EUR 6.8 million and a negative goodwill of EUR 13.3 million has been recognized in the income statement on the same line as the gains and losses from fair value adjustments on investment property. The following table describes the calculation of the cash flow on acquisition net of the cash and cash equivalents acquired:

  As part of the transaction, the Group acquired the right to subscribe, as from 1 September 2006, to an increase in share capital of HKR 100 million through the issuance of 1 million shares with a fixed nominal value, excluding all shareholders from their pre-emptive right. This financial instrument has been valued using Black-Scholes valuation model and is recorded in the Group assets, under the caption other current assets. As for any derivative instrument, the movements in fair value after the acquisition is recorded through the income statement.

  Additionally, under certain conditions related to the financing of the investments, the Group has acquired an additional right to subscribe to a further increase in share capital of HKR 100 million through the issuance of 1 million shares with a fixed nominal value, excluding all shareholders from their pre-emptive right.

Suncani Hvar	
Tangible assets	72 998
Inventories	102
Trade receivables	536
Other current assets	122
Cash and cash equivalents	27 350
Minority shareholders	-40 728
Long term financial debts	-8 698
Provisions	-293
Deferred tax liabilities	-6 475
Short term financial debts	-6 102
Payables	-1 798
Net equity acqired	**-37 014**
Negative goodwill on acquisitions	13 296
Acquisition price	**-23 718**
Less cash acquired	27 350
Cash flow on acquisition net of cash acquired	**3 632**

Suncani Hvar is party to a certain number of claims on the ownership of assets or part of assets. The shareholder agreement in place between the Company and The Privatization Fund secures the Company for compensation in case Suncani Hvar would loose the ownership of the assets.

7. Investment property

Investment property	Buildings under finance lease	Freehold buildings	Land	Extended stay hotels	Land bank	Total
Balance at 1 January 2005	**1 510**	**49 620**	**5 893**	**47 199**	**30 281**	**134 503**
Revaluation	-428	28 826	6 874	9 065	21 341	**65 678**
Investments / acquisitions	5	127 316	-	10 802	12 655	**150 778**
Asset sale	-	-2 312	-	-	-	**-2 312**
Transfer	404	10 419	-4 234	-416	859	**7 032**
Translation differences	19	2 300	67	769	2 359	**5 514**
Balance at 31 December 2005	**1 510**	**216 169**	**8 600**	**67 419**	**67 495**	**361 193**
Scope movements	-	20 937	-	-	10 500	**31 437**
Investments / acquisitions	-	166 615	30 855	-	72 565	**270 035**
Revaluation through income statement	-135	66 709	8 545	-880	48 408	**122 646**
Revaluation through equity	-	801	-	-	-	**801**
Asset sale	-	-2 919	-	-	-	**-2 919**
Transfer	-	-486	17 400	-7 837	-49 988	**-40 911**
Translation differences	-	1 839	-	0	5 317	**7 156**
Balance at 31 December 2006	**1 375**	**469 666**	**65 400**	**58 701**	**154 296**	**749 438**

Variations in 2006

The scope movements refer to the office building in Viterra's asset portfolio in Germany recognized at fair value at the date of acquisition and two plots of land Sky Office in Düsseldorf and Gruga Carre in Essen.

During the year, the investments and acquisitions reached EUR 270.0 million in the following projects :

- Freehold buildings (EUR 166.6 million in 2006 – EUR 127.3 million in 2005) :
    - Germany: Cumberland Haus EUR 39.5 million and Kufurstendamm EUR 7.0 million, Max Planck Strasse in Köln & Wasser Strasse in Düsseldorf EUR 14.0 million and, various residential and office buildings essentially in Berlin EUR 36.8 million.
    - Czech Republic: Bubenska EUR 26.6 million and Pivovar Vrchlaby brewery EUR 2.0 million.
    - Hungary: CIB Bank EUR 6.3 million and Parish Department Store buildings in Budapest EUR 11.8 million.
    - Slovakia: Pivovar Stein brewery EUR 21.6 million (see note 6).
- Land bank and Land (EUR 103.4 million in 2006 – EUR 12.7 million in 2005) :
    - Acquisition of two plots in the Czech Republic (mainly Bubny) EUR 46.6 million and in Warsaw EUR 9.0 million.
    - Acquisition of land plots for Sky Office project in Dusseldorf for EUR 22.4 million.
    - Acquisition of land for development of Prokrowka project in Moscow for EUR 8.5 million.

In the freehold building category the transfer reflects the movement of Luxembourg Plaza's office part transferred from properties under development and the Zlota Tower transferred in inventory. Since Orco's headquarters moved to Luxembourg Plaza in Autumn, Anglicka 26 has been transferred to investment property under IAS 40. The residences Masaryk and Americka Park have been sold by MaMaison Residence to Orco Property Group and as a result transferred to freehold buildings.

The land caption includes the plots for Radio Free Europe, Sky Office and Prokrowka projects. They were all started this year while the land of the Luxembourg Plaza Office building has been transferred when finalized to the freehold buildings caption.

Similarly in the land bank category the transfer movement corresponds to the Koliba's plot for the development of luxury residences in Slovakia, and the second phase of the Slunecny Vrsek and Kouzelne Medlanky residential projects in the Czech Republic which were transferred in inventory. Also the plot for Sky Office high tower project in Düsseldorf and the Hagibor's plot dedicated to the future development of an office property for Radio Free Europe are reclassified and under the land caption.

During the year, the sales of luxury appartments in Prague in the Zahrebska, Masaryk and Rybalkova buildings amount to EUR 2.1 million.

Additional information on the main acquisitions :

- Bubny district, plot of 27 hectares in Prague, was acquired for EUR 43.2 million. The plot, which has been vacant and neglected for the last 20 years, is the only area of such a type and size in the Prague City Centre. As such, one of Orco's main goals is the rejuvenation and revitalisation of the prime Prague 7. Estimated investment into this project stands at EUR 550 million for a potential of 1,000,000 sq m.
- Bubenska is engaged in the rental of the real estate portfolio which comprises various plots of land and buildings in the Czech Republic. The acquisition price amounts to EUR 26.6 million.
- Cumberland Haus, acquired for EUR 39.5 million, is located in the Charlottenberg district, less than one kilometre west of Berlin's city centre. The property is a landmark building in a prominent location on Kufürstendamm, Berlin's most famous and prime commercial and shopping street. The building was originally built at the turn of the century to provide 25,300 sq m of hotel accommodation over ground and four upper floors, around a series of internal courtyards. The intention is to undertake a major refurbishment with additional development and some demolition to provide a prestigious and contemporary mixed-use property.
- Pivovar Stein situated in Bratislava is a brewery acquired for EUR 21.6 million. Orco Property Group plans to build a modern multi-purposes complex with residential premises, civil infrastructures and possibly a hotel. The total area of the project amounts to 1.6 hectares. The group intends to sell and relocate beer brewing and distribution activities.

All investment properties are revalued at the end of the year based on a valuation report established by the independent expert Debenham Tie Leung. The total revaluation of investment properties amounts to EUR 122.7 million. This amount does not include the negative goodwill of EUR 23.3 million on the first consolidation of Viterra Developement which is recognized on the same line in the income statement. The main revaluations recorded in 2006 and the related fair value of the properties are presented below:

Freehold Buildings	Revaluation	Fair Value 31.12.06
Czech Republic		
Na Porici	8 433	43 440
Bubenska	9 491	37 212
Luxembourg Plaza	7 920	28 800
Germany		
Cumberland Haus Berlin	4 875	44 400
Other German freehold buildings	4 502	45 371
Hungary		
Budapest Stock Exchange	7 800	37 800
Starlight Suite Hotel	5 000	8 600
Headquarters of Budapest Bank	2 520	34 350
Other	16 168	189 693
Total Freehold Buildings :	**66 709**	**469 666**

Land and Land bank	Revaluation	Fair Value 31.12.06
Czech Republic		
Bubny	34 549	80 000
Benice	2 586	24 340
Praga	5 948	9 027
Russia		
Hotel Pokrowka	8 348	17 040
Poland		
Jozefoslaw	1 033	10 587
Other	4 489	78 702
Total Land and Land bank:	**56 953**	**219 696**

Variations in 2005

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

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

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

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

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

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

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

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

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 2005	**5 158**	**2 449**	**41 585**	**49 192**
Scope variation	0	0	73 192	73 192
Investments / acquisitions	2 056	427	381	2 864
Disposal	-41	0	0	-41
Transfer and other movements	-118	621	186	689
Translation differences	265	110	2 099	2 474
Balance at 31 December 2005	**7 320**	**3 607**	**117 443**	**128 370**
Scope variation	64	0	0	64
Investments / acquisitions	342	0	15 071	15 413
Transfer and other movements	238	0	23 051	23 289
Translation differences	301	245	2 222	2 769
Balance at 31 December 2006	**8 265**	**3 852**	**157 788**	**169 905**
AMORTIZATION				
Balance at 1 January 2005	**477**	**25**	**292**	**794**
Allowance	65	91	1 383	1 539
Disposal	-12	0	0	-12
Transfer and other movements	-58	-18	40	-36
Translation differences	35	1	15	51
Balance at 31 December 2005	**507**	**99**	**1 730**	**2 336**
Scope variation	0	0	0	0
Allowance	191	88	2 141	2 421
Reversal of impairment	-105	0	0	-105
Transfer and other movements	-150	0	-192	-342
Translation differences	25	16	52	93
Balance at 31 December 2006	**468**	**203**	**3 731**	**4 402**
NET AMOUNT AT 31 December 2006	**7 797**	**3 648**	**154 057**	**165 503**
Net amount at 31 December 2005	6 813	3 508	115 713	**126 034**

- 2006

The investments relate principaly to the refurbishment of Amfora and Riva Hotels on the Hvar island in Croatia. In the south of Poland, the Group acquired the Park Hotel Vienna built in Bielsko Biala alongside the Beskidy Mountains.

The transfer relates to the Marriott Courtyard in Prague that entered into operations in the Luxembourg Plaza. The developped building has been transferred from properties under development.

- 2005

In 2005, the scope variation relates only to the first consolidation of Suncani Hvar. All the assets and liabilities have been valued by Deloitte & Touche Croatia at the time of the acquisition, using the EBITDA and rate per room multiples valuation methods. Please refer to note 6 detailing the business combination accounting on this company.

The prepaid operating leases relate to one building serving as an extended stay hotel in Bratislava that was acquired in 2004 (with a remaining term of the lease of 27 years) and to the lands on which the Regina hotel and Diana residence are located (with in both cases a remaining term of the lease of 85 years).

9. Fixtures and fittings

	Gross amount	Amortization	Net amount
At 1 January 2005	**8 981**	**-3 179**	**5 802**
Increase	3 189	-2 239	950
Assets sales	-269	176	-93
Transfer	500		500
Translation difference	382	-144	238
At 31 December 2005	**12 783**	**-5 386**	**7 397**
Increase	12 973	-5 153	7 820
Assets sales	-2 053	1 519	-534
Transfer	-636	643	7
Translation difference	554	-208	346
At 31 December 2006	**23 621**	**-8 585**	**15 036**

The main investments of fixtures and fittings in 2006 were realised on the Hvar island in Croatia principally for the hotels Amfora and Riva (EUR 3.0 million), in Prague for the hotel Lucemburska Marriott (EUR 2.2 million) and in Poland with the acquisition of Park Hotel Vienna (EUR 1.7 million). The same year, most sales of fixtures and fittings were realised by Suncani Hvar hotels (EUR 1.3 million).

In 2005, the Group has mainly invested in the new extended stay hotel Diana Residence in Warsaw (EUR 1.1 million) and in the Ofer buildings portfolio in Budapest for EUR 0.7 million.

10. Properties under development

The caption Properties under development also includes advance payments for EUR 5.2 million (EUR 3.3 million in 2005). These advance payments essentially relate to the acquisition of various buildings in Berlin. The rest represents the buildings under construction that have known the following evolution :

	December 2006	December 2005
Opening Balance	**21 601**	**10 803**
New projects and work in progress	44 006	16 516
Finalized projects	-39 927	-8 841
Transfer and other movements	1 107	2 285
Translation differences	1 372	838
Total	**28 159**	**21 601**

The work in progress represents the investments in the hotels on the Hvar island before the start of the summer season (EUR 13.2 million), the finalization of the Luxembourg Plaza Building (EUR 9.2 million), the construction started in the second half of 2006 of the new Radio Free Europe headquarters in Prague (EUR 2.9 million) and the extension of MaMaison Hotels & appartments' activities in Russia with the Pokrowka project (EUR 12.2 million).

After its finalization the Luxembourg Plaza building has been transferred in investment properties for the offices for rent part (EUR 11.3 million) and, in Hotels and own occupied buildings for the hotel part (EUR 18.4 million).

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

11. Financial assets

This line mainly includes the non eliminated portions of the equity loans granted to joint ventures for EUR 4.4 million (EUR 2.5 million in 2005) and the investment in the Endurance Real Estate Fund for Central Europe (the "fund") amounting to EUR 14.2 million (EUR 10.5 million in 2005). This fund investing in office investment properties has been created in 2005 and is managed by the Group (see note 26). In conformity with IAS 39, this investment is accounted for at its fair value with variations going through the income statement. The unrealised gain recorded for the first time in 2006 amounts EUR 0.7 million.

In December 2006, a new sub-fund compartment specializing in residential properties has been created and Orco has also subscribed to EUR 15.0 million out of which EUR 0.4 million has been called as at 31 December 2006. The fund prepares consolidated financial statements as at 30 September each year and interim consolidated financial statements as at 31 March.

12. Inventories

	December 2006	December 2005
Opening balance	**55 637**	**31 778**
Acquisition of Viterra	98 067	-
Transfer with investment property	55 808	3 023
Net impairments	2 563	-1 891
Other variations	36 808	22 727
Total	**248 884**	**55 637**

All the transfers relate to plots and buildings transferred from investment properties and particularly for the Zlota Tower in Warsaw (EUR 23.1 million), Fehrbelliner Hofe in Berlin (EUR 6.2 million) and Koliba in Bratislava (EUR 6.1 million).

On the basis of a new DTZ valuation, the impairments recognized in December 2005 on a development in Hungary (EUR 1.7 million) and on a development in the Czech Republic (EUR 0.9 million) have been reversed in 2006.

As part of the inventories, more than 50% is expected to be recovered after more than 12 months.

13. Trade receivables

	December 2006	December 2005
Trade receivables gross	61 419	11 372
Provision for impairment of receivables	-8 817	-5 819
Total	**52 602**	**5 553**

The first consolidation of Viterra contributes for EUR 35.9 million to the increase in trade receivables, the rest of the growth is a reflection of the increased sales of the Group.

In 2006, the Group (mainly development activities in the Czech Republic and in Germany) has recorded a reversal of impairments on trade receivables of EUR 2.0 million (2005: EUR 3.1 million).

14. Cash and cash equivalents

As at December 2006, the cash and cash equivalents consist of short term deposits for EUR 1.9 million (EUR 12.8 million in 2005), cash in bank for EUR 96.2 million (EUR 36.1 million in 2005) and cash in hand for EUR 0.2 million (EUR 0.1 million in 2005).

15. Held for sale activities

As at 31 December 2006, held for sale activities consist of the brewing and beer distribution activities of the Stein Brewery acquired by the Group end of December 2006. The Group intends to sell these activities and transform this industrial site into new office, residential and probably hotel buildings.

In December 2005, Atronyx kft holding the Orco Business Park building in Budapest, classified as held for sale in 2004, was sold to the Endurance Fund for a total price of EUR 12.4 million generating a non taxable profit of EUR 2.4 million.

16. Minority interests' transactions

- 2006

The Group acquired during the first quarter of 2006 the last minority interests present in the capital of Orco Hotel Group increasing its shareholding to 100%. This acquisition has been paid through a cash transaction amounting to EUR 0.3 million.

The capital holding structure of MaMaison Résidences has gone through two opposite movements during 2006 :

- Two buildings in Prague (Americka Park and Masaryk) have been sold by MaMaison Résidences to Orco Property Group SA through a share deal. The holding of the Group in those buildings has then increased from 71% to 100%.
- Capital increases in July and August 2006 for a total number of shares of 8,458 for a total amount of EUR 8.5 million. Since the group only subscribed to 52% of this capital increase, it has been diluted in the capital from 71% to 66%.

- Exercise by EBRD of a put option for their share in the capital at mid December 2006 (approximately 34%) at a price of EUR 17.1 million. This amount has been paid in cash in January 2007. As a result of this last transaction no minority interests are shown on the Group consolidated balance sheet as at December 2006 but it has not been taken into account for determining the Group share in MaMaison Résidences 2006 last quarter net results.

Finally, while holding 100% of the capital of Orco Germany as at December 2005, the Group has been diluted to 80% as at December 2006. This dilution results from the following movements :

- In January and March 2006, 35% of Orco Germany has been sold to the Group's Management.
- Capital increases in June, August and November increasing the number of shares from 2.8 million to 34.6 million out of which the Group subscribed 82% for EUR 87.0 million.
- The Group sold 0.9 million shares on the Market.

- 2005

The Group acquired during the second quarter of 2005, most of the minority interests 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 of Orco Property Group S.A. 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 million of MaMaison Résidences S.A. subscribed by the minority shareholder.

17. Borrowings

17.1 Borrowings maturity

The following tables describe the maturity of the Group's borrowings. For most floating rate borrowings, the Group takes on exposure 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.

In 2006, the non-current bonds and financial debts amount to EUR 572.5 million. The difference between the carrying amount and EUR 556.0 million as mentionned in the following table relates essentially to the call options linked to the convertible bond in Hvar shares described in the note 17.3 whose fair value as at December 2006 amounts to EUR 13.8 million (EUR 0.8 million in 2005) and to right linked to the bond with repayable subscription warrants (OBSAR) described in note 17.4 whose fair value as at December 2006 amounts to EUR 2.5 million (EUR 5.1 million in 2005).

At 31 December 2006	**Less than one year**	**1 to 5 years**	**More than 5 years**	**Total**
Non-current				
Bonds	-	**56 176**	**184 679**	**240 855**
Convertible bonds	-	5 768	120 208	125 976
Exchangeable bonds	-	-	23 172	23 172
Bonds	-	50 408	41 299	91 707
Financial debts	-	**204 419**	**110 686**	**315 105**
Bank loans	-	203 644	107 568	311 212
Fixed rate	-	39 143	24 617	63 760
Variable rate	-	164 501	82 951	247 452
Other non-current borrowings	-	775	1 961	2 736
Finance lease liabilities	-	-	1 157	1 157
Total	**-**	**260 595**	**295 365**	**555 960**
Current				
Bonds and financial debts				
Bonds	4 210	-	-	4 210
Bank loan fixed rate	23 615	-	-	23 615
Bank loan variable rate	66 077	-	-	66 077
Others borrowings	1 384	-	-	1 384
Finance lease liabilities	84	-	-	84
Total	**95 370**	**-**	**-**	**95 370**

At 31 December 2005	Less than one year	1 to 5 years	More than 5 years	Total
Non-current				
Bonds	-	**39 378**	**44 986**	**84 364**
Convertible bonds	-	-	21 878	21 878
Exchangeable bonds	-	-	23 108	23 108
Bonds	-	39 378	-	39 378
Financial debts	-	**83 774**	**92 157**	**175 931**
Bank loans	-	78 236	91 201	169 437
Fixed rate	-	14 329	29 534	43 863
Variable rate	-	63 907	61 667	125 574
Other non-current borrowings	-	5 538	-	5 538
Finance lease liabilities	-	-	956	956
Total	-	**123 152**	**137 143**	**260 295**
Current				
Bonds and financial debts				
Bonds	16 700	-	-	16 700
Bank loan fixed rate	6 439	-	-	6 439
Bank loan variable rate	9 070	-	-	9 070
Others borrowings	3 491	-	-	3 491
Total	**35 700**	-	-	**35 700**

Bank loans include amounts secured by a mortgage on properties and/or a pledge on the shares of the companies benefiting from the loan to the value of EUR 400,9 million (EUR 177 million as at 31 December 2005). In general Orco Property Group S.A. has granted its guarantee in favour of the bank for each of the subsidiaries.

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 carrying amount of the Group's borrowings is denominated in the following currencies :

	December 2006	December 2005
EUR	502 155	253 368
CZK	113 113	31 258
PLN	7 341	1 083
SKK	15 646	2 246
HRK	13 075	8 040
Total	**651 330**	**295 995**

17.2 Convertible bonds 2004-2011

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, EUR 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	22 September 2004
Conversion at the discretion of bondholder	From the issuance date until 15 December 2011. The final redemption date is on 24 December 2011.
The issuer's call rights	As of 1 April 2006, i.e. the first day of the 19th 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 interest accrued, a redemption premium allowing them to achieve a gross yield-to-maturity of 8%.

As at December 2006, 742.549 (290.613 as at December 2005) rights of conversion have been exercised leading to the creation of same amount of new shares.

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

Balance at 31 December 2004	**30 579**
Interest accumulated in 2005	280
Conversion rights exercised	-8 981
Balance at 31 December 2005	**21 878**
Interest accumulated during the period	245
Own bonds	-2 253
Conversion rights exercised	-14 102
Balance at 31 December 2006	**5 768**

17.3 Exchangeable bonds in Suncani Hvar shares

The acquisition of Suncani Hvar dd has been 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	EUR 26.03 (KN 190)
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 31 December 2006, no bond had been exchanged.

The funds raised with this exchangeable bond have been at issuance divided into a long-term debt component and a long term derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The derivative component of EUR 13.6 million (EUR 0.8 million in 2005), classified in other current liabilities, represents the market value of the call options embedded in the bond. This derivative is 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 is taken in profit and loss accounts using the effective interest method.

Debt component on issue	**23 048**
Interest accumulated in 2005	60
Balance at 31 December 2005	**23 108**
Interest accumulated during the period	144
Own bonds	-80
Balance at 31 December 2006	**23 172**

As at 29 December 2006, the market price of Hvar dd shares on the Zagreb stock exchange was HRK 201,32.

17.4 Bonds with Repayable Subscription Warrants ("OBSAR")

Bonds

Nominal	EUR 50,272,605.30
Number of bonds	73,273
Nominal value per bond	EUR 686.10
Issue price per bond	EUR 682.38
Redemption	18 November 2010
Normal Redemption	at par, EUR 686.10 per bond, if the average price quoted over the ten stock exchange trading sessions preceding the Redemption Date, of the products of the closing price of the Orco Property Group S.A. share on the Euronext Paris S.A. Eurolist market and of the Exercise Parity applicable during the said stock exchange sessions is equal to or greater than the Exercise Price of the Redeemable Share Subscription Warrants, at 120% of par, that is EUR 823.32 per Bond, if the average price quoted over the ten stock exchange trading sessions preceding the Redemption Date, of the products of the closing price of the Orco Property Group share on the Euronext Paris S.A. Eurolist market and of the Exercise Parity applicable during the said stock exchange sessions is less than the Exercise Price of the Redeemable Share Subscription warrants.
Early Redemption	Option for the Group to redeem all bonds at 120% of the par value on any Interest Payment Date subject to one month's notice to bearers before the early redemption date.
Nominal interest rate	4.5%
ISIN	FR0010249599
Listing	Euronext

Warrants

Number of warrants	1,099,095 (corresponding to 15 warrants/issued bond)
Exercise ratio	one warrant gives the right to one share
Exercise price	EUR 68.61
Exercise period	18 November 2005 until 18 November 2012
Early repayment	From 19 November 2007 the issuer may reimburse the warrants at EUR 0.01 if the average share price over the last 10 days preceeding 19 November 2007 is higher than EUR 96.05.
ISIN	LU0234878881
Listing	Euronext

The funds raised with this bond have been at issuance divided into a long-term debt component, an equity component and a derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 3.7 million reduced by EUR 1.1 million deferred taxes), classified in other reserves, represents the market value on the date of issue of the subscription warrants embedded in the bond. The derivative component amounting to EUR 2.5 million (EUR 5.3 million in 2005), classified in non-current financial debts, represents the market value of the redemption premium granted to the bondholder if the average market price of Orco shares do not reach a certain level before the repayment date. This derivative is 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 is taken in profit and loss accounts using the effective interest method.

Debt component on issue	**39 173**
Interest accumulated in 2005	205
Balance at 31 December 2005	**39 378**
Interest accumulated during the period	1 921
Balance at 31 December 2006	**41 299**

17.5 Convertible bond 2006-2013

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

Nominal	EUR 149 999 928
Number of bonds	1 086 956
Nominal value	EUR 138.00
Issue price	at par value, EUR 138.00
Redemption price if not converted	138.62% of par at EUR 191,29; i.e. a gross yield-to-maturity of 5.65%
Nominal interest rate	1.0%
Listing	Euronext Paris
ISIN	FR0010333302
Normal Redemption	the non converted bonds will be reimbursed in cash on 31 May 2013.
Conversion ratio	One new share for one bond
Issuance date	1 June 2006
Early Redemption	Subject to the one month's notice to bearers before the early redemption date, the Company may redeem all bonds from 1 July 2008 under the condition that the share price of Orco Property Group exceeds 130 % of the issue price during 30 consecutive days after 1 June 2008. The bondholders who did not convert within 30 days will, on top of the par and accrued interest, receive a reimbursement premium giving them a 5,65 % IRR

As at 31 December 2006, no bond had been converted.

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

Debt component on issue	**118 093**
Interest accumulated during the period	2 375
Own bonds	-260
Balance at 31 December 2006	**120 208**

As disclosed above, the terms of the issue include a redemption price to be paid by the Company if the option is not converted. Since Management considers the risk of non conversion as remote as at 31 December 2006, the contingent premium granted to bondholders in that occurence is not accrued.

17.6 CZK 1.4 billion floating rate bond

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

Nominal	CZK 1 400 000 000
Number of bonds	140
Nominal value	CZK 10 000 000
Issue price	CZK 10 000 000
Nominal interest rate	6M Pribor + 2.20% (4.75%)
Listing	Prague Stock Exchange
ISIN	CZ0000000195
Issuance date	03 February 2006
Final redemption date	03 February 2011

Debt component on issue	48 684
Interest accumulated in 2006	114
Exchange differences	1 610
Balance at 31 December 2006	50 408

It has to be mentioned that the prospectus in relation to the Czech Bond, which was approved on 26 January 2006 by the Securities Commission of the Czech Republic (the "Czech Bond Prospectus") there were 2 Czech Rating Agencies (the “CRA”) ratings outstanding at the date of issue of the Czech Bonds, "czP-2" for the long term international CRA rating and "czA-" for the long term local CRA rating. Furthermore the Czech Bond Prospectus states that if CRA withdraws the above-mentioned ratings, the Company shall ask a well-known rating agency in the Czech Republic to issue a rating within 6 months. If CRA or any other rating agency issues a long-term international CRA rating below “investment grade i.e. Baa-“ or a long term local CRA rating below “investment grade i.e. czBaa-“, any investor in the Czech Bonds may call for the reimbursement of its bonds. The reimbursement would then be due on the last business day of the month following the month of the reimbursement request. On the Company’s initiative, Moody’s International has issued two ratings: "B2" and "Baa3cz". Since its complete integration within Moody’s, CRA cannot issue international ratings any more, but merely local ratings. However, the scale established by CRA in the Czech Bond Prospectus, setting the minimum threshold to “investment grade” for international rating does not fit with the Moody’s “investment grade” level. Hence, there is a comparability technical default in relation to the Czech Bonds.

17.7 Movement of Non-current bonds

The derivative instruments are not included in this note (see note 19).

In 2005, the derivative instruments amounts to EUR 7.1 million and in December 2006 to 16.3 million.

Non-current Bonds	December 2006	December 2005
Opening	**84 364**	**30 829**
Issue of new bonds	166 777	62 221
Interest accumulated during the period	4 798	545
Repayments of bonds	-14 102	-8 981
Transfer	-	-250
Translation differences	1 610	-
Own bonds	-2 593	-
Total	**240 855**	**84 364**

17.8 Net interest expenses

	December 2006	December 2005
Interest income	2 393	1 125
Interest expenses	-18 133	-8 087
Net interest expenses	**-15 740**	**-6 962**

17.9 Average effective interest rates

	December 2006				
	EUR	CZK	SKK	PLN	HRK
Bonds	5,61%	5,27%	-	-	-
Bank borrowings	5,04%	4,45%	5,83%	5,49%	4,75%
	December 2005				
	EUR	**CZK**	**SKK**	**PLN**	**HRK**
Bonds	6,33%	-	-	-	-
Bank borrowings	5,48%	4,68%	4,42%	6,83%	5,40%

17.10 Undrawn credit facilities

	December 2006	December 2005
Expiring within one year	16 003	1 065
Expiring after one year	59 154	3 835
Total	**75 157**	**4 900**

17.11 Minimum lease payments

	December 2006	December 2005
More than 5 years	**4 462**	**4 032**
Future finance charges on finance leases	-3 305	-3 076
Present value of finance lease liabilities	**1 157**	**956**

18. Provisions

In the non-current liabilities, the amount of provisions has increased from EUR 1.0 million as at December 2005 to EUR 11.8 million in 2006. This evolution is mainly a consequence of the first consolidation of Viterra with a contribution amounting to EUR 11.0 million. Out of these provisions, some EUR 10.0 million represent the book reserves for retirement benefit obligations evaluated in respect of the Group accounting principles.

Retirement benefit obligation :

	December 2006
Present value of unfunded obligations	9 237
Unrecognised actuarial gains	723
Liabilities in the balance sheet	**9 960**

The movement in the defined obligation over the year is as follows:

	December 2006
Scope variation	8 782
Current service cost	78
Interest cost	196
Actuarial gains	441
Benefits paid	-170
Transfer amounts	-90
End of year	**9 237**

The principal actuarial assumptions used were as follows:

	December 2006
Discount rate	4,25%
Future salary increases	2,75%
Future pension increases	1,75%

19. Other financial results

	2006	2005
Foreign exchange result	-3 624	1 355
Fair value of derivative instruments	6 650	1 052
Fair value of other financial assets	2 260	-
Other	-870	4
Other financial results	**4 416**	**2 411**

The fair value of derivative instruments essentially relates to movements in fair value of derivative instruments linked to bonds issued by the Group end of 2005 and in the first half of 2006 (see note 17) and of the subscription rights in Hvar acquired in 2005 as part of the acquisition of Hvar by the Group.

The fair value of other financial assets essentialy relates to financial assets at fair value through profit and loss (investment in Endurance Fund compartments) and to short term trading instruments within the treasury management.

20. 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.

	December 2004*	SPV acquisition	Scope variation	Change in income statement	Change in equity	Translation differences*	December 2005*
Intangible assets	5	0	0	0	0	0	5
Tangible assets	-13 081	-6 187	-6 475	-15 621	0	-1 103	-42 467
Financial assets	-90	0	0	0	0	0	-90
Inventories	-1 367	-109	0	723	0	-33	-786
Current assets	1 012	0	0	-1 013	0	20	19
Provisions	488	0	0	-415	0	13	86
Long term debts	-369	0	0	-81	-1 104	1	-1 553
Recognized loss carry forward	1 611	741	0	1 382	0	3	3 737
Total Deferred taxes	**-11 791**	**-5 555**	**-6 475**	**-15 025**	**-1 104**	**-1 099**	**-41 049**
Deferred tax assets	**1 575**						**3 469**
Deferred tax liabilities	**-13 366**						**-44 518**

In 2005, the Change in equity generated on long term debts comes from the deferred income taxes on the share subscription rights embedded in the OBSAR bonds which have been immediately recognised in equity.

	December 2005*	SPV acquisition	Scope variation	Change in income statement	Change in equity	Translation differences	December 2006
Intangible assets	5	0	0	327	0	-6	326
Tangible assets	-42 467	-5 208	-2 497	-25 908	-192	-2 657	-78 928
Financial assets	-90	0	0	-241	0	6	-325
Inventories	-786	0	-2 728	-797	0	-165	-4 476
Current assets	19	0	43	-98	0	1	-35
Provisions	86	0	44	-39	0	-2	89
Long term debts	-1 553	0	0	0	-7 580	0	-9 133
Recognized loss carry forward	3 737	0	1 763	4 560	0	241	10 301
Total Deferred taxes	**-41 049**	**-5 208**	**-3 375**	**-22 196**	**-7 772**	**-2 582**	**-82 182**
Deferred tax assets	**3 469**						**6 566**
Deferred tax liabilities	**-44 518**						**-88 748**

* Restated (see note 2.1)

The income taxes recognised in the income statement amount to EUR 25.1 million (EUR 16.1 million in 2005) among which EUR 2.9 million (EUR 1.1 million in 2005) of current income taxes and EUR 22.2 million (EUR 15.0 million in 2005) deferred income taxes.

SPV acquisition represent the deferred income taxes recognized on the acquisition of one asset companies. These acquisitions are not considered as business combinations under IFRS. The deferred tax assets and liabilities on scope variation represent the deferred tax assets and liabilities on the acquisition of Viterra Development GmbH (see note 6).

Change in Equity mainly represent the deferred income taxes recognized on convertible bonds issued in june 2006 (see note 17.5), slightly offset by the reversal of deferred taxes on the partial conversion of bonds issued in 2004. The remainder on Tangible assets relates to the revaluation of former Orco head offices in Prague, transferred from own occupied to investment property after relocation of headquarters in Luxembourg Plaza.

21. Earnings per share

	December 2006	December 2005
At the beginning of the period	**6 792 578**	**4 620 898**
Shares issued	6 792 578	4 622 824
Treasury shares	-	-1 926
Weighted average movements	**893 090**	**1 272 684**
Issue of new shares for cash	920 019	1 253 592
Issue of new shares in acquisitions	-	19 296
Treasury shares	-26 929	-203
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**7 685 668**	**5 893 582**
Dilutive potential ordinary shares	**1 946 500**	**1 299 622**
Share subscription rights BSA	168 052	392 068
Share subscription rights BSAR	254 650	-
Convertible bond 04-11	259 014	710 950
Convertible bond 06-13	634 058	-
Employee stock options	80 726	30 664
PACEO	550 000	165 940
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**9 632 168**	**7 193 204**
Net profit attributable to the Group	**96 699**	**54 523**
Effect of assumed conversions / exercises	**5 848**	**1 832**
Share subscription rights BSA	177	346
Share subscription rights BSAR	798	-
Convertible bond 04-11	501	1 123
Convertible bond 06-13	2 308	-
PACEO	2 063	364
Effect of assumed conversions of potential ordinary shares in subsidiaries	**-5 154**	**0**
Orco Germany Warrants	-5 154	-
Hvar warrants	-	-
Net profit attributable to the Group after assumed conversions / exercises	**97 393**	**56 355**
Basic earnings in EUR par share	12,58	9,25
Diluted earnings in EUR par share	10,11	7,83

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.

In February 2006 the Board of Directors of Orco Germany decided to allocate one warrant to each 350 000 existing share at that time. Three warrants giving the right to subscribe to one new share at the conditions detailled hereafter. After the Extraordinary General Assembly of Orco Germany ‘s shareholders voted the division by 8 of the existing shares and the attached warrants. As a result the 2 800 000 warrants have an exercise price of EUR 4,63 a share and can be exercised up to February 2009. 1 820 000 warrants were allocated to the Company. As at December 2006, no warrants have been exercised.

22. Equity

22.1 Share capital

	Number of shares	Capital	Share premium
Balance at 31 December 2004	**4,622,824**	**18,954**	**46,089**
Exercise of employee stock options	51,000	209	1,408
Exercise of Share subscription rights	620,120	2,542	11,720
Conversion of convertible bonds	290,613	1,192	8,224
Share private placement	300,000	1,230	11,970
Exercise of PACEOs	834,060	3,420	36,885
Acquisition of minority interests	32,307	132	1,243
Dividend paid in shares	41,654	171	1,425
Balance at 31 December 2005	**6,792,578**	**27,850**	**118,964**
Exercise of employee stock options	99,500	408	3,075
Exercise of Share subscription rights	388,281	1,592	7,339
Conversion of convertible bonds	451,936	1,853	12,790
Exercise of PACEOs 1	165,940	680	10,199
Exercise of PACEOs 2	450,000	1,845	41,957
Dividend paid in shares	41,411	170	3,229
Balance at 31 December 2006	**8,389,646**	**34,398**	**197,552**

The Extraordinary Shareholders' Meeting of 14 June 2006 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 and in addition enhanced the limit of the authorized capital. The Board of Directors was granted full powers to proceed with the capital increases within the revised authorized capital of EUR 100,000,000, 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 14 June 2011.

A total of EUR 34,397,548.60 has been used to date under this authorization. As such, the Board of Directors still has a potential of EUR 65,602,451.40 at its disposal. Considering that all new shares are issued at the par value price of EUR 4.10, a potential total of 16,000,598 new shares may still be created.

22.2 Share subscription rights

The Board of Directors decided, in its meeting on 5 November 2003, to initiate the issue of rights allowing their bearers 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 right 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 right has been granted free of charge for one Orco Property Group share held at the end of day 14 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 17 November 2003 to 16 November 2006 included. At issuance, the number of shares created this way amounts to 1,013,191. A number of 11.361 rights was not used and is definitively lost.

22.3 Convertible bonds

See note 17.2

22.4 Repayable Subscription Warrants

See note 17.4

22.5 Employee stock options

A new stock option plan was granted to employees on 3 March 2006 under the following conditions:

Exercise price : EUR 75.6 per share
Exercise period : from 3 March 2007 until 3 March 2012
Total number of options: 350 000

In accordance with IFRS 2 Share-based payments, the total theoretical and non cash cost of EUR 9.1 million has been estimated and is amortized in the income statement under the Employee benefit caption over the one year vesting period. 2006 amortization amounts to EUR 7.6 million (EUR 1.4 million in 2005). This fair value was determined using the Black-Scholes valuation model. The significant input into the model were share price of EUR 72.15 at grant date, exercise price as stated above, risk-free interest rate EURIBOR.

On 2 May 2005, a stock option plan was granted to employees under the following conditions:

Exercise price EUR 35.0 per share
Exercise period from 2 May 2006 until 30 April 2010
Total number of options 150 000

During the year ended 31 December 2006, 99 500 options of the 2005 plan were exercised (2005: 33 000).

As at 31 December 2006, these employee share options have been taken into account in the diluted earnings per share calculation because their exercise price as defined by IAS 33 is lower than the average market price over the period.

Movements in the number of share options :

	2006		2005	
	Average exercice price in EUR	Number of options	Average exercice price in EUR	Number of options
Outstanding at the beginning of the year	**35,00**	**117 000**	**25,69**	**18 000**
Granted	75,60	350 000	35,00	150 000
Exercised	35,00	-99 500	31,72	-51 000
Outstanding at the end of the year	**73,67**	**367 500**	**35,00**	**117 000**

In March 2006, the Board of Directors of the company decided to set up a stock option plan on a maximum of 350 000 Suncani Hvar shares. This plan has not been granted yet and as such, is not recorded in the consolidated financial statements.

22.6 Dividends per share

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

The Board of Directors has decided to propose at the Annual General Meeting of Orco Property Group S.A. the payment of EUR 1.00 per share in respect of 2006. As an event after the balance sheet date, these financial statements do not reflect this dividend proposal that will be accounted for in 2007 as an appropriation of retained earnings.

23. PACEO

On 31 March 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 31 December 2006, the Company has issued 1 million new shares for a total amount of EUR 51.2 million.

On 12 April 2006, Orco Property Group S.A. and Société Générale in Paris (“SG”) have arranged a new Step-up Equity Subscription. It allows Orco Property Group S.A. to issue a maximum of 1 million new shares subscribed on the demand of Orco Property Group S.A. by SG. All subscriptions will be at an issue price of 96% of the share price at the time of execution. As at 31 December 2006, the Company has issued 450,000 new shares for a total amount of EUR 43.8 million.

24. Contingencies

The Group has given guarantees in the ordinary course of business (see note 17).

25. Capital and other commitments

- Capital commitments

- Orco Property Group S.A. entered into a Subscription Agreement with the Endurance Real Estate Fund for Central Europe. The Group subscribed to the two existing sub-funds. As at December 2006, the full amount subscribed to the office sub-fund has been called and on the residential sub-fund the balance still to be called amounts to EUR 14.7 million out of EUR 15 million subscribed.

- The Group entered into advanced negociations for the acquisition of different assets in :

- Czech Republic	Hotel and residential development plots of land for a total of EUR 28.9 million.
- Hungary	Office development for EUR 6.8 million.
- German	Development plot in the Centre of Berlin for EUR 75 million.
- Poland	Office development plots fro EUR 50 million.
- Russia	Logistic park in operations near Moscow for USD 85 million.
- Slovakia	Residential and retail developments for EUR 38.4 million.

- As a developper of buildings and residential properties, the Group is committed to finalize the construction of properties in different countries. The commitments for the projects started as at December 2006 amount to EUR 499.4 million (EUR 75.7 million in 2005). This does not take into account the potential investments in future projects on land bank like Bubny in Prague, Wertheim in Berlin or hotels to be refurbished in Hvar.

- Other commitments

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

26. Related party transactions

- Transactions with key management personnel

The global consideration given as short term employee benefit to the members of the Executive Committee amounted to EUR 2.6 million as at December 2006 (EUR 1.7 million as at 31 December 2005).

The stock options granted to members of the Executive Committee are detailed in note 22.5. Among the 350.000 new stock options, 339.000 have been granted to members of the Executive Committee. In addition the Group sold, in the first quarter of 2006, 980 000 shares (after adjustment for share split by 8) of Orco Germany S.A., a subsidiary of the Company, to members of the Executive Committee for a global price of EUR 1.2 million. This transaction resulted in the recognition of a gain amounting to EUR 0.4 million in the Group consolidated accounts.

A loan amounting to EUR 3.1 million bearing an interest of 10% with a renewable term of one year has been granted in 2006 to a member of the Executive Committee. At the the date of publication of this report this loan and accrued interest have been fully reimbursed. As at the 31 December 2006, the group also has a receivable on Orco Holding amounting to EUR 0.3 million. The Company did not grant any other advance to members of the Executive Committee and does not finance any pension plan in their favour.

During the first six months of 2006, three houses built by the Group in the Czech Republic have been sold to key management personnel for a global amount of Eur 2.4 million. Those transactions were carried out at arms' length.

- Transactions with Directors

Board Members receive a EUR 1000 fee (EUR 500 in 2005) for each board they attend. The total amount of attendence fees allocated amounted to EUR 27 thousand (2005: EUR 14 thousand). The Company did not grant any advance to Board Members and does not finance any pension plan in their favour.

For technical reasons the Group has held for a short period in 2006 a company whose activities have no link to the Group activities. This holding company was subsequently sold to a Board Member at arms' length..

- Transactions with the Endurance Real Estate Fund

Orco is the sponsor and the fund manager of a Luxembourg regulated closed end umbrella investment fund dedicated to qualified investors, the Endurance Real Estate Fund. This fund has opted for the form of a "Fonds Commun de Placement". The Group is the shareholder of the management company of the Fund and has also invested in the two sub-fund's existing as at December 2006 (see note 11). As at December 2006, the Group's subscription to the office sub-fund represents 9% of the total subscription.The subscription period for the residential sub-fund is not closed yet; after this period the Group's share in this compartment should be lower than 15%.

Orco's remuneration amounting to EUR 4.5 million in 2006 (2005: EUR 0.4 million) is linked to:

- the placement fee of a maximum of 2.5% of the committed funds of the investors

- the management fee of 2% per year calculated on the called subscriptions

- acquisition fee of 1% calculated on the value of the assets bought or sold by the fund.

The investment process foresees that any investment proposed by the fund manager has first to be approved by the investment committee. This committee is made of a representative of each investor.

27. Events after balance sheet date

OBSAR (Bonds with warrants attached issue)

Lehman Brothers International (Europe) subscribed to EUR 175 million of Bonds with Warrants that will be issued by ORCO Property Group S.A. Lehman Brothers International (Europe) privately placed some of these securities exclusively with qualified investors (in sense of Directive 2001/34/EC) on 7 March 2007. Lehman Brothers acted as sole book runner on this transaction. In this bond issue, ORCO was also advised by Europe Offering and LBP.

Sale of Hospitality

ORCO is selling its hotel portfolio in Central Europe, with the notable exception of the trophy asset Pachtuv Palace and excluding the Suncani Hvar's stake. ORCO is selling the buildings for EUR 174,3 million, meaning that this transaction will reduce the size of the portfolio accordingly but also the amount of the debts for around EUR 43 million. This portfolio also corresponds to a total sales contribution in 2006 of EUR 18 million and more than 300 employees.

The buyer is a Joint-Venture set up between an additional sub fund "ENDURANCE HOSPITALITY" that ORCO is managing with a target of EUR 250 million of equity and an institutional investor with whom head of terms has been signed. This new JV with Endurance fund will have the capacity to build a sizable hotel portfolio in Central and Eastern Europe, and will be among the largest investors in the region.

Moscow: ORCO finalizes its second acquisition in Russia for $85 Million

ORCO is purchasing 80% of Molcom, a logistic centre 15 km of Moscow. The current management will keep 20% of the shareholding structure, ensuring the continuity of operating capacities. The project's total area amounts to 104 000 sqm. This project also includes a 4ha land bank reserve which will ensure a potential future development pipeline in the dynamic logistic and light industrial sector of Russia.

GSG - Berlin

On 20 March 2007 the Berlin Senate approved the sale of the Gewerbesiedlungs-Gesellschaft mbH (GSG), Berlin, to a joint-venture between ORCO and a fund managed by Morgan Stanley Real Estate. The sale is still subject to the approval of the Berlin Parliament and the merger control clearance.

Issuer's call on the 2004 – 2011 : EUR 32 million Convertible Bond

During the first quarter, ORCO used its call option on the EUR 32 million convertible bond. Before exercising its issuer call, 999,576 bonds were converted out of 1 001 563 convertible bonds. On 26 March 2007, ORCO reimbursed in cash 1 987 non-converted bonds. The convertible bonds issue 2004-2011 is consequently expired.

The share capital was thus fixed at EUR 35 496 459.30 - representing 8 657 673 shares.

28. List of the fully consolidated subsidiaries

Company	Country	Currency	Activity	% shareholding	
				31.12.2006	31.12.2005
1. Sportovní, a.s.	Czech Republic	CZK	Development	100%	100%
Americká 1, a.s.	Czech Republic	CZK	Leasing	100%	100%
Americká 33, a.s.	Czech Republic	CZK	Leasing	100%	100%
AMERICKÁ – ORCO, a.s.	Czech Republic	CZK	Leasing	100%	100%
Americká Park, a.s.	Czech Republic	CZK	Extended stay	100%	70,65%
And 70 Kft.	Hungary	HUF	Leasing	100%	–
Anglická 26, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Ariah Kft	Hungary	HUF	Leasing	100%	100%
Belgická – Na Kozačce, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
B.P. Servis, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
BRNO CENTRUM, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Bubny, s.r.o. (previously Orco Omikron, s.r.o.)	Czech Republic	CZK	Development	100%	–
Budapest Real Estate S.à r.l.	Luxembourg	EUR	Hotel	–	100%
BYTY PODKOVA, a.s.	Czech Republic	CZK	Development	75%	100%
Central European Real Estate Management S.A.	Luxembourg	EUR	Holding	100%	100%
CWM 35 Kft	Hungary	HUF	Leasing	100%	100%
Development Doupovska, s.r.o.(previously Orco Alfa s.r.o.)	Czech Republic	CZK	Development	100%	–
Diana Development Sp. z.o.o.	Poland	PLN	Extended stay	100%	70,65%
Diezenhoferovy properties, s.r.o.	Czech Republic	CZK	Hotel	100%	99,57%
Etoile d'or S.A.	Luxembourg	EUR	Leasing	100%	100%
IPB Real development a.s.	Czech Republic	CZK	Development	100%	100%
IPB Real reality, a.s.	Czech Republic	CZK	Development	100%	100%
IPB Real, a.s.	Czech Republic	CZK	Development	100%	100%
IPB Real, s.r.o.	Czech Republic	CZK	Development	100%	100%
Iskolaprojekt 68 Kft	Hungary	HUF	Development	100%	100%
Izabella 62-64 Kft	Hungary	HUF	Development	100%	100%

Janáčkovo nábřeží 15, s.r.o.	Czech Republic	CZK	Hotel	100%	99,57%
JIHOVÝCHODNÍ MĚSTO, a.s.	Czech Republic	CZK	Development	100%	100%
Londýnská 26, a.s.	Czech Republic	CZK	Leasing	100%	100%
Londýnská 39, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Londýnská 41, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
MÁCHOVA - ORCO ,a.s.	Czech Republic	CZK	Leasing	100%	100%
MaMaison Bratislava s.r.o.	Slovakia	SKK	Extended stay	100%	70,65%
MaMaison Residences S.A.	Luxembourg	EUR	Extended stay	100%	70,65%
MaMaison Slovakia s.r.o.	Slovakia	SKK	Extended stay	100%	–
Mánesova 28, a.s.	Czech Republic	CZK	Leasing	100%	100%
Medec 35 Kft	Hungary	HUF	Leasing	100%	100%
Medec 36 Kft	Hungary	HUF	Leasing	100%	100%
Meder 36 Kft	Hungary	HUF	Leasing	100%	100%
MMR Management, s.r.o.	Czech Republic	CZK	Extended stay	100%	70,65%
MMR Russia S.A.	Luxembourg	EUR	Extended stay	100%	70,65%
Nad Petruskou, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
NOVÉ MEDLÁNKY a.s.	Czech Republic	CZK	Development	100%	100%
Oak Mill,a.s.	Czech Republic	CZK	Development	100%	50%
Onset, a.s.	Czech Republic	CZK	Development	100%	–
Orco Adriatic d.o.o.	Croatia	HRK	Development	100%	–
Orco Alfa, s.r.o. (Company sold in 2006)	Slovakia	SKK	Development	–	100%
Orco Aparthotel S.A. (liquidated in 2006)	Luxembourg	EUR	Extended stay	–	70,65%
Orco Budapest Rt.	Hungary	HUF	Development	100%	100%
Orco Commercial Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco Construction Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Development, s.r.o.	Slovakia	SKK	Development	100%	100%
ORCO DEVELOPMENT, a.s.	Czech Republic	CZK	Development	100%	100%
Orco Development Kft	Hungary	HUF	Development	100%	100%
Orco Development Sp. z.o.o.	Poland	PLN	Extended stay	100%	100%
ORCO Enterprise Sp.z.o.o.	Poland	PLN	Development	100%	–
ORCO Estates, s.r.o.	Slovakia	SKK	Development	100%	100%
ORCO ESTATE, s.r.o.	Czech Republic	CZK	Development	100%	100%
Orco Financial Services s.r.o.	Czech Republic	CZK	Fin. Services	100%	–
Orco Hospitality Services Sp. z.o.o.	Poland	PLN	Hotel	100%	99,57%
Orco Hotel Collection S.A.	Luxembourg	EUR	Hotel	100%	99,57%
ORCO Hotel Development, a.s.	Czech Republic	CZK	Hotel	100%	–
Orco Hotel Development Sp.z o.o.	Poland	PLN	Hotel	100%	–
Orco Hotel Group S.A.	Luxembourg	EUR	Hotel	100%	99,57%
Orco Hotel Management Kft	Hungary	HUF	Hotel	100%	99,57%
ORCO HOTEL MANAGEMENT, s.r.o.	Czech Republic	CZK	Hotel	100%	99,57%
Orco Hotel Project Sp. z.o.o.	Poland	PLN	Hotel	100%	99,57%
ORCO Hotel Project, a.s.	Czech Republic	CZK	Hotel	100%	99,57%
Orco Hotel Rt	Hungary	HUF	Hotel	100%	99,57%
ORCO House, s.r.o.	Slovakia	SKK	Development	100%	100%
Orco Hungary Kft	Hungary	HUF	Development	100%	100%
ORCO INVESTMENT, a.s.	Czech Republic	CZK	Development	100%	100%
Orco Investment Kft	Hungary	HUF	Development	100%	100%
Orco Investment Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco Poland Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Praga, a.s.	Czech Republic	CZK	Development	100%	–
ORCO Prague, a.s.	Czech Republic	CZK	Leasing	100%	100%
ORCO Project Management, s.r.o.	Czech Republic	CZK	Development	100%	100%
Orco Project Szervezö Rt.	Hungary	HUF	Development	100%	100%
Orco Project Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Project, s.r.o.	Slovakia	SKK	Development	100%	100%
ORCO Property Management, a.s.	Czech Republic	CZK	Leasing	100%	100%
Orco Property Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO PROPERTY START, a.s.	Czech Republic	CZK	Hotel	100%	99,57%
ORCO REALITY, a.s.	Czech Republic	CZK	Development	100%	100%
ORCO Residence, s.r.o.	Slovakia	SKK	Development	100%	100%
Orco Residential Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Slovakia, s.r.o.	Slovakia	SKK	Development	100%	100%
ORCO Strategy, a.s.	Czech Republic	CZK	Development	100%	100%
Orco Strategy Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco Vagyonkeselő Kft	Hungary	HUF	Leasing	100%	100%
ORCO Vinohrady, a.s.	Czech Republic	CZK	Leasing	100%	100%
Orco Warsaw Sp. z.o.o.	Poland	PLN	Hotel	100%	99,57%
Ozrics Kft	Hungary	HUF	Leasing	100%	100%
Pachtův palác, s.r.o.	Czech Republic	CZK	Extended stay	100%	70,65%

Pivovar Stein, a.s.	Slovakia	SKK	Development	100%	–
Re Investment Trust, a.s. (will be renamed Bubenska 1, a.s.)	Czech Republic	CZK	Leasing	100%	–
Residence Belgická, s.r.o.	Czech Republic	CZK	Extended stay	100%	70,65%
Residence Izabella Rt.	Hungary	HUF	Extended stay	100%	70,65%
RESIDENCE MASARYK, a.s.	Czech Republic	CZK	Extended stay	100%	70,65%
Révay 10 Kft	Hungary	HUF	Leasing	100%	100%
Salinoko Ltd.	Cyprus	CYP	Holding	100%	–
Seattle, s.r.o.	Czech Republic	CZK	Development	100%	100%
Stein, s.r.o.	Slovakia	SKK	held for sale	100%	–
Stein Beverages, a.s.	Slovakia	SKK	held for sale	100%	–
SUNČANI HVAR D.D. HVAR	Croatia	HRK	Hotel	47,74%	47,74%
TO Green Europe, a.s.	Czech Republic	CZK	Development	50%	–
TQE Asset, a.s.	Czech Republic	CZK	Development	100%	100%
Orco Paris S.à r.l.	France	EUR	Holding	100%	100%
Yuli Kft	Hungary	HUF	Leasing	100%	100%
Záhřebská 35, s.r.o.	Czech Republic	CZK	Leasing	100%	100%

Orco Germany S.A.	**Luxembourg**	**EUR**	**Leasing**	**80,37%**	**100%**

Hereafter follows the list of Orco Germany S.A. with its direct and indirect subsidiaries, showing the percentage of shareholding

An den Gärten GmbH	Germany	EUR	Development	100%	–
Cybernetyki Business Parl Sp.z.o.o.	Poland	EUR	Development	100%	–
Knorrstr. 119 GmbH & Co. KG	Germany	EUR	Development	59%	–
Knorrstr. 119 Verwaltungs GmbH	Germany	EUR	Development	50%	–
Lennestr. A 3 GmbH	Germany	EUR	Development	90%	–
Lora Grundbesitz GmbH	Germany	EUR	Renting	100%	–
Orco Berlin Invest GmbH	Germany	EUR	Renting	100%	–
Orco Grundstücks- u. Bet. ges. mbH	Germany	EUR	Development	100%	–
ORCO Immobilien GmbH	Germany	EUR	Development	100%	100%
Orco Leipziger Platz GmbH	Germany	EUR	Development	100%	–
Orco LP 12 GmbH	Germany	EUR	Development	100%	–
Orco Projekt 103 GmbH	Germany	EUR	Development	75%	–
PEG Knorrstr. GmbH & Co. KG	Germany	EUR	Development	100%	–
Raab Karcher Security International Sp.z.o.o.	Poland	PLN	Development	100%	–
Stauffenbergstr. Zwei GmbH	Germany	EUR	Development	100%	–
Stauffenbergstr. Drei GmbH	Germany	EUR	Development	100%	–
Viterra Development GmbH	Germany	EUR	Development	100%	–
VIMG Viag Immobil. Man. GmbH	Germany	EUR	Development	100%	–
Viterra Baupartner GmbH	Germany	EUR	Development	100%	–
Viterra Development Ceska, s.r.o.	Czech Republic	CZK	Development	100%	–
Viterra Development Polska Sp.z.o.o.	Poland	PLN	Development	100%	–
Viterra Erste PEG mbH	Germany	EUR	Development	100%	–
Viterra Zweite PEG mbH	Germany	EUR	Development	100%	–
Viterra Dritte PEG mbH	Germany	EUR	Development	100%	–
Viterra Vierte PEG mbH	Germany	EUR	Development	100%	–
Viterra Fünfte PEG mbH	Germany	EUR	Development	100%	–
Viterra Grundstücke Verw. GmbH	Germany	EUR	Development	100%	–
Westendstr. 28 Ffm GmbH	Germany	EUR	Development	94%	–
Zeppelinstr. PEG mbH	Germany	EUR	Development	100%	–

29. List of the joint ventures

29.1 Kosic S.à r.l.

As at 1 January 2005, Kosic s.r.o. has been split into three entities corresponding to the three phases forecasted of the global Kosic's development project. Those three new entities are Kosic Development s.r.o. (initial one), Sv Faze s.r.o. and Slunecny Vrsek III, s.r.o. The Group has a 50% interest in Kosic S.à r.l, a Luxembourg based holding company which in turn holds 100% of the 3 operational companies.

The following amounts represent the Group's 50% share (50% in 2005) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2006	December 2005
Non-current assets	0	9
Current assets	779	252
Assets	**779**	**261**
Non-current liabilities	154	-
Current liabilities	66	27
Liabilities	**220**	**27**
Income	512	0
Expenses	-204	-55
Profit after income tax	**308**	**-55**

29.2 Kosic Development s.r.o.

The Group has a 50% interest in a joint venture, Kosic Develoment s.r.o., which is one of the three companies active in the development sector resulting from the demerger of Kosic s.r.o. corresponding to the project's phase I in the Czech Republic.The following amounts represent the Group's 50% share (50% in 2005) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2006	December 2005
Non-current assets	358	463
Current assets	20,406	7,475
Assets	**20,765**	**7,937**
Non-current liabilities	0	1,741
Current liabilities	18,277	4,231
Liabilities	**18,277**	**5,972**
Income	2,642	12
Expenses	-2,169	-490
Profit after income tax	**473**	**-478**

29.3 Kosic SV Faze II s.r.o.

The Group has a 50% interest in a joint venture, SV Faze s.r.o., which is one of the three companies active in the development sector resulting from the demerger of Kosic s.r.o. corresponding to the project's phase II in the Czech Republic.The following amounts represent the Group's 50% share of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2006	December 2005
Non-current assets	0	2,950
Current assets	3,183	1
Assets	**3,183**	**2,951**
Non-current liabilities	269	1,710
Current liabilities	1	2
Liabilities	**270**	**1,712**
Income	0	1,040
Expenses	-3	-253
Profit after income tax	**-3**	**787**

29.4 Slunecny Vrsek III s.r.o.

The Group has a 50% interest in a joint venture, Slunecny Vrsek III s.r.o, which is one of the three companies active in the development sector resulting from the demerger of Kosic s.r.o. corresponding to the project's phase III in the Czech Republic.The following amounts represent the Group's 50% share of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2006	December 2005
Non-current assets	402	300
Current assets	891	84
Assets	**1,293**	**384**
Non-current liabilities	0	-1
Current liabilities	5	2
Liabilities	**5**	**1**
Income	0	0
Expenses	-7	-2
Profit after income tax	**-7**	**-2**

29.5 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. During the year the Group has acquired the Trigranit's 50% participation which was immediately sold to Endurance Fund. The following amounts represent the Group's 50% share (50% in 2005) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2006	December 2005
Non-current assets	34,154	19,553
Current assets	2,083	706
Assets	**36,237**	**20,259**
Non-current liabilities	5,128	11,121
Current liabilities	15,472	1,224
Liabilities	**20,600**	**12,345**
Income	9,338	6,877
Expenses	-3,462	-1,496
Profit after income tax	**5,876**	**5,381**

29.6 Oak Mill

At the end of December 2006 the Group acquired the remaining 50% of interest in the 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 100% share (50% in 2005) of assets and liabilities, and 50% of the result. They are included in the balance sheet and income statement:

	December 2006	December 2005
Non-current assets	5	38
Current assets	9,297	4,712
Assets	**9,301**	**4,750**
Non-current liabilities	0	407
Current liabilities	7,939	2,357
Liabilities	**7,939**	**2,764**
Income	5,672	0
Expenses	-5,427	-85
Profit after income tax	**245**	**-85**

29.7 Knorrstrasse 119 GmbH & Co. KG

The Group has a 50% interest in a joint venture, Knorrstrasse 119 GmbH & Co. KG, which is the Idea development project for BMW. The following amounts represent the Group's 50% share of assets and liabilities, and sales and results of the joint ventures. They are included in the balance sheet and in the income statement:

	December 2006
Non-current assets	-
Current assets	3,731
Assets	**3,731**
Non-current liabilities	0
Current liabilities	3,126
Liabilities	**3,126**
Income	6,250
Expenses	-2,651
Profit after income tax	**3,599**