EUROPEAN CONVERGENCE PROPERTY COMPANY PLC

Consolidated Interim Report

Six months ended 31 December 2006

ISIN No. GB00B0B7ZC68

Contents

Management and Administration

Directors	Erwin Brunner (Non-executive Chairman) * James C. Rosapepe (Non-executive Director) * Donald C. McCrickard (Non-executive Director) * Anderson A. Whamond (Non-executive Director) all of the registered office below * independent
Registered Office	Jubilee Buildings Victoria Street Douglas Isle of Man IM1 2SH British Isles
Manager	Charlemagne Capital (IOM) Limited Regent House, 16-18 Ridgeway Street Douglas Isle of Man IM1 1EN British Isles
Nominated Adviser and Broker	Panmure Gordon & Co Moorgate Hall 155 Moorgate London EC2M 6XB United Kingdom
Cash Custodian	Anglo Irish Bank Corporation (I.O.M.) P.L.C. Jubilee Buildings Victoria Street Douglas Isle of Man IM1 2SH British Isles
Administrator and Registrar	Anglo Irish Fund Services Limited Jubilee Buildings Victoria Street Douglas Isle of Man IM1 2SH British Isles
Placing Agent	Charlemagne Capital (UK) Limited 39 St James's Street London SW1A 1JD United Kingdom
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN British Isles

Chairman's Statement

ECPC, a property company focused on investing in commercial, retail and industrial property in South-East Europe with a view to taking advantage of high yields and the potential for capital appreciation, announces its interim results for the period ending 30 December 2006.

Highlights

Yield compression continued in the target markets over the period, reinforcing the anticipated convergence of yields in the property market.

A recent revaluation of the existing property portfolio of ECPC by Smith Hodgkinson shows an increase in the market value of Euro 13.1 million (or 26% of invested equity) based on the 31January 2007 unaudited figures.

The increase reflects the continuing yield compression brought about by increasing demand for high quality properties in the region.

Outlook

Romania
The picture remains similar as reported for 2005. The retail and office markets were still very much a landlord's market through 2006 with practically all new supply to the market being fully rented upon completion or very shortly thereafter and most commentators agree that this will continue for the short term at least. Having said that, office rents seem stable at the moment with most grade A properties securing rents in the €16-18/ sqm range with over €20/ sqm reportedly being secured for the top grade space available for smaller units of 200-400 sqm.

The retail landscape is set to change markedly over the next few years with a number of high profile shopping malls rumoured for delivery. However, it is not envisaged that the Company will be pursuing retail acquisitions in Bucharest and therefore the Company will not be exposed to the emerging risks in this sector.

Bulgaria
Supply of quality office space has slowed through 2006 with only very few notable new buildings delivered. True institutional grade A assets have not yet appeared on the Bulgarian market.

Demand and supply have been more balanced in Sofia than has been experienced in Bucharest although demand is still buoyant. Consequently rents have increased slightly compared to 2005 and local grade A buildings transact in the €14-16/ sqm range. However, a number of relatively substantial office developments are understood to be in the pipeline primarily along the Tsarigradsko Shousse artery running east out of Sofia.

Similar to Bucharest, the retail landscape in Sofia is set to change dramatically over the next few years with a number of major mall developments rumoured to be in process of procurement. The market is therefore likely to favour the tenant over the short term until the retail spend capacity of Sofia increases to absorb this new supply.

Overall, the focus of players in both markets is rapidly shifting from investment to development and increases in capital values over the past two years will lead to more developments passing the feasibility stage and will incentivise land owners to release their plots to the development market. The consequent increase in competition between developers and landlords should witness the further maturing of both markets and the quality of the product eventually on offer to the institutional investment sector.

Erwin Brunner
Chairman

26 March 2007

Report of the Manager

Property Investment Environment

Yield compression continued through 2006 for the Company's target markets of Romania and Bulgaria. Grade A stock was being priced at 8.5% in Bucharest at the beginning of the year which by the end of 2006 had compressed to sub 7%. For Sofia, despite the quality of product available generally being lower than offered in Bucharest, yields have followed a similar trend. By the end of 2006, although few transactions had been recorded, expectations were in the 7.5% range for product which was being marketed. Increasing prices resulted from similar drivers as noted for 2005 i.e. the weight of investment capital targeting primarily the capital cities and the scarcity of good quality product on offer.

The stabilisation of yields which was expected at the beginning of 2006 proved to be short lived but Bucharest pricing does now seem to be stabilising as yields begin to approach convergence with those of central Europe.

The Manager did not expend further resources with the pursuit of investments for the Company in the Istanbul market after Q2 2006 due to the surprising low number of potentially suitable transaction opportunities identified which were also considered expensive because of their relatively low quality. Transactions in the €100 million plus range were available and successful deals were concluded by larger investment funds.

Credit spreads have remained more or less stable compared to those reported at the end of 2005. The most aggressive players in the local markets continue to be primarily the Greek banks and debt pricing remains in the 150-175 bps above EURIBOR by end 2006, although Euro central bank rates had increased by 50 bps from August to December 2006. For quality investment product 70%+ gearing is available which means that on balance the leveraged cashflows available to investors remains similar to those in 2005.

PGV Tower, Bucharest, Romania

In February 2006 the Company closed its first acquisition, PGV Tower. The property is located in central Bucharest; it was acquired for €24.5 million (including transaction costs) and is expected to generate a running yield of over 10%. PGV was completed in 2003 and consists of two adjoining buildings; one six floors in height the adjacent building fourteen floors. It is the head office of Post Bank in Romania and also other EFG related companies which together account for c.86% of the lease revenue. The deal is 70% leveraged with Post Bank.

Mall Veliko Turnovo, Veliko Turnovo, Bulgaria.

The Company announced details of its second acquisition, Mall Veliko Turnovo (MVT) in May 2006. MVT acquired for €29.8 million is a new shopping centre located in Veliko Turnovo, Bulgaria. Construction completion was achieved in August 2006 and the Company's transaction was closed in November. Running yields are currently expected to be c.11% and 65% of the purchase price and transaction costs are debt financed. MVT was only Bulgaria's third modern shopping centre after City Centre Sofia and Mall of Sofia opened earlier in 2006. The property offers c.15,500 sqm of retail space which was 100% leased upon opening to the public in September 2006.

Construdava, Pipera, Bucharest, Romania

In June 2006, ECPC announced details of the acquisition of Construdava, a new office building in Pipera, a developing district to the north of central Bucharest and a rapidly developing commercial and high-end residential area. The asset was acquired for €20.1 million and accommodates c.9,200 sqm of modern office space with good car parking facilities. The construction works were completed by Impact SA a listed Romanian development company and the transaction was closed in December 2006. Running yields are forecast to be in excess of 11% and approximately 65% of the acquisition price was debt financed.

Report of the Manager continued

Millennium Business Centre, Bucharest, Romania

The announcement of the acquisition of the Millennium Business Centre followed in July 2006. Millennium is a class A office building located in downtown Bucharest. The transaction closed in January 2007 against a purchase price of €42.5 million.

Running yields are forecast of c.9.5% and 70% of the acquisition price was debt financed. Millennium provides c.14,310 sqm of grade A office space over 19 floor levels and is considered a land mark development for the city.

By the close of 2006 negotiations were in progress for the possible acquisition of three further assets; two office buildings in Bucharest and one mixed use office and retail centre in Sofia.

Portfolio Valuation

Following the completion of the purchase of the Millennium Business Centre in Bucharest, the Board appointed an independent valuation agent, SHM Smith Hodgkinson, to carry out a revaluation of the Company's portfolio of investment properties as at 31 January 2007.

The revaluation of the individual properties is analysed below.

€m	Original Acquisition Cost*	Revaluation As at 31 Jan 2007
PGV Tower	24.5	25.6
Mall Veliko Turnovo	29.8	32.5
Impact Construdava	20.1	21.5
Millennium Business Centre	42.5	50.4
Total	**116.9**	**130.0**

* including transaction costs

Charlemagne Capital (IOM) Limited

26 March 2007

Consolidated Income Statement

	Note	(Unaudited) 1 July 2006 to 31 December 2006	(Unaudited) For the period from 1 June 2005 (date of incorporation) to 31 December 2005	(Audited) For the period from 1 June 2005 (date of incorporation) to 30 June 2006
		€'000	€'000	€'000
Net rent and related income		**1,278**	**-**	**913**
Manager's fees		(563)	(410)	(865)
Audit and professional fees		(127)	(134)	(345)
Other expenses		(578)	(362)	(899)
Administrative expenses		**(1,268)**	**(906)**	**(2,109)**
Net operating profit/(loss) before net financing income		**10**	**(906)**	**(1,196)**
Financial income		423	653	1,286
Financial expenses		(370)	-	(388)
Net financing income		**53**	**653**	**898**
Profit/(loss) before tax		63	(253)	(298)
Income tax expense	9	(290)	-	(28)
Retained loss for the period		**(227)**	**(253)**	**(326)**
Basic and diluted loss per share (€)	7	**(0.0036)**	**(0.0040)**	**(0.0052)**

Consolidated Balance Sheet

	Note	(Unaudited) At 31December 2006 €'000	(Unaudited) At 31 December 2005 €'000	(Audited) At 30 June 2006 €'000
Investment property	5	80,217	-	24,522
Total non-current assets		**80,217**	**-**	**24,522**
Trade and other receivables	6	5,208	25	6,181
Cash and cash equivalents		25,132	59,780	43,572
Total current assets		**30,340**	**59,805**	**49,753**
Total assets		**110,557**	**59,805**	**74,275**
Issued share capital		62,696	62,696	62,696
Retained losses		(3,440)	(3,140)	(3,213)
Foreign currency translation reserve		168	-	(122)
Total equity		**59,424**	**59,556**	**59,361**
Interest-bearing loans and borrowings	8	50,008	-	13,750
Total non-current liabilities		**50,008**	**-**	**13,750**
Trade and other payables		1,125	249	1,164
Total current liabilities		**1,125**	**249**	**1,164**
Total liabilities		**51,133**	**249**	**14,914**
Total equity & liabilities		**110,557**	**59,805**	**74,275**

Consolidated Statement of Changes in Shareholders' Equity

	Share capital	Retained earnings	Foreign currency translation reserve	Total
	€'000	€'000	€'000	€'000
Balance at 1 June 2005	-	-	-	-
Shares issued in the period	62,696	-	-	62,696
Foreign exchange translation differences	-	-	-	-
Share issue expenses	-	(2,887)	-	(2,887)
Retained loss for the period	-	(253)	-	(253)
Balance at 31 December 2005	**62,696**	**(3,140)**	**-**	**59,556**
Balance at 1 June 2005	-	-	-	-
Shares issued in the period	62,696	-	-	62,696
Foreign exchange translation differences	-	-	(122)	(122)
Share issue expenses	-	(2,887)	-	(2,887)
Retained loss for the period	-	(326)	-	(326)
Balance at 30 June 2006	**62,696**	**(3,213)**	**(122)**	**59,361**
Balance at 1 July 2006	62,696	(3,213)	(122)	59,361
Foreign exchange translation differences	-	-	290	290
Retained loss for the period	-	(227)	-	(227)
Balance at 31 December 2006	**62,696**	**(3,440)**	**168**	**59,424**

Consolidated Cash Flow Statement

	(Unaudited) 1 July 2006 to 31 December 2006	(Unaudited) For the period from 1 June 2005 (date of incorporation) to 31 December 2005	(Audited) For the period from 1 June 2005 (date of incorporation) to 30 June 2006
	€'000	€'000	€'000
Operating activities			
Group loss for the period	(227)	(253)	(326)
Adjustments for:			
- Investment income	(423)	(653)	(1,286)
- Investment expense	370	-	388
- Income tax expense	290	-	28
Operating profit / (loss) before changes in working capital	**10**	**(906)**	**(1,196)**
(Increase)/Decrease in trade and other receivables	973	(25)	(140)
Increase/(Decrease) in trade and other payables	119	249	302
Cash generated from / (used in) operations	**1,102**	**(682)**	**(1,034)**
Interest paid	(370)	-	(388)
Income and corporation tax paid	(158)	-	(104)
Interest received	423	653	1,286
Cash flows used in operating activities	**997**	**(29)**	**(240)**
Investing activities			
Acquisition of subsidiaries net of cash acquired	-	-	(7,874)
Repayment of loan acquired on acquisition	-	-	(2,173)
Staged payments relating to property acquisitions	(55,695)	-	(5,900)
Cash flows used in investing activities	**(55,695)**	**-**	**(15,947)**
Financing activities			
Proceeds from the issue of ordinary share capital	-	62,696	62,696
Proceeds from long tem borrowings	36,258	-	-
Repayment of long term loans	-	-	(50)
Share issue expenses	-	(2,887)	(2,887)
Cash flows generated from financing activities	**36,258**	**59,809**	**59,759**
Net (decrease)/increase in cash and cash equivalents	**(18,440)**	**59,780**	**43,572**
Cash and cash equivalents at beginning of period	43,572	-	-
Cash and cash equivalents at end of period	**25,132**	**59,780**	**43,572**

Notes to the Consolidated Financial Statements

1 The Company

European Convergence Property Company plc (the "Company") was incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 1 June 2005 as a public company with registered number 113616C.

2 Significant Accounting Policies

The interim consolidated financial statements of the Company for the six months ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group"). The interim consolidated financial statements are unaudited.

2.1 Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and have been prepared using the same accounting policies as the preceding annual financial statements.

2.2 Investment property

Investment properties are those which are held either to earn rental income or for capital appreciation or both. Investment properties are stated at fair value. Any gain or loss arising from a change in fair value is recognised in the income statement.

2.3 Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2.4 Dividends

Dividends are recognised as a liability in the period in which they are declared and approved. There was no dividend declared as at 31 December 2006.

3 Segment Reporting

Segment information is presented in respect of the Group's business and geographical segments. The segments are managed on a worldwide basis, but operate in two principal geographical areas, Bulgaria and Romania. The location of the customers is the same as the location of the assets.

	Bulgaria €'000	Romania €'000	Unallocated €'000	Total €'000
Net rent and associated income	-	1,278	-	1,278
Segment results	(22)	196	(401)	(227)
Segment assets	30,012	61,770	18,775	110,557
Segment liabilities	(13,011)	(37,688)	(434)	(51,133)

Notes to the Consolidated Financial Statements continued

4 Net Asset Value per Share

The net asset value per share as at 31 December 2006 is €0.9478 based on 62,696,333 ordinary shares in issue as at that date.

5 Investment Property

	Group 31 December 2006 €'000	Group 31 December 2005 €'000	Group 30 June 2006 €'000
At beginning of period	24,522	-	-
Additions through:			
- direct acquisitions of property	55,695	-	-
- acquisition of subsidiary companies	-	-	24,522
Balance at end of period	80,217	-	24,522

Security
At 31 December 2006, there were first rank mortgages on above properties securing total bank loans of €50.0m.

6 Trade and Other Receivables

Trade and other receivables include one contractual staged payment of €5.112 million for the Millennium Business Centre in Bucharest.

7 Basic and Diluted Loss per Share

Basic and diluted loss per share are calculated by dividing the loss attributable to equity holders of the Company by the number of ordinary shares in issue during the period.

	31 December 2006	31 December 2005	30 June 2006
Loss attributable to equity holders of the Company (€'000)	227	253	326
Number of ordinary shares in issue (thousands)	62,696	62,696	62,696
Basic and diluted loss per share (€ per share)	0.0036	0.0040	0.0052

8 Interest-Bearing Loans and Borrowings

Non-current liabilities

	Group 31 December 2006 €'000	Group 31 December 2005 €'000	Group 30 June 2006 €'000
Secured bank loans	50,008	-	13,750

9 Taxation

The income tax expense of €290,312 in the consolidated income statement relates to the profit declared in S.C. Paris Developments SRL, the Romanian subsidiary directly owning PGV Tower. The outstanding tax liability as at 31 December 2006 for this company was €139,057. There are no other group companies with taxable profits during the period.

Notes to the Consolidated Financial Statements continued

10 Commitments as at the Balance Sheet Date

As at the balance sheet date the Company was committed to completing the purchase of the Millennium Business Centre in Bucharest. The transaction closed in January 2007 against a final purchase price of €42.5 million

11 Post Balance Sheet Events

The Board appointed an independent valuation agent, SHM Smith Hodgkinson, to carry out a revaluation of the Company's portfolio of investment properties as at 31 January 2007.

The revaluation of the properties is analysed below:

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