

22 May 2007

MIRLAND DEVELOPMENT CORPORATION PLC (“MirLand”/the “Company”)

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2007**

MirLand Development Corporation, one of the leading residential and commercial property developers in Russia, today announces its interim consolidated financial statements for the three months to 31 March 2007.

Since the announcement of our preliminary results the Company has continued to make good progress.

- In March the Company entered into a letter of intent with a view to acquire a Russian company that has rights to a plot of land in the City of Ufa, with the intention of constructing a circa 180,000 sqm logistics centre. The letter of intent is subject to certain conditions.
- The Company is pleased to announce further progress on the skyscraper project. It now holds a 79% interest in the Russian company that has the leasehold rights to the land and has an agreement to acquire the remaining 21% for a consideration of up to a maximum of US\$ 4.5 million.
- In April the Company opened its first shopping mall development in Yaroslavl. The Centre, which was virtually fully let on opening, is attracting strong footfall and is generating significant rental income.

Nigel Wright, Chairman, commented:

“We are pleased with the strong progress the Company is making in delivering its strategy and vision. We continue to develop our existing assets, secure the acquisition of the remaining pipeline assets and work towards expanding our portfolio with additional high yielding assets.”

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CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended 31 March 2007	Year ended 31 December 2006
	Unaudited	Audited
	US\$ '000	
Rental income from investment properties	1,352	3,707
Revenues from managing fees	189	533
Fair value adjustments of investment properties	-	35,878
Total income	1,541	40,118
Expenses		
Operating expenses	(203)	(863)
General and administrative expenses	(3,668)	(8,839)
Financial income, net	2,050	2,330
Profit (loss) before tax expense	(280)	32,746
Tax expense	980	2,797
Profit (loss) for the period attributable to the equity holders of the parent	<u>(1,260)</u>	<u>29,949</u>
Earnings (loss) per share		
Basic	<u>(0.0104)</u>	<u>0.341</u>
Diluted	<u>(0.0103)</u>	<u>0.340</u>

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

	31 March 2007	31 December 2006
	Unaudited	
	US \$'000	
ASSETS		
NON-CURRENT ASSETS		
Investment properties	75,933	65,709
Investment properties under construction	63,716	46,930
Inventories of buildings under construction	76,194	
Inventories of land	33,257	76,193
Advance on acquisition of subsidiary (Note 4a)	1,000	1,600
Equipment	1,748	1,082
Long-term receivables and prepayments	-	5,958
	<u>251,848</u>	<u>197,472</u>
CURRENT ASSETS		
Trade and other receivables	10,337	10,157
Deferred taxes	1,143	-
Cash and cash equivalents	262,634	267,916
	<u>274,114</u>	<u>278,073</u>
Total assets	<u><u>525,962</u></u>	<u><u>475,545</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to equity holders of the parent:		
Share capital	1,036	1,000
Share premium	358,989	327,828
Options	2,929	2,348
Retained earnings	31,689	32,949
Currency translation reserve	2,843	2,402
	<u>397,486</u>	<u>366,527</u>
Minority interest	<u>4,586</u>	<u>25</u>
Total equity	<u>402,072</u>	<u>366,552</u>
NON-CURRENT LIABILITIES		
Long-term loans from banks	95,571	93,049
Other long-term liabilities	16,989	4,313
Deferred taxes	3,030	1,755
	<u>115,590</u>	<u>99,117</u>
CURRENT LIABILITIES		
Short-term loans from bank	1,520	-
Income tax payable	1,799	1,207
Accounts payable and accruals	4,981	8,669
	<u>8,300</u>	<u>9,876</u>
Total liabilities	<u>123,890</u>	<u>108,993</u>
Total equity and liabilities	<u><u>525,962</u></u>	<u><u>475,545</u></u>

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						Minority interest	Total equity	Total recognized income and expenses	
	Share capital	Share premium	Issuance of options	Retained earnings	Currency translation reserve	Total			Parent	Minority
	US \$'000									
At 1 January 2006	7	3,717	-	3,000	(95)	6,629	25	6,654	2,905	-
Issuance of shares	693	2,997	-	-	-	3,690	-	3,690	-	-
Capitalization of shareholder loans	-	62,192	-	-	-	62,192	-	62,192	-	-
Issuance of shares in IPO, net of expenses (1)	300	258,922	-	-	-	259,222	-	259,222	-	-
Profit for the period	-	-	-	29,949	-	29,949	-	29,949	29,949	-
Issuance of options	-	-	2,348	-	-	2,348	-	2,348	-	-
Foreign currency translation adjustments	-	-	-	-	2,497	2,497	-	2,497	2,497	-
At 31 December 2006	1,000	327,828	2,348	32,949	2,402	366,527	25	366,552	32,446	-
Issuance of shares	36	31,161	-	-	-	31,197	-	31,197	-	-
Movement in options	-	-	581	-	-	581	-	581	-	-
Loss for the period	-	-	-	(1,260)	-	(1,260)	(36)	(1,296)	(1,260)	(36)
Minority's share in purchase of subsidiary	-	-	-	-	-	-	4,652	4,652	-	-
Foreign currency translation adjustments	-	-	-	-	441	441	(55)	386	441	(55)
At 31 March 2007 (unaudited)	1,036	358,989	2,929	31,689	2,843	397,486	4,586	402,072	(819)	(91)

(1) Issuance expenses consist of US \$ 2,000 thousand.

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended 31 March 2007 <u>Unaudited</u>	Year ended 31 December 2006 <u> </u>
	<u>US\$ '000</u>	
Cash flows from operating activities:		
Profit (loss) before the tax expense	(280)	32,746
Adjustments for:		
Interest payable	-	2,901
Options granted	581	2,348(*)
Fair value adjustments of investment properties	-	(35,878)
Depreciation of equipment	6	8
Increase (decrease) in trade and other receivables	4,254	(4,475)
Increase (decrease) in accounts payable and accruals	(3,187)	7,712(*)
Income taxes paid	(810)	(1,465)
Net cash flows provided by (used in) operating activities	<u>564</u>	<u>3,897</u>
Cash flows from investing activities:		
Prepayments	-	(2,315)
Purchase of equipment	(648)	(892)
Purchase of investment properties	(4,627)	(4,031)
Purchase of investment properties under construction	(16,471)	(16,333)
Interest capitalized in investment properties under construction	(1,410)	(3,658)
Purchase of inventories of land	-	(48,235)
Interest capitalized in inventories of land	-	(373)
Advance on acquisition of subsidiary	(1,000)	(1,600)
Payment of amount due in respect of purchase of subsidiaries	-	(1,250)
Acquisition of joint ventures, net of cash acquired	-	(12,875)
Acquisition of subsidiaries, net of cash acquired	(15,900)	(5,959)
Net cash flows used in investing activities	<u>(40,056)</u>	<u>(97,521)</u>
Cash flows from financing activities:		
Proceeds from issuance of shares by the Company	31,161	259,222
Proceeds from (repayment of) short-term borrowings from related parties, net	-	(460)
Proceeds from long-term borrowings	2,707	87,153
Proceeds from (repayment of) short-term borrowings	279	-
Proceeds from short-term borrowings from related parties	-	19,286
Repayment of long-term borrowings from related parties	-	(8,812)
Net cash flows provided by financing activities	<u>34,147</u>	<u>356,389</u>
Increase (decrease) in cash and cash equivalents	(5,345)	262,765
Net foreign exchange differences on cash and cash equivalents	63	5,815
Cash and cash equivalents at beginning of period	<u>267,916</u>	<u>664</u>
Cash and cash equivalents at end of period	<u><u>262,634</u></u>	<u><u>267,916</u></u>
Non-cash transactions:		
Payables included for investment properties under construction	<u>3,425</u>	<u>2,481</u>
Reclassification of inventories of land to inventories of buildings under construction	<u>76,194</u>	<u>-</u>
Capitalization of shareholders' loans to equity	<u>-</u>	<u>62,192</u>
Movement of options	<u>581</u>	<u>2,348</u>
Issuance of bonus shares	<u>-</u>	<u>683</u>

(*) Reclassified

The accompanying notes are an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

These financial statements have been prepared as of 31 March 2007 and for the three months period then ended. These financial statements are to be read in conjunction with the audited annual financial statements of the Company as of 31 December 2006, and their accompanying notes.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the financial statements of the Company as of 31 December 2006, are applied consistently in these financial statements.

NOTE 3:- FINANCIAL STATEMENTS IN U.S. DOLLARS

- a. The financial statements are prepared in accordance with International Financing Reporting Standards ("IFRS").
- b. Foreign currency translation:

The consolidated financial statements are presented in the US dollar which is the Company's functional and presentation currency. Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are remeasured into the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured into the functional currency at the exchange rate ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All differences are taken to profit or loss.

As at the reporting date, the assets and the liabilities of the subsidiaries are translated into US dollars according to the exchange rate prevailing at the balance sheet date and income and expense items are translated into US dollars at the weighted average exchange rate for the period. The exchange differences arising on the translation are taken directly to a separate component of equity ("currency translation reserve"). Such translation differences are recognized in the income statement in the period in which the entity is disposed of.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3:- FINANCIAL STATEMENTS IN U.S. DOLLARS (Cont.)

Below is data regarding the representative exchange rates of the Russian Ruble, which is the functional currency of the Russian subsidiaries of the Company:

As of:	Representative exchange rate of the Russian Ruble for US\$ 1
31 March 2007	26.01
31 December 2006	26.33
Change during the period:	%
Three months ended 31 March 2007	(1.19)
Year ended 31 December 2006	(8.54)

NOTE 4:- SIGNIFICANT EVENTS WITHIN THE PERIOD OF FINANCIAL STATEMENTS

- a. In March 2007, the Company (the "Purchaser") signed a letter of intent (the "LOI") with Ekford Commercial Inc. (the "Seller") whereby the Purchaser expressed its intention to purchase a 100% participatory interest from the Seller of Zhilstroyproekt Limited Liability company, a legal entity incorporated in Russia.

According to the LOI the Purchaser intends to acquire such participatory interest in Zhilstroyproekt for an aggregate purchase price of up to US\$ 10 million subject to the following conditions:

- The first instalment of US\$ 1,000 thousand will be payable as a refundable deposit within 5 business days following the date of the execution of the LOI. This installment was paid on March 19, 2007.
- The second instalment of US\$ 6 million will be payable within five business days upon occurrence of the latest of the following conditions:
 - (i) The transfer of 100% of the participatory interest from the Seller to the Company.
 - (ii) The Company enters into a land lease agreement in respect of the land plot owned by Zhilstoyproekt in the Dema District in the City of Ufa (the "Land Plot") for not less than two years with a purpose of designing a logistic center.
 - (iii) The Company is granted with a legal and valid resolution of the governmental and municipal authorities pursuant to which the Company is permitted to commence the designing of the logistic center.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 4:- SIGNIFICANT EVENTS WITHIN THE PERIOD OF FINANCIAL STATEMENTS
(Cont.)**

- The third installment of US\$ 3 million will be payable within five business days upon occurrence of the latest of the following conditions:
 - (i) The date of issuance to the Company of a legal and valid resolutions and authorizations of the governmental and municipal authorities pursuant to which the Company is permitted to commence the construction of the logistic center.
 - (ii) The date on which the Company enters into a land lease agreement in respect of the Land Plot for not less than five years with a purpose of construction the logistic center.

- b. On 3 January 2007, the Company completed the first share purchase agreement to acquire the entire issued share capital of Gasconade Holding Ltd., a Cypriot company that holds 58% interest in Real Estate LLC, a Russian company that has the leasehold rights in land to be used for the Company's skyscraper development project in Moscow. The consideration under this agreement is a total of US\$ 13 million (US\$ 1.6 million of which has already been paid by the Company). In addition, the Company has entered into an additional share purchase agreement to acquire an effective further 21% interest in the Russian company referred to above for a consideration of US\$ 4.5 million. The Company intends to close this additional agreement and also acquire the remaining 21% interest for a further US\$ 4.5 million subject to the satisfaction of certain conditions, in case not fulfilled within a certain period the remaining 21% will be transferred to the Company for no further consideration.

- c. On 3 January 2007, the Company announced that, in connection with its initial public offering of Ordinary shares ("the Placing"), Merrill Lynch International, as stabilizing manager, gave notice that it is exercising the over-allotment option in respect of 3,558,000 Ordinary shares in the Company ("the Over-allotment Shares"). The Over-allotment Shares were issued at the offer price of 478 pence per Over-allotment Share ("the Offer Price"). These shares were issued on 8 January 2007.
