

19 August 2009

MirLand Development Corporation plc (“MirLand” / “Company”)

HALF YEAR RESULTS FOR THE SIX MONTHS TO 30 JUNE 2009

MirLand Development Corporation, one of the leading international residential and commercial property developers in Russia, today announces its results for the six months ended 30 June 2009.

Highlights:

- Loss before tax US\$15.6million (30 June 2008: US \$4.9 million profit)
- Total assets US\$550.8 million (31 December 2008: US\$529.9 million)
- Adjusted NAV US\$443 million (31 December 2008: US\$487million)
- Valuation of MirLand’s share of freehold/leasehold rights of real estate assets as valued by Cushman & Wakefield were stable at US\$631.8 million (31 December 2008: US\$631.7 million)
- Total debt US\$ 195.9 - 36% of the total assets (31 December 2008: US\$143.3 million - 27% of the total assets)
- First tranche of US\$13.7 million of Triumph Mall, Saratov project financing was received.

Operational highlights:

- Triumph Mall, Saratov has pre-lease and commercial terms signed for 82% of the net leasable area
- Western Residence, Perkhushkovo on track to deliver 29 houses by end of 2009
- Skyscraper project has received Gos Expertiza status, the basis for receiving construction permits

Nigel Wright, Chairman, commented:

“Your Board has maintained its decision to focus resources into completing projects that are in advanced stages of construction in order to progress them to income producing stage as soon as is realistically achievable. We will also be continuing our aggressive marketing efforts to secure both tenants and sales as appropriate, by which means we hope to see continuing improvement in our income streams.

“With the current economic indicators pointing to a potential gradual but not imminent recovery, I am confident that we have taken actions that will allow MirLand to weather the current situation and put us in a position to take advantage of any recovery.”

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CHAIRMAN'S STATEMENT

I am pleased to report MirLand's financial results for the half year ended 30 June 2009, a period of continuing market turbulence and considerable uncertainty in both the domestic Russian and international arenas. Before commenting in detail below on our financial results I propose commenting briefly on various factors affecting your Company's activities

In light of the unprecedented financial and economic events of the past 18 months, MirLand has continued to implement its revised Business Plan to minimise the effects of the downturn on shareholder value and position the Company to take advantage of the upturn when it comes. We continuously monitor the economic situation closely and make the necessary adjustments as appropriate. Our strategy is simple: maintenance of a diverse portfolio; strict cash flow management; cost reduction throughout the business and active asset management. Our adherence to these principles, combined with hard work and continuing support from our main shareholders, has enabled us to fare better than many of our competitors and is reflected in our relative outperformance when compared with our peer group. I am confident that our actions to date and the decreased level of competition in the marketplace due to the credit crunch will leave us reasonably positioned to take advantage of any future market recovery when it comes.

The Russian economy continues to face significant challenges and we expect any recovery to be gradual and prolonged. As in other countries, the Government has acted to provide support and stimulus to the banks and the economy, which has led to a degree of stabilisation, but the combined effects of the continuing global financial downturn, growing unemployment and weak demand and foreign investments have deepened Russia's recession. That said, certain indicators including oil prices, the Ruble exchange rate and inflation, all of which are significant drivers of the Russian economy, improved slightly during the second quarter, initiating an anticipated modest decline in the Budget deficit. We hope that such positive signs will continue in the coming months, leading to higher levels of confidence and market activity and presenting new opportunities for your Company.

With regard to the real estate market, the past six months have seen some stabilisation of investment yields at presently high levels and a significant decrease in levels of investment and development activity. The office market is characterised by declining rental rates and low tenant demand with supply exceeding demand as a result of development overhang. The retail sector has also been adversely affected but to a slightly lesser extent, with rental rates apparently beginning to stabilize and large international retailers still showing interest in entering the market. The residential sector has been hit by declining levels of personal wealth and a continuing lack of real mortgage availability. Whilst the current hiatus in debt markets continues it is difficult to see any short term sustainable recovery in any of these sectors despite some initial signs of stabilisation in the office and residential areas. For this reason, we are heavily focussed on maintaining cash flow from our yielding investment portfolio whilst tailoring our development activity according to demand and availability of debt finance. Nevertheless, we continue to monitor changing market conditions with a view to capitalising on any opportunities that may arise.

Financial Results

MirLand had assets of US \$550.8M at 30 June 2009 in comparison with US \$529.9M on 31 December 2008 and an equity value of US \$316.9M (58% from the total assets), in comparison with US \$484.6M and US \$342.2M in June 2009 and December 2008 respectively. The decrease in the equity is attributed to the net loss of the first six months of US \$18.1M and from currency translation reserve due to the change in the USD/Ruble exchange rate. The net loss derives mainly from the effects of a change of Accounting Standard (IAS 40 – Investment Properties) that brought investment property under construction within its scope, and also from finance costs arising from the change in the USD/ Ruble exchange rate during the period. These losses from the change of accounting standards and foreign exchange differences are accounting non-cash items.

The Company's adjusted net asset value amounted to US \$443M in comparison with US \$487M, a decrease of 9% since December 2008, which is mainly the result of a slight devaluation of our income producing investment portfolio due to a reduction in rental levels in Russia and an increase of external debt . Our real estate assets, which according to our policy are re-valued semi-annually, were appraised by our external independent valuer Cushman & Wakefield Stiles & Riabokobylo, in accordance with International Valuation Standards. As of June 2009, the gross value of the real estate portfolio was appraised at US \$723.82M of which MirLand's share is US \$631.8M (US 31 December 2008: \$631.7M). Over the last quarter MirLand's portfolio value has stabilized with some yielding assets losing some value as a result of slightly lower rental income but with progress in construction and planning projects increasing the value of other projects within the portfolio.

The valuation of each asset at 30 June 2009 is set out in the table below.

Property Valuation 30 June 2009

City	Property Name	Market Value (thousands) 30.6.2009	MirLand Share	MirLand Value (thousands) 30.6.2009	Market Value (thousands) 31.12.2008
Moscow	Hydromashservice	\$68,980	100%	\$68,980	75,210
Moscow	MAG	\$70,260	100%	\$70,260	79,910
Moscow region	Western Residence	\$80,639	100%	\$80,639	86,220
Saratov	Triumph Mall	\$50,143	100%	\$50,143	33,160
Moscow	Skyscraper	\$48,413	100%	\$48,413	41,292
St. Petersburg	Triumph Park, Residential	\$176,096	100%	\$176,096	173,068
St. Petersburg	Triumph Park, Trade and Commercial	\$11,253	100%	\$11,253	12,370
Moscow Region	Techagrocom	\$38,003	50%	\$19,002	44,700
Yaroslavl	Phase I: Vernissage Mall	\$62,830	49%	\$30,787	62,290
Yaroslavl	Phase II: Land Plot	\$4,242	49%	\$2,079	4,630
Moscow	Tamiz Building	\$27,351	100%	\$27,351	26,290
Moscow	Century Buildings	\$77,530	50%	\$38,765	83,360
Kazan	Triumph House	\$6,603	100%	\$6,603	7,180
Penza	Retail Centre	\$1,477	100%	\$1,477	1,880
Total		\$723,820		\$631,848	731,560

A copy of the full valuation report will be available on the Company's website (www.mirland-development.com) later today

Portfolio Progress

Despite the current difficult market conditions we have made ongoing progress in some of our development projects which we have identified as having high potential:

- Triumph Mall in Saratov: The project is fully financed, with 82% of the area pre-leased or commercial terms signed, and is expected to be complete in December 2009
- Western Residence in Perkhushkovo: 29 houses are expected to be completed by the end of December 2009, and the entire first phase of 77 houses is expected to be completed by end Q1 2010
- Triumph Park in St. Petersburg: Construction of sub-phase one which will comprise 502 units when completed to ground level is expected to be finished by the end of Q4 2009, and we are in advanced negotiations with an international bank for initial project financing
- Century Buildings in Moscow: Construction was completed during the second quarter.
- Tamiz building in Moscow: The building's structure and facades were completed during the second quarter of 2009.

Outlook

Following a further six months of uncertainty and extremely tough market conditions, we continue to monitor financial, economic and real estate market conditions and will adjust our strategic focus as and when market conditions improve. The Board has maintained its decision to focus resources into completing projects that are in advanced stages of construction in order to progress them to income producing stage as soon as is realistically achievable. We will also be continuing our aggressive marketing efforts to secure both tenants and sales as appropriate, by which means we hope to see continuing improvement in our income streams.

With the current economic indicators pointing to a potential gradual but not imminent recovery, I am confident that we have taken actions that will allow MirLand to weather the current situation and put us in a position to take advantage of any recovery.

MirLand already owns a strong portfolio of yielding assets enabling it to use its expertise and resources to progress a number of ongoing projects which have the opportunity to deliver value over the longer term. MirLand's remaining development projects, which are at the planning stage, also have the potential to create significant value when financing conditions improve leaving the Company well placed to take advantage of the recovery in markets when it arises.

I pay tribute to my co-directors, management and staff who have made and continue to make huge efforts on shareholders' behalf to maintain the stability of the Company and work towards a positive future.

Nigel Wright

Chairman

19 August 2009

CHIEF EXECUTIVE'S STATEMENT

Since our IPO in December 2006, MirLand has endeavoured to fulfil its goals and commitments, with a focus on value-enhancing acquisitions, construction, lease and sales of real estate in Russia. These principle activities are largely focused in the major cities, such as Moscow and St. Petersburg, and other major regional cities, with investments primarily in projects where a high return on equity has been identified.

Strategic Focus

Since the second half of 2008, Russia's economy has continued to be challenging and as such, we adjusted our Business Plan and strategic focus in order to cope with these conditions. By implementing the revised business plan we have been able to endure the situation and have prepared ourselves to take advantage of any market recovery. Below we have set out some of the adjustments we have made in our business strategy and operational activity:

- We are working hard to progress our access to financial sources and manage cash flow strictly in order to increase our liquidity.
- As sales and leases are our main generator of cash inflows, we are investing considerable effort in both selling and leasing vacant assets as well as preserving existing leases.
- We are focussed on the completion of projects in advanced phases of construction in order to increase the portfolio's value and generate cash inflows from leases which have already been agreed.
- We have continued with the gradual advancement of Triumph Park in St. Petersburg and Tamiz in Moscow in preparation for the improvement in market conditions.
- Since the beginning of the credit crunch we have delayed the construction start of several other projects that were still in their planning phases.

In parallel we are continuing our focus on cost reduction both at a project and a Company level. The General and administrative expenses decreased by 5.3% in comparison with the first half of 2008, these included:

- Salary expenses decreasing by 16% in comparison with the first half of 2008
- Professional fees decreasing by 34% in comparison with the first half of 2008
- Office management expenses decreasing by 34% in comparison with the first half of 2008

Our yielding assets are still generating relatively strong cash flows, and remain stable in comparison to levels in the first quarter.

Portfolio – key data

Below we have set out the current make up by value of the portfolio

Geography by value: 30 June 2009

Location	Percentage
Moscow	57%
St. Petersburg & other Regions	43%

Sector by value: 30 June 2009

Segment	Percentage
Residential	35%
Commercial	65%

Development stage by value: 30 June 2009

Stage of development	Percentage
Yielding assets	39%
Properties under construction	26%
Properties in planning	35%

Operational Developments

The Vernissage Mall in Yaroslavl has maintained its high occupancy rate with 92% of the 33,000 sqm available currently leased. Our yielding office assets, the Hydromashservice and MAG buildings, and the Century buildings, have seen an increase in vacancy however in our constant efforts to preserve tenants we have renegotiated rental agreements with some tenants that we may have lost albeit at a lower rental level and with more flexible and shorter lease lengths. In doing so, we are preserving a level of cash flow while allowing ourselves the flexibility to renegotiate with tenants when the economic situation improves.

Our Western Residence in Perkhushkovo is at the final stage of construction of first sub phase which will result in 29 houses finished by the end of the year. We are seeing a good level of interest from potential purchasers. Transportation infrastructure planned for the area, along with an active sales policy, will make this project even more desirable and we expect demand for these houses to increase over the second half of the year.

Triumph Mall in Saratov has pre-lease and commercial terms signed for 82% of its net leasable area, and a new company has been selected and signed to manage the completed shopping mall on its completion in December 2009. We are continuing our intense marketing campaign to let the remaining space in the run up to opening. The 27,575 sqm mall is financed by the European Bank for Reconstruction and Development (EBRD).

Triumph Park, the Company's flagship residential project in St. Petersburg, is continuing as planned with good progress being achieved on the ground works which are expected to be completed during the fourth quarter. As potential buyers' demands have changed to a preference for smaller dwellings, our updated planning has allowed for an additional 42 apartments to be added to the first two buildings of

this project. We expect construction above ground level to commence at the beginning of 2010, subject to securing of project financing. We are currently in negotiations with an international bank for project financing of the project.

The Tamiz building which is located within the MAG and Hydromashservice site, had its structure and facade completed during the period. The ongoing construction of the building's interior will be dependent on the demand for our other buildings on the site.

In addition to the projects which are currently under development we have continued to gradually progress the planning phase of projects held for future development. Our Skyscraper project in Moscow has just passed the Gos Expertiza, the basis for receiving construction permits and we have made further progress towards receiving the GEN plan approval for our Techagrocom project. Both of these projects, as well as Triumph House in Kazan and Penza are being kept as a land bank for future development with construction dependent on market conditions and the availability of financing and the Company's financial resources.

Prospects

The real estate market in Russia has been severely affected by the continuing crisis, however, the Company's strategic focus has been adjusted accordingly, not only to order to cope with the effect of the crisis, but also to prepare it for the market recovery when that comes. At MirLand, we continue to believe in the long term potential of Russia's real estate markets.

I continue to believe that our high quality and diversified portfolio along with the prudent measures we have taken to cope with the volatile Russian market, led by skilful management and directors will help us to continue to weather the storm and position the business well for the future.

Moshe Morag
Chief Executive Officer
19 August 2009

CONSOLIDATED BALANCE SHEETS

	30 June		31 December
	2009	2008	2008
	Unaudited		Audited
	U.S. dollars in thousands		
ASSETS			
NON-CURRENT ASSETS:			
Investment properties	156,009	239,791	163,987
Investment properties under construction	154,624	112,059	120,035
Inventories of land	21,206	-	-
Long-term loan	56,648	15,529	58,525
Advances on acquisition of subsidiaries	-	1,696	584
Deferred expenses	1,451	1,233	1,936
Long-term receivables and prepayments	15,847	18,969	16,172
Financial derivative	684	2,590	719
Deferred taxes	3,788	969	4,246
Fixed assets, net	1,418	5,103	2,154
	411,675	397,939	368,358
CURRENT ASSETS:			
Inventories of land and buildings under construction	123,821	127,580	144,202
Trade and other receivables	6,100	9,346	7,566
Short-term loans	1,216	34,840	-
Restricted bank deposits	-	65,353	-
Cash and cash equivalents	7,991	30,190	9,822
	139,128	267,309	161,590
Total assets	550,803	665,248	529,948

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

CONSOLIDATED BALANCE SHEETS

	30 June		31 December
	2009	2008	2008
	Unaudited		Audited
	U.S. dollars in thousands		
EQUITY AND LIABILITIES			
EQUITY:			
Equity attributable to equity holders of the Company:			
Share capital	1,036	1,036	1,036
Share premium	359,803	359,803	359,803
Employee equity benefits reserve	8,468	7,165	8,080
Retained earnings (accumulated deficit)	(26,261)	99,691	(8,202)
Currency translation reserve	(28,932)	16,858	(19,085)
Contribution from shareholders	2,747	-	579
	316,863	484,553	342,211
Minority interests	25	25	25
Total equity	316,886	484,578	342,236
NON-CURRENT LIABILITIES:			
Debentures, net	62,259	63,586	62,267
Long-term loans from banks	30,071	18,354	17,443
Long-term loans from shareholders	-	-	9,032
Other long-term liabilities	6,800	14,877	8,112
Deferred taxes	9,872	7,111	9,154
	109,002	103,928	106,008
CURRENT LIABILITIES:			
Accounts payable and accruals	18,767	9,055	17,032
Short-term loans from banks	71,743	67,051	62,196
Loans from shareholders	31,813	-	-
Income tax payable	2,592	636	2,476
	124,915	76,742	81,704
Total liabilities	233,917	180,670	187,712
Total equity and liabilities	550,803	665,248	529,948

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

<u>18 August 2009</u>		
Date of approval of the financial statements	Moshe Morag CEO	Roman Rozental CFO

CONSOLIDATED STATEMENTS OF INCOME

	Six months ended 30 June		Year ended 31 December
	2009	2008	2008
	Unaudited		Audited
	U.S. dollars in thousands (except per share data)		
Revenues:			
Rental income from investment properties	7,208	8,701	17,949
Revenues from managing fees	1,302	1,138	2,411
Total revenues	8,510	9,839	20,360
Fair value adjustments of investment properties and investment properties under construction	(8,605)	(7,534)	(58,768)
Operating expenses	(3,004)	(3,639)	(7,291)
General and administrative expenses	(7,674)	(8,108)	(22,259)
Adjustment of provision to service providers	424	1,159	5,160
Other expenses	-	-	(6,186)
Finance costs	(8,316)	(5,944)	(44,725)
Finance income	3,061	19,133	9,883
Profit (loss) before taxes on income	(15,604)	4,906	(103,826)
Taxes on income	2,455	1,844	1,005
Profit (loss) for the period	(18,059)	3,062	(104,831)
Earnings per share (in U.S. dollars per share):			
Basic and diluted	(0.17)	0.03	(1.01)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended		Year ended
	30 June		31 December
	2009	2008	2008
	Unaudited		Audited
	U.S. dollars in thousands		
Profit (loss) for the period	(18,059)	3,062	(104,831)
Foreign currency translation adjustments	(9,847)	7,707	(28,236)
Total comprehensive income (loss)	(27,906)	10,769	(133,067)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Share premium	Employee equity benefits reserve	Accumulated deficit	Currency translation reserve	Shareholders' contributions	Total	Minority interests	Total equity
Balance at 1 January 2009 (audited)	1,036	359,803	8,080	(8,202)	(19,085)	579	342,211	25	342,236
Total comprehensive loss	-	-	-	(18,059)	(9,847)	-	(27,906)	-	(27,906)
Share-based payment	-	-	388	-	-	-	388	-	388
Shareholders' contribution	-	-	-	-	-	2,168	2,168	-	2,168
Balance at 30 June 2009 (unaudited)	<u>1,036</u>	<u>359,803</u>	<u>8,468</u>	<u>(26,261)</u>	<u>(28,932)</u>	<u>2,747</u>	<u>316,861</u>	<u>25</u>	<u>316,886</u>

	Attributable to equity holders of the company							
	Share capital	Share premium	Employee equity benefits reserve	Retained earnings	Currency translation reserve	Total	Minority interests	Total equity
As of 1 January 2008 (audited)	1,036	359,803	6,199	96,629	9,151	472,818	25	472,843
Total comprehensive income	-	-	-	3,062	7,707	10,769	-	10,769
Share-based payment	-	-	966	-	-	966	-	966
As of 30 June 2008 (unaudited)	<u>1,036</u>	<u>359,803</u>	<u>7,165</u>	<u>99,691</u>	<u>16,858</u>	<u>484,553</u>	<u>25</u>	<u>484,578</u>

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						Total	Minority interests	Total equity
	Share capital	Share premium	Employee equity benefits reserve	Retained earnings (accumulated deficit)	Currency translation reserve	Shareholders' contributions			
	U.S. dollars in thousands								
Balance at 1 January 2008 (audited)	1,036	359,803	6,199	96,629	9,151	-	472,818	25	472,843
Total comprehensive loss	-	-	-	(104,831)	(28,236)	-	(133,067)	-	(133,067)
Share-based payment	-	-	1,881	-	-	-	1,881	-	1,881
Shareholders' contribution	-	-	-	-	-	579	579	-	579
Balance at 31 December 2008 (audited)	<u>1,036</u>	<u>359,803</u>	<u>8,080</u>	<u>(8,202)</u>	<u>(19,085)</u>	<u>579</u>	<u>342,211</u>	<u>25</u>	<u>342,236</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended		Year ended
	30 June		31 December
	2009	2008	2008
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Profit (loss) before taxes on income	(15,604)	4,906	(103,826)
Adjustments for:			
Finance costs	8,316	5,944	44,725
Interest paid	(2,120)	(4,776)	(8,135)
Finance income	(3,061)	(19,133)	(9,883)
Interest received	242	1,148	3,156
Fair value adjustments of investment properties and investment properties under construction	8,605	7,534	58,768
Share-based payments	388	966	1,881
Addition to residential projects for sale under construction	(15,594)	(16,459)	(64,466)
Depreciation	196	273	343
Decrease (increase) in trade and other receivables	322	(6,836)	(2,674)
Impairment of investment property under construction	-	-	4,289
Increase (decrease) in accounts payable and accruals and in provision to service provider	5,750	(1,772)	1,380
Write-down of advance on account of acquisition of subsidiary	-	-	1,256
Income taxes paid	(520)	(1,168)	(1,909)
Net cash flows used in operating activities	<u>(13,080)</u>	<u>(29,373)</u>	<u>(75,095)</u>
Cash flows from investing activities:			
Additions to fixed assets	(60)	(63)	(679)
Proceeds from fixed assets	157	-	-
Additions to investment properties	(579)	(8,987)	(29,206)
Additions to investment properties under construction	(35,398)	(19,429)	(48,296)
Loans granted	(1,561)	(23,832)	(47,408)
Advance on acquisition of subsidiaries	-	(696)	(600)
Loans repaid	-	-	14,829
Release of restricted deposits	-	5,980	71,406
Net cash flows used in investing activities	<u>(37,441)</u>	<u>(47,027)</u>	<u>(39,954)</u>
Cash flows from financing activities:			
Accrued expenses on account of loan	-	(397)	(1,500)
Proceeds from short-term loans	23,060	-	-
Repayments from short-term borrowings	-	-	(12,433)
Proceeds from long-term borrowings from shareholders	23,000	-	7,991
Repayment of long-term borrowings from banks	(861)	(6,755)	-
Net cash flows provided by (used in) financing activities	<u>45,199</u>	<u>(7,152)</u>	<u>(5,942)</u>
Net decrease in cash and cash equivalents	(5,322)	(83,552)	(120,991)
Net foreign exchange differences on cash and cash equivalents	3,491	(4,016)	13,055
Cash and cash equivalents at beginning of period	<u>9,822</u>	<u>117,758</u>	<u>117,758</u>
Cash and cash equivalents at end of period	<u><u>7,991</u></u>	<u><u>30,190</u></u>	<u><u>9,822</u></u>

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

NOTE 1:- GENERAL

- a. These interim consolidated financial statements have been prepared in a condensed format as of 30 June 2009 and for the six-month period then ended ("interim condensed consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements and accompanying notes as of 31 December 2008 and for the year then ended ("annual financial statements").
- b. Based on the Company's projected cash flows for the period ending 31 December 2010, the Company believes that it will generate sufficient funds from internal and external sources to meet its current obligations as they come due. These projections are based, among others, on receipt of loans amounting to 10 million dollar which the principal shareholders have committed to provide to the Company by December 2009 and are repayable in the first quarter of 2010.
In addition, the Company expects that it will be able to obtain financing from external sources against unsecured properties in order to repay loans to shareholders amounting to approximately \$ 40 million that will be repayable in the first quarter of 2010.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the interim financial statements:

The interim condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with the International Financial Reporting Standard IAS 34 ("Interim Financial Reporting").

The significant accounting policies and methods of computation followed in the preparation of the interim condensed consolidated financial statements are identical to those followed in the preparation of the latest annual financial statements, except for the adoption of new Standards and Interpretations as noted below:

IAS 1 (Revised) - Presentation of Financial Statements:

IAS 1 (Revised) introduces an additional statement, "statement of comprehensive income". The statement may be presented as a separate statement which includes net income and all items carried in the reported period directly to equity that do not result from transactions with the shareholders in their capacity as shareholders (other comprehensive income) such as adjustments arising from translating the financial statements of foreign operations, fair value adjustments of available-for-sale financial assets, changes in revaluation reserve of fixed assets and etc. and the tax effect of these items carried directly to equity, with allocation between the Company and the minority interests. Alternatively, the items of other comprehensive income may be displayed along with the items of the statement of income in a single statement entitled "statement of comprehensive income" which replaces the statement of income, while properly allocated between the Company and the minority interests. Items carried to equity resulting from transactions with the shareholders in their capacity as shareholders (such as capital issues, dividend distribution etc.) will be disclosed

MIRLAND DEVELOPMENT CORPORATION PLC

in the statement of changes in equity as will the summary line carried forward from the statement of comprehensive income, with allocation between the Company and the minority interests.

IAS 1 (Revised) also requires entities to present a balance sheet as of the beginning of the comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in the annual financial statements.

The Company elected to present a separate statement. The revision was adopted on January 1, 2009 with a retrospective restatement of comparative figures.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IAS 40: Investment Property:

In May 2008, as part of its annual improvement process the IASB approved changes that brought investment property under construction into the scope of IAS 40 Investment Property. Commencing in 2009, entities reporting under IFRS are required to re-classify investment property under construction ('IPUC') to investment property. In addition entities which measure their completed investment property at fair value will also need to measure their IPUC at fair value, subject to fair value being reliably determinable. Accordingly, the Company revalues only IPUC, for which it is determined that a substantial part of the development risks have been eliminated. This determination is based on completing a significant stage of construction and obtaining signed lease agreements for a material portion of the rentable area. IPUC which do not meet these criteria continue to be measured at cost.

For projects where the expected future completion risk is above average (as deemed appropriate by the valuer) also a developer profit margin of unexecuted works, was deducted from the value.

IFRS 2 - Share-based Payment:

Pursuant to an amendment to IFRS 2, the definition of vesting terms will only include service conditions and performance conditions and the cancellation of a grant that includes non-vesting conditions by the Company or the counterparty, will be accounted for by way of acceleration of vesting and not by forfeiture.

Conditions that are other than service and performance conditions will be viewed as non-vesting conditions and must therefore be taken into account when estimating the fair value of the instrument granted.

This amendment was adopted on January 1, 2009. The initial adoption of the Standard did not have any material effect on the interim consolidated financial statements.

IFRIC 15 - Agreements for the Construction of Real Estate:

IFRIC 15 establishes rules for distinguishing between agreements for the construction of real estate under the scope of IAS 11 and similar agreements under the scope of IAS 18. When an agreement is specifically negotiated for the construction of an asset or a combination of assets when the buyer is able to specify the major structural elements and specify any changes therein, the agreement is within the scope of IAS 11. Accordingly, revenue will be recognized by reference to the stage of completion. In contrast, when the buyer has only limited ability to influence the design or to specify only minor variations, the agreement is an agreement for the sale of real estate within the scope of IAS 18.

The Interpretation was applied retrospectively on January 1, 2009. The initial adoption of the Interpretation did not have any material effect on the consolidated financial statements.

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IAS 23 Borrowing Costs (Revised):

The standard has been revised to require capitalization of borrowing costs on qualifying assets and the Company has amended its accounting policy accordingly. In accordance with the transitional requirements of the Standard this has been adopted as a prospective change. Therefore, borrowing costs have been capitalised on qualifying assets with a commencement date on or after 1 January 2009. No changes have been made for borrowing costs, incurred prior to this date, that have been expensed.

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NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Standards issued but not affected yet:

IAS 36 - Impairment of Assets:

The amended IAS 36 ("the amendment") defines the required accounting unit to which goodwill will be allocated for impairment testing of goodwill. Pursuant to the amendment, the largest unit permitted for impairment testing of goodwill acquired in a business combination is an operating segment as defined in IFRS 8, "Operating Segments" before the aggregation for reporting purposes. The amendment will be prospectively adopted starting from the financial statements for periods beginning on January 1, 2010. Earlier application is permitted.

The Company believes that the effect of the amendment on its financial position, operating results and cash flows is not expected be material.

NOTE 3:- SEGMENTS

	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
	<u>Unaudited</u>		
Six months ended 30 June 2009:	U.S. dollars in thousands		
Segment revenues	8,510	-	8,510
Segment results	(4,393)	(955)	(5,348)
Unallocated expenses			(5,001)
Finance costs			(8,316)
Finance income			3,061
Loss before taxes on income			<u>(15,604)</u>
	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
	<u>Unaudited</u>		
Six months ended 30 June 2008:	U.S. dollars in thousands		
Segment revenues	9,839	-	9,839
Segment results	(1,071)	(676)	(1,747)
Unallocated expenses			(6,536)
Finance costs			(5,944)
Finance income			19,133
Profit before taxes on income			<u>4,906</u>

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NOTE 3:- SEGMENTS (Cont.)

	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
Year ended 31 December 2008:	Audited		
	U.S. dollars in thousands		
Segment revenues	20,360	-	20,360
Segment results	(59,150)	(2,246)	(61,396)
Unallocated expenses			(7,588)
Finance costs			(44,725)
Finance income			9,883
Loss before taxes on income			(103,826)

NOTE 4:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

- a. During the period, the Company received loans from principal shareholders (companies owned by the Fishman Group) of approximately \$ 23 million, repayable on 31 March 2010. These loans bear interest at an annual rate of 12%.

Based on economic conditions, the Company determined that the market rate of interest is 13%. Accordingly, the Company recorded the loan at a discount of \$ 2,168 thousand with a corresponding credit to equity (shareholder's contributions).

- b. During the period, the Company received a loan from EBRD of approximately \$ 14 million as part of an approved credit of approximately \$ 48 million. The loan is repayable in annual installments, commencing 2011. The loan bears interest of LIBOR + 0.5%-2.5%.
- c. During the period, due to a change in original construction plans for inventories of land and buildings under construction, the Company decided to reclassify part of the inventories as non-current assets.

NOTE 5:- SIGNIFICANT SUBSEQUENT EVENTS

During July and August 2009, the Company received an additional loan from EBRD of \$ 7.6 million. Regarding the terms of the loan, see Note 4b.