

20 May 2009

MIRLAND DEVELOPMENT CORPORATION PLC

(“MirLand” / “Company”)

**UNAUDITED INTERIM CONSOLIDATED REPORT FOR THE
THREE MONTHS ENDED 31 MARCH 2009**

MirLand Development Corporation, one of the leading international residential and commercial property developers in Russia, today announces its interim results for the three months ended 31 March 2009.

Highlights:

- Rental income and property management fees of US\$4.2 million (31 March 2008: US\$4.5 million). Reduction mainly due to a decrease in occupancy levels and rents
- Loss before tax US\$4.5 million (31 March 2008: profit US\$4.6 million) *
- Total assets US\$519.3 million (31 December 2008: US\$529.9 million) *
- The Company continues to have modest leverage at 34% of its assets
- Ongoing progress on key development projects including:
 - Perkhushkovo Western Residence phase 1
 - Triumph Mall, Saratov
 - Triumph Park, St. Petersburg - Phase 1 (the Company's flagship project)
 - Tamiz office buildings in Moscow
- Century office buildings in Moscow completed during the period.

*Loss primarily due to the continued weakness of the Rouble against the US Dollar

Nigel Wright, Chairman, commented:

“In these rapidly changing times, we maintain our focus on our income producing investment portfolio and on the completion of projects under construction as stated in the Annual Report. In light of the current market conditions, the Company has also made some progress in reducing both construction costs and operational expenses.

“MirLand’s Board and Senior Management are continuing in the prudent management of the business through this challenging period to position it for future growth.”

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The difficult trading conditions in the Russian economy during the second half of 2008 persisted into the first quarter of 2009. GDP continued to fall, unemployment and the budget deficit both rose, and the Rouble weakened further. Nevertheless, by the end of the first quarter the Rouble and oil prices appeared to be stabilizing and we saw a slowdown in the withdrawal of foreign investment. The Government has continued its programme of economic support measures, financed mainly by use of its Reserve Fund, and we are hopeful that these actions will eventually lead to improving confidence and higher levels of activity in the medium term.

In the real-estate sector transaction activity fell considerably in the first quarter. Vacancy rates rose and rents and sale prices continued to fall. However, towards the end of the quarter and since the beginning of the second quarter we have begun to witness a slight increase in interest from potential tenants and buyers in the market, although at lower rental rates and sale prices than before.

In these rapidly changing times, we maintain our focus on our income producing investment portfolio and on the completion of projects under construction as stated in the Annual Report. In light of the current market conditions, the Company has also made some progress in reducing both construction costs and operational expenses. MirLand's Board and Senior Management are continuing in the prudent management of the business through this challenging period to position it for future growth.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2009 - UNAUDITED

CONSOLIDATED BALANCE SHEETS

	31 March		31 December
	2009	2008	2008
	Unaudited		Audited
	U.S. dollars in thousands		
ASSETS			
NON-CURRENT ASSETS:			
Investment properties	161,103	238,100	163,987
Investment properties under construction	133,165	103,002	120,035
Long-term loans	55,282	15,179	58,525
Advances on acquisition of subsidiaries	-	1,796	584
Deferred expenses	1,577	958	1,936
Long-term receivables and prepayments	13,631	20,672	16,172
Financial derivative	-	1,089	719
Deferred tax assets	4,417	986	4,246
Fixed assets, net	1,347	5,350	2,154
	370,522	387,132	368,358
CURRENT ASSETS:			
Inventories of buildings under construction	132,253	113,023	144,202
Trade and other receivables	6,683	6,289	7,566
Short-term loans	1,059	18,948	-
Restricted bank deposits	-	71,210	-
Cash and cash equivalents	8,794	77,599	9,822
	148,789	287,069	161,590
Total assets	519,311	674,201	529,948

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

CONSOLIDATED BALANCE SHEETS

	31 March		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
Share based payments	8,273	6,682	8,080
Retained earnings (accumulated deficit)	(12,746)	101,231	(8,202)
Currency translation reserve	(53,158)	18,059	(19,085)
Contribution from shareholders	2,617	-	579
	305,825	486,811	342,211
Minority interests	25	25	25
Total equity	305,850	486,836	342,236
NON-CURRENT LIABILITIES:			
Debentures, net	62,042	63,796	62,267
Financial derivative	251	-	-
Long-term loans from banks	16,973	19,399	17,443
Long-term loans from shareholders	-	-	9,032
Other long-term liabilities	8,681	12,966	8,112
Deferred tax liability	9,868	6,781	9,154
	97,815	102,942	106,008
CURRENT LIABILITIES:			
Accounts payable and accruals	17,421	9,204	17,032
Short-term loans from banks	68,203	72,669	62,196
Loans from shareholders	27,740	-	-
Income tax payable	2,282	2,550	2,476
	115,646	84,423	81,704
Total liabilities	213,461	187,365	187,712
Total equity and liabilities	519,311	674,201	529,948

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

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	Three months ended 31 March		Year ended 31 December 2008
	2009	2008	2008
	Unaudited		Audited
	U.S. dollars in thousands (except per share data)		
Revenues:			
Rental income from investment properties	3,607	3,958	17,949
Revenues from managing fees	639	547	2,411
Total revenues	4,246	4,505	20,360
Fair value adjustments of investment properties and investment properties under construction	19,076	(1,493)	(58,768)
Operating expenses	(1,517)	(1,732)	(7,291)
General and administrative expenses	(4,176)	(4,760)	(22,259)
Adjustment of provision to service providers	(1,783)	-	5,160
Other income (expenses)	290	-	(6,186)
Finance costs	(20,474)	(3,822)	(44,725)
Finance income	1,790	14,050	9,883
Profit (loss) before taxes on income	(2,548)	6,748	(103,826)
Taxes on income	1,996	2,146	1,005
Profit (loss) for the period	(4,544)	4,602	(104,831)
Earnings per share (in U.S. dollars per share):			
Basic and diluted	(0.04)	0.04	(1.01)

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

MIRLAND DEVELOPMENT CORPORATION PLC

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
	Share capital	Share premium	Share based payment	Accumulated deficit	Currency translation		Shareholders' contributions	Minority interests	Total equity
					reserve	Total			
	U.S. dollars in thousands								
Balance at 1 January 2009	1,036	359,803	8,080	(8,202)	(19,085)	579	342,211	25	342,236
Comprehensive loss	-	-	-	(4,544)	(34,073)	-	(38,617)	-	(38,617)
Share-based payment	-	-	193	-	-	-	193	-	193
Shareholders' contribution	-	-	-	-	-	2,038	2,038	-	2,038
Balance at 31 March 2009 (unaudited)	<u>1,036</u>	<u>359,803</u>	<u>8,273</u>	<u>(12,746)</u>	<u>(53,158)</u>	<u>2,617</u>	<u>305,825</u>	<u>25</u>	<u>305,850</u>

	Attributable to equity holders of the company							
	Share capital	Share premium	Share based payment	Retained earnings	Currency translation		Minority interests	Total equity
					reserve	Total		
	U.S. dollars in thousands							
Balance at 1 January 2008	1,036	359,803	6,199	96,629	9,151	472,818	25	472,843
Comprehensive income	-	-	-	4,602	8,908	13,510	-	13,510
Share-based payment	-	-	483	-	-	483	-	483
Balance at 31 March 2008 (unaudited)	<u>1,036</u>	<u>359,803</u>	<u>6,682</u>	<u>101,231</u>	<u>18,059</u>	<u>486,811</u>	<u>25</u>	<u>486,836</u>

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

MIRLAND DEVELOPMENT CORPORATION PLC

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						Total	Minority interests	Total equity
	Share capital	Share premium	Share based payment	Earnings (accumulated deficit)	Currency translation reserve	Shareholders' contributions			
	U.S. dollars in thousands								
Balance at 1 January 2008	1,036	359,803	6,199	96,629	9,151	-	472,818	25	472,843
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	<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.

MIRLAND DEVELOPMENT CORPORATION PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended		Year ended
	31 March		31 December
	2009	2008	2008
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Profit (loss) before taxes on income	(2,548)	6,748	(103,826)
Adjustments for:			
Finance costs	20,474	3,822	44,725
Interest paid	(1,390)	(1,653)	(8,135)
Finance income	(1,790)	(14,050)	(9,883)
Interest received	403	804	3,156
Fair value adjustments of investment properties	(19,076)	1,493	58,768
Share-based payments	193	483	1,881
Additions to inventories of buildings under construction	(4,695)	(3,603)	(64,466)
Depreciation	97	149	343
Decrease (increase) in trade and other receivables	189	(5,465)	(2,674)
Impairment of investment property under construction and residential projects for sale under construction	-	-	4,289
Increase (decrease) in accounts payable and accruals and in provision to service provider	2,693	(2,104)	1,380
Write-down of advance on account of acquisition of subsidiary	-	-	1,256
Income taxes paid	(300)	(1,167)	(1,909)
Net cash flows used in operating activities	(5,750)	(14,543)	(75,095)
Cash flows from investing activities:			
Additions to fixed assets	(143)	(165)	(679)
Additions to investment properties	(395)	(3,499)	(29,206)
Additions to investment properties under construction	(16,620)	(9,374)	(48,296)
Loans granted	(2,876)	(10,617)	(47,408)
Advance on acquisition of subsidiary	-	(796)	(600)
Loans repaid	-	-	14,829
Release of restricted deposits	-	-	71,406
Net cash flows used in investing activities	(20,034)	(24,451)	(39,954)
Cash flows from financing activities:			
Accrued expenses on account of loan	-	(123)	(1,500)
Proceeds from short-term loans	11,003	-	-
Repayments from short-term borrowings	-	(765)	(12,433)
Proceeds from long-term borrowings from shareholders	19,069	-	7,991
Acquisition of minority	-	(757)	-
Net cash flows provided by (used in) financing activities	30,072	(1,645)	(5,942)
Increase (decrease) in cash and cash equivalents	4,288	(40,639)	(120,991)
Net foreign exchange differences on cash and cash equivalents	(5,316)	480	13,055
Cash and cash equivalents at beginning of period	9,822	117,758	117,758
Cash and cash equivalents at end of period	8,794	77,599	9,822

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

MIRLAND DEVELOPMENT CORPORATION PLC**NOTE 1:- GENERAL**

These interim consolidated financial statements have been prepared in a condensed format as of 31 March 2009 and for the three-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").

NOTE 2:- SEGMENTS

	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
	<u>Unaudited</u>		
	<u>U.S. dollars in thousands</u>		
Three months ended 31 March 2009:			
Segment revenues	<u>4,246</u>	<u>-</u>	<u>4,246</u>
Segment results	<u>19,378</u>	<u>(713)</u>	18,665
Unallocated expenses			(2,529)
Finance costs			(20,474)
Finance income			<u>1,790</u>
Loss before taxes on income			<u>(2,548)</u>
	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
	<u>Unaudited</u>		
	<u>U.S. dollars in thousands</u>		
Three months ended 31 March 2008:			
Segment revenues	<u>4,505</u>	<u>-</u>	<u>4,505</u>
Segment results	<u>(1,042)</u>	<u>(265)</u>	(1,307)
Unallocated expenses			(2,173)
Net finance income			10,228
Finance costs			(3,822)
Finance income			<u>14,050</u>
Profit before taxes on income			<u>6,748</u>

MIRLAND DEVELOPMENT CORPORATION PLC

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

NOTE 4:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

During the period, the Company received loans from main shareholders (companies owned by the Fishman group) of approximately \$ 19 million, repayable on 31 March 2010. Those loans bear an annual interest of 12%.
