18 November 2009

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

UNAUDITED INTERIM CONSOLIDATED REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

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

Highlights:

- Rental income and property management fees US$13.0 million (30 September 2008: US$15.3 million) with the reduction largely attributable to a decrease in occupancy levels and rents
- Loss before tax US$16.4 million (30 September 2008: loss US$37.1 million)
- Total assets valued at US$590.0 million (30 June 2009: US$550.8 million)
- The Company continues to have modest leverage at 38% of its assets amounting to US$226.7 million (31 December 2008: US$150.9 million). The increase during the period is mainly attributable to the loan for the Triumph Mall in Saratov and shareholder loans received which are enabling the Company to continue to develop its key portfolio assets

Operational Highlights:

- Triumph Mall, Saratov is on track to be completed during the first quarter of 2010. Pre leases and commercial term sheets have been signed for 82% of its lettable area
- Additional advances have been made in the construction of the first stage of "Western Residence", Perkhushkovo, comprising 77 houses, which are expected to be completed in the middle of 2010
- Triumph Park, St. Petersburg, underground work for phase 1 is on course
- The Board was pleased to announce that Roman Rozental, currently CFO of the Company, will be appointed as CEO with effect from 1 January 2011 following the retirement of the current CEO, Mr Moshe Morag on 31 December 2010.

Nigel Wright, Chairman, commented:

“Whilst we saw some improvement in macroeconomic indicators in Russia during the reporting period, we are yet still to see signs of a sustained recovery in the real estate market. It is too soon to forecast a thaw in financial market conditions but we remain cautiously optimistic for the long term.

“Nevertheless, we are pleased with the ongoing good progress of MirLand’s key development projects. This is well illustrated by the completion of our shopping mall in Saratov, which is expected to occur by the end of the first quarter 2010, and the high level of pre-lettings that have already been achieved there. In addition, we have recorded our first sales at the "Western Residence" in Perkhushkovo, which underpins our strategy of progressing projects to the income producing stage as quickly as is realistically achievable.

“We are also coming to the end of a successful programme of implementing cost reductions, and have taken all feasible steps to position the Company for future economic recovery including the assurance of the succession of our management team through the renewal of key senior management contracts and I am delighted that our present CFO Roman Rozental will become CEO at the end of 2010.”

For further information, please contact:

MirLand Development Corporation plc +7 499 130 31 09
Roman Rozental
roman@mirland-development.com

Financial Dynamics +44 20 7831 3113
Dido Laurimore / Rachel Drysdale
dido.laurimore@fd.com / rachel.drysdale@fd.com

In the third quarter, macroeconomic indicators in Russia began to show further signs of stabilisation following a recovery in oil and commodity prices, although they are still at significantly lower levels when compared to 2008. In light of ongoing uncertain market conditions, 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. The key elements are to:

- Maintain a diverse portfolio;
- Impose strict cash flow management;
- To reduce costs across the business; and
- Focus on active asset management.

The price of oil, one of the main factors influencing the Russian economy and the Rouble exchange rate has gradually recovered, increasing by almost 100% since December 2008. This has exerted a stabilising effect on the Rouble and means that the 2009 budget deficit is now expected to be lower than previously estimated. Although total GDP figures for the nine months to 30 September were negative, GDP actually grew in the third quarter for the first time since the beginning of the financial crisis and the rate of unemployment also improved during the period. Inflation during the first nine months of the year was lower compared to the same period last year, which led to the national bank of Russia’s decision to cut interest rates by 3.5% to 9.5% from the beginning of the year.

Whilst it is encouraging that we are witnessing improvements in the macroeconomic environment, these have not yet been reflected in Russia's real estate market, where transaction levels remain muted and valuations and occupier activity continue to be depressed. Low levels of demand across all asset classes and a lack of credit remain the principal issues facing the market and it seems that the real estate market recovery will be gradual. Nevertheless, the third quarter brought about a slight improvement in the volume of investment deals and a stabilisation of rental levels, although activity was weak in the office, retail and residential markets.

In this challenging environment, and in order to take full advantage of the market recovery, the Company continues to invest in, and progress, those of its key development projects that are in advanced stages of construction such as Triumph Mall in Saratov and Western Residence in Perkhushkovo, and to adjust the phasing and pace of development to the current market situation. The Company's focus remains on projects, such as the Triumph Park in St. Petersburg, which have the potential of generating cash in the near future.

Furthermore, in line with the Company's strategy of prudently managing cash flow, overheads and its debt position in order to advance key projects, its main shareholders have agreed to extend the terms of their US$22 million loan and interest accrued thereon, due for repayment on 31 March 2010, until 31 March 2011.

CONSOLIDATED BALANCE SHEETS

	30 September		31 December
	2009	2008	2008
	Unaudited		Audited
	U.S. dollars in thousands		
ASSETS			
NON-CURRENT ASSETS:			
Investment properties	153,510	211,866	163,987
Investment properties under construction	173,463	117,124	120,035
Inventories of land	22,052	-	-
Long-term loan	58,028	49,761	58,525
Advances on acquisition of subsidiaries	-	1,857	584
Deferred expenses	889	1,512	1,936
Long-term receivables	18,752	18,006	16,172
Financial derivative	1,567	1,952	719
Deferred taxes	3,277	3,323	4,246
Fixed assets, net	1,368	5,388	2,154
	432,906	410,789	368,358
CURRENT ASSETS:			
Inventories of land and buildings under construction	134,760	144,252	144,202
Trade and other receivables	7,143	12,471	7,566
Short-term loans	1,187	-	-
Cash and cash equivalents	13,961	45,286	9,822
	157,051	202,009	161,590
Total assets	589,957	612,798	529,948

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

CONSOLIDATED BALANCE SHEETS

	30 September 2009	30 September 2008	31 December 2008
	Unaudited	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	8,665	7,653	8,080
Retained earnings (accumulated deficit)	(28,993)	58,288	(8,202)
Currency translation reserve	(16,242)	8,599	(19,085)
Contribution from shareholders	2,747	1,718	579
	327,016	437,097	342,211
Minority interests	25	25	25
Total equity	327,041	437,122	342,236
NON-CURRENT LIABILITIES:			
Debentures, net	63,392	63,686	62,267
Long-term loans from banks	51,188	16,275	17,443
Long-term loans from shareholders	7,302	-	9,032
Other long-term liabilities	5,777	12,291	8,112
Deferred taxes	10,918	6,447	9,154
	138,577	98,699	106,008
CURRENT LIABILITIES:			
Accounts payable and accruals	17,657	15,720	17,032
Short-term loans from banks	71,762	59,210	62,196
Loans from shareholders	33,039	-	-
Income tax payable	1,881	2,047	2,476
	124,339	76,977	81,704
Total liabilities	262,916	175,676	187,712
Total equity and liabilities	589,957	612,798	529,948

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

CONSOLIDATED STATEMENTS OF INCOME

	Nine months ended 30 September		Year ended 31 December
	2009	2008	2008
	Unaudited		Audited
	U.S. dollars in thousands (except per share data)		
Revenues:			
Rental income from investment properties	11,115	13,563	17,949
Revenues from managing fees	1,865	1,742	2,411
Total revenues	12,980	15,305	20,360
Fair value adjustments of investment properties and investment properties under construction	(15,508)	(22,643)	(58,768)
Operating expenses	(5,105)	(5,849)	(7,291)
General and administrative expenses	(10,990)	(13,899)	(22,259)
Adjustment of provision to service providers	1,252	2,081	5,160
Other expenses	-	-	(6,186)
Finance costs	(4,562)	(20,372)	(44,725)
Finance income	5,516	8,240	9,883
Loss before taxes on income	(16,417)	(37,137)	(103,826)
Taxes on income	(4,374)	(1,204)	(1,005)
Loss for the period	(20,791)	(38,341)	(104,831)
Loss share (in U.S. dollars per share):			
Basic and diluted	(0.20)	(0.37)	(1.01)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine months ended 30 September		Year ended 31 December
	2009	2008	2008
	Unaudited		Audited
	U.S. dollars in thousands		
Loss for the period	(20,791)	(38,341)	(104,831)
Foreign currency translation adjustments	2,843	(552)	(28,236)
Total comprehensive loss	(17,948)	(38,893)	(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
	U.S. dollars in thousands								
Balance at 1 January 2009 (audited)	1,036	359,803	8,080	(8,202)	(19,085)	579	342,211	25	342,236
Total comprehensive income (loss)	-	-	-	(20,791)	2,843	-	(17,948)	-	(17,948)
Share-based payment	-	-	585	-	-	-	585	-	585
Shareholders' contribution	-	-	-	-	-	2,168	2,168	-	2,168
Balance at 30 September 2009 (unaudited)	1,036	359,803	8,665	(28,993)	(16,242)	2,747	327,016	25	327,041

	Attributable to equity holders of the Company								
	Share capital	Share premium	Employee equity benefits reserve	Retained earnings	Currency translation reserve	Shareholders' contributions	Total	Minority interests	Total equity
	U.S. dollars in thousands								
As of 1 January 2008 (audited)	1,036	359,803	6,199	96,629	9,151	-	472,818	25	472,843
Total comprehensive loss	-	-	-	(38,341)	(552)	-	(38,893)	-	(38,893)
Share-based payment	-	-	1,454	-	-	-	1,454	-	1,454
Shareholders’ contribution	-	-	-	-	-	1,718	1,718	-	1,718
As of 30 September 2008 (unaudited)	1,036	359,803	7,653	58,288	8,599	1,718	437,097	25	437,122

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	Retained earnings (accumulated deficit)	Currency translation reserve	Shareholders' contributions	Total	Minority interests	Total equity
	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)	1,036	359,803	8,080	(8,202)	(19,085)	579	342,211	25	342,236

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended 30 September		Year ended 31 December
	2009	2008	2008
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Loss before taxes on income	(16,417)	(37,137)	(103,826)
Adjustments for:			
Finance costs	4,562	20,372	44,725
Interest paid	(5,124)	(6,943)	(8,135)
Finance income	(5,516)	(8,240)	(9,883)
Interest received	4	3,101	3,156
Fair value adjustments of investment properties and investment properties under construction	15,508	22,643	58,768
Share-based payments	585	1,454	1,881
Addition to residential projects for sale under construction	(16,145)	(43,812)	(64,466)
Depreciation	269	466	343
Decrease (increase) in trade and other receivables	(2,511)	(11,047)	(2,674)
Impairment of investment property under construction	-	-	4,289
Increase (decrease) in accounts payable and accruals and in provision to service provider	(1,526)	4,985	1,380
Write-down of advance on account of acquisition of subsidiary	-	-	1,256
Income taxes paid	(650)	(1,670)	(1,909)
Net cash flows used in operating activities	(26,961)	(55,828)	(75,095)
Cash flows from investing activities:			
Additions to fixed assets	(66)	(510)	(679)
Proceeds from fixed assets	159	-	-
Additions to investment properties	(502)	(14,154)	(29,206)
Additions to investment properties under construction	(43,387)	(34,453)	(48,296)
Loans granted	(2,328)	(39,942)	(47,408)
Advance on acquisition of subsidiaries	-	(957)	(600)
Loans repaid	-	14,829	14,829
Release of restricted deposits	-	71,406	71,406
Deferred expenses	-	(364)	-
Net cash flows used in investing activities	(46,124)	(4,145)	(39,954)
Cash flows from financing activities:			
Accrued expenses on account of loan	-	(404)	(1,500)
Proceeds from short-term loans	13,800	-	-
Proceeds from long-term loans	36,000	-	-
Repayments from short-term borrowings	-	(14,990)	(12,433)
Proceeds from long-term borrowings from shareholders	23,091	-	7,991
Proceeds from short-term borrowings from shareholders	7,230		
Repayment of long-term borrowings from banks	(1,454)	-	-
Net cash flows provided by (used in) financing activities	78,667	(15,394)	(5,942)
Net increase (decrease) in cash and cash equivalents	5,582	(75,367)	(120,991)
Net foreign exchange differences on cash and cash equivalents	(1,443)	2,895	13,055
Cash and cash equivalents at beginning of period	9,822	117,758	117,758
Cash and cash equivalents at end of period	13,961	45,286	9,822

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 September 2009 and for the nine-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. For the nine months and three months ended 30 September 2009, the Company recorded a net loss of approximately $20 million and $3 million respectively, and had negative cash flows from operating activities of approximately $10 million and $13 million respectively (excluding cash outflows for additions to costs of construction of residential projects for sale of approximately $16 million and $1 million, respectively).

Based on management plans and as reflected in the Company's forecasted cash flows, the Company expects to finance its activities in 2010 among others by obtaining loans from banks in Russia which will be secured by properties which are presently unsecured with a fair value as of 30 September 2009 amounting to approximately $232 million, and by generating revenues from sales of building projects that are expected to be completed during 2010, as well as by the Company's operating cash flows.

In addition, the Company's short-term loans from banks amounting to approximately $71 million are secured by non-cancellable bank guarantees of the controlling shareholders until the full repayment of the loans.

Also, according to an amendment of an agreement dated 16 November, 2009 with the controlling shareholders of the Company, the repayment of the principal balance of loans due to the controlling shareholders amounting to $22 million and accrued interest thereon will be deferred to 31 March 2011.

The Company's policy is to continue construction of projects for which the Company is able to obtain the necessary construction financing from external sources.

Based on the above, management believes the Company will be able to meet all of its financial obligations.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the interim financial statements:

The interim condensed consolidated financial statements for the nine months ended 30 September 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:

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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, 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 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 1 January 2009 with a retrospective restatement of comparative figures.

IAS 40: Investment Property:

Pursuant to an amendment to IAS 40, investment property under construction or development for future use as an investment property will be classified as investment property if the fair value model is applied and it can be measured reliably. Investment property under construction will be measured at cost if fair value can not be measured reliably until such time as the fair value becomes reliably measurable or construction is completed, whichever comes earlier

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

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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.

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 1 January 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

	Commercial	Residential	Total
		Unaudited	
Nine months ended 30 September 2009:		U.S. dollars in thousands	
Segment revenues	12,980	-	12,980
Segment results	(8,676)	(1,250)	(9,926)
Unallocated expenses			(7,445)
Finance costs			(4,562)
Finance income			5,516
Loss before taxes on income			(16,417)

NOTE 3:- SEGMENTS (Cont.)

	Commercial	Residential	Total
		Unaudited	
Nine months ended 30 September 2008:		U.S. dollars in thousands	
Segment revenues	15,305	-	15,305
Segment results	(12,869)	(1,543)	(14,412)
Unallocated expenses			(10,593)
Finance costs			(20,372)
Finance income			8,240
Loss before taxes on income			(37,137)

	Commercial	Residential	Total
		Audited	
Year ended 31 December 2008:		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%. See also note 5 b.

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 (shareholders' contributions).

b. During the period, the Company received a loan from EBRD of approximately $ 36 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 approximately $ 21 million of the inventories as non-current assets.

NOTE 4:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD (Cont.)

d. During the period, the Company received loans from principal shareholders (companies owned by the Fishman Group) of approximately $ 7 million, repayable on 31 December 2010. These loans bear interest at an annual rate of 15%.

NOTE 5:- SIGNIFICANT SUBSEQUENT EVENTS

a. On 16 October 2009, the Board announced that Mr. Roman Rozental, who is currently the CFO of the Company will be appointed CEO with effect from 1 January 2011 and will continue to be employed as CFO of the Company until that time.

Mr. Morag's appointment as CEO of the Company has been extended until 31 December 2010. After that, it is intended that he will serve as a non-executive director for a further period of six months in order to ensure the Company will continue to benefit from his experience over that period.

On 16 October 2009, 1,122,995 share options have been granted to Mr. Morag, at an exercise price of 250 pence per share and exercisable until 19 December 2012. At the same time, Mr. Morag's existing share options, granted at the time of the Company's IPO, will be cancelled. Under the rules of the Company's share option scheme, shareholder consent is required to extend the life of the options beyond three months from Mr. Morag ceasing his anticipated non-executive directorship and accordingly it is expected that shareholder consent will be sought for this extension at the Company's next General Meeting which will be held in May 2010.

On 16 October 2009, 449,198 share options have been granted to Mr. Rozental, at an exercise price of 250 pence per share and exercisable until 19 December 2012. At the same time, Mr. Rozental's existing share options, again granted at the time of the Company's IPO, will be cancelled. It has also been agreed with Mr. Rozental, that on or before his appointment as CEO of the Company, he will be granted a further 673,797 share options. The exercise price for these options shall be equal to the aggregate of shareholder equity (as shown in the Company's consolidated balance sheet as at 30 June 2010) divided by the Company's fully diluted share capital, subject to such price not being less than the Company's share price as at the date of grant.

b. According to an amendment of an agreement dated 16 November, 2009 with the controlling shareholders of the Company, the repayment of the principal balance of loans due to the controlling shareholders amounting to $22 million and accrued interest thereon will be deferred to 31 March 2011.

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