18 August 2010

MIRLAND DEVELOPMENT CORPORATION PLC
("MirLand" / "Company")

UNAUDITED INTERIM CONSOLIDATED REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2010

MIRLAND CONTINUES TO GROW INCOME AS RUSSIAN ECONOMY STARTS TO IMPROVE

MirLand Development Corporation, one of the leading international residential and commercial property developers in Russia, today announces its interim results for the six months ended 30 June 2010.

Financial Highlights:

- Total assets as at 30 June 2010 were US$624.2m (31 Dec 2009: US$616.1m), of which 88% are property and land assets;
- Equity as of 30 June 2010 of US$319.1m (31 Dec 2009: US$319.2m), equating to 51% of total assets;
- Net income after tax of US$8.1m (30 June 2009: loss of US$18.1m);
- Rental income, income from residential sales and property management fees of US$9.6m (H1 2009: US$8.5m);
- Portfolio value* increased by 1.2% to US$696.3m (Company's share) (31 Dec 2009: US$687.8m) as a result of market stabilization, yield compression and further progress made on the portfolio;
- Adjusted NAV* of US$463.0m (31 Dec 2009: US$472.3m); decrease due to additional investments of USD$19.2m in portfolio assets ;
- On 9 August 2010, the Company successfully raised approximately US$53.2 million of debt through the issue of series C of debentures traded on the Tel-Aviv Stock Exchange.

Operational Highlights

- Triumph Mall, Saratov planned to open in Q4. MirLand continues to see strong demand from potential tenants. Pre-let agreements or letters of intent are now in place for approximately 97% of the lettable area (March 2010: 92%);
- To date, ten houses have been sold in the Western Residence project in Perkhushkovo and the construction of the first phase of 77 houses is expected to be completed during Q4;
- The Company completed the sale of its 50% share in the Techagrocom business park development for US$20m (US$18.5m net) resulting in a US$3.6m capital gain (The full consideration was received during the reporting period);
- Net investment activity totalled USD$19.2 million during the period, excluding net proceeds from sale of the Techagrocom project

*Valuation undertaken by Cushman & Wakefield as at 30 June 2010. The valuation report is available on the Company's website at www.mirland–development.com

Nigel Wright, Chairman, commented:

"Whilst we are encouraged by these results, business conditions in Russia remain testing. There are however signs in most real estate sectors that markets have bottomed out and are starting to improve. MirLand has a high quality portfolio of completed, income producing investment property and this will improve further following the opening of our new shopping mall in Saratov. In addition, our development pipeline should provide both competitive advantage and significant future benefit to shareholders as conditions continue to improve, barring further unforeseen market shocks."

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We are pleased to report MirLand's financial results for the half year ended 30 June 2010, during which time the Russian economy has continued to show signs of modest recovery from the financial and economic crisis. During the period, MirLand continued to implement measures to ensure the deliverability of the Company’s business plan and strategy, which include the following key elements:

- maximize returns from our existing diversified portfolio of assets;
- successfully complete those projects currently under construction;
- optimization and diversification of financial resources; and
- resume our pipeline projects according to the level and cost of available finance and market demand for the end product.

By adjusting operations to strictly focus on managing cashflow, the development of pipeline projects and completing the construction of final stage projects, and with continuing support from our principal shareholders, the Company has successfully navigated the recent crisis and is now more strongly positioned to capitalise on opportunities as the market continues its gradual recovery.

H1 OPERATIONAL UPDATE

- Triumph Mall:
    - The opening of the mall which was scheduled for June 2010 has been postponed until October to allow the Company to incorporate new fire safety measures imposed only recently by the Local Authorities.
    - MirLand has already signed pre-let agreements or letters of intent for approximately 97% of the lettable area (31 March 2010: 92%). Due to successful and intensive marketing activity, new agreements have recently been signed and the occupancy rate is expected to reach 98% of the GLA by the year end.
- To date, ten houses have been sold in the Western Residence project in Perkhushkovo. Unit prices have continued to increase throughout the year and the construction of the first phase of 77 houses is expected to be completed on schedule during Q4;
- The Company has completed the sale of Techagrocom-2, the joint venture company that owned land for the construction of a business park near Moscow. The consideration for Company's share (50%) was US$20 million (US$18.5 million net) realising approximately US$3.6 million of capital gain to the Company;
- On 20 March 2010, a fire broke out in one office building which constitutes a part of the MAG office complex in Moscow. The Company has a comprehensive insurance policy for the real estate properties it owns and, in accordance with the policy, the Company notified the insurance company about the fire. The Company is awaiting the report from the insurance company's appraiser with regard to the estimate for the damage caused to the office building, and the final conclusions of the investigation by the fire authorities regarding the causes of the fire. Following the fire, the Company appointed Cushman & Wakefield to

revalue the building, taking into consideration the damages that were caused. As a result, the Company recorded an impairment of value in respect to the fire in the amount of about US$7 million.

FINANCING

On 9 August 2010, following the period end, the Company successfully raised approximately US$53.2 million of debt by the issuance of series C of debentures (the “Bonds”) traded on the Tel-Aviv Stock Exchange, the proceeds of which will be applied for general working capital purposes. The Bonds are redeemable in five annual, equal and consecutive payments on 31 August 2012 to 2016 (inclusive). Interest is payable on the Bonds semi-annually, at an annual rate of 8.5% linked to the Israeli consumer price index. If the rating agencies downgrade the Bonds for any reason in the future, the interest rate will be increased by 0.5% per annum. The Bonds have received a rating of ilBBB from the Israeli affiliate of Standard & Poor's.

Furthermore, in June, the Company received net proceeds of approximately US$18.5 million from the completion of the sale of its share in Techagrocom business park development. The net proceeds of this sale, which included approximately US$3.6 million of capital gain, are being applied to the ongoing consolidation of the Company’s financial position.

To date, MirLand’s activities have been financed through a combination of equity capital raised during its IPO in December 2006, the proceeds of the previous corporate bond issue in Israel in December 2007, the line of credit backed by the Company’s main shareholders, project financing for the Vernissage and Triumph malls, shareholders' loans, and a corporate loan. During 2010, up until the date of this report, the Company received additional loans from its major shareholders totaling US$5 million.

The Company’s policy is to limit its leverage to 66% of the gross value of its assets, including all development, trading and investment properties and, as of 30 June 2010, its financial liabilities equated to 42% of its total assets and 48% of its property and land assets. However, despite recent improvements in the economic environment, financing markets remain difficult and the Company is continuing to take active measures aimed at diversifying its funding sources further, including building stronger relationships with national and international banks.

Residential projects are principally financed by equity as the financing market for these types of projects remains relatively immature in Russia. Accordingly, residential projects are typically constructed in phases, allowing the use of capital from pre-sales to finance ongoing development phases.

Wherever possible, MirLand seeks to acquire finance on a non-recourse basis to minimise risk. The Company is currently negotiating with several banks for financing portfolio projects.

FINANCIAL REVIEW

Financial Results

Total assets as at 30 June 2010 were US$624.2 million as compared to US$616.1 million as of 31 December 2009. Equity as of 30 June 2010 was US$319.1 million compared to US$319.2 million as of 31 December 2009.

MirLand's assets are externally valued semi-annually on 30 June and 31 December by Cushman & Wakefield Stiles & Riabokobylko ("Cushman & Wakefield"). Based on Cushman & Wakefield's valuation, as a result of market stabilization, yield compression and further investment by the Company during this period, MirLand recognized a positive fair value adjustment of investment properties and investment properties under construction of US$18.4 million as compared to a negative adjustment of US$8.6 million during H1 2009. The Company has completed the sale of Techagrocom and recorded a capital gain of approximately US$3.6 million during the period.

We strongly believe in the quality of the assets in which the Company has invested and that this portfolio will deliver an attractive yield to our investors over the long term as the market continues to recover.

Income Statement

Net income after tax in H1 2010 amounted to US$8.1 million compared to a loss of US$18.1 million in H1 2009. Over the period, rental income, income from the sale of residential units and property management fees amounted to US$9.6 million, up from US$8.5 million in H1 2009, an increase of 12%, which is mainly attributable to sales of additional houses in the Western Residence project in Perkhushkovo.

In accordance with IAS 40, the Company has revalued its investment properties and investment properties under construction for the financial period ending 30 June 2010 and has recognized the resulting movement in valuation through its income statement as fair value adjustments of investment properties and investment properties under construction. The fair value adjustment of US$18.4 million was based on the external and independent appraiser's valuation prepared by Cushman & Wakefield.

On 20 March 2010, a fire broke out in one building which is a part of the MAG office building complex located in Moscow. The valuation of the entire office building in the Company's financial statements as of 31 December 2009 was approximately US$23 million. Taking into consideration the damage, MirLand has recorded an impairment of value in respect to the fire of approximately US$7 million, which has been recorded in the 30 June 2010 financial statements. This is included in the fair value adjustment as described in the previous paragraph.

Cost of sales of houses in Perkhushkovo amounted to US$1.2 million during the period. The cost of maintenance and management of the Company which is included under property maintenance and management costs rose from US$3.0 million in H1 2009 to US$6.0 million in H1 2010, mainly due to fit-outs provided to key new tenants.

The Company's general, administrative and marketing expenses for the period reduced to US$7.4 million in comparison to US$7.7 million in the same period in 2009.

The net financing costs for the period amounted to US$6.2 million compared to US$5.3 million in the same period of 2009, mainly a result of devaluation of Russian Ruble against the USD (3.2% in H1).

Net income for H1 2010 was US$8.1 million, in comparison to net loss of US$18.1 million in H1 2009. This improvement is largely due to the increase in income, the fair value adjustments of investment properties and investment properties under construction and the capital gain from the sale of Techagrocom as explained above.

Balance Sheet

Total assets as at 30 June 2010 amounted to US$624.2 million in comparison to US$616.1 million in 31 December 2009, an increase of 1%. Property and land comprises 88% of the total assets of the Company (US$552.5 million) and cash amount to US$10.3 million.

Equity and Liabilities

Equity as at 30 June 2010 amounted to US$319.1 million in comparison to US$319.2 million in 31 December 2009. MirLand's equity comprises 51% of its total assets.

Financial liabilities as at 30 June 2010 amounted to US$210.8 million (excluding shareholders' loans) which was the same as 31 December 2009. Shareholders' loans increased during H12010 from US$45.0 million to US$53.0 million, including accrued interest. These loans were granted to MirLand from its main shareholder, the Fishman Group, in order to finance the current operations and development of the Company's assets. In addition, short term credit from banks amounting to US$69.6 million is guaranteed by the Company's main shareholders; therefore, the Company assumes that these loans will revolve if necessary. As at 30 June 2010 financial liabilities comprise 42% of MirLand's total assets.

In August 2010, the Company raised approximately US$52.3 million by issuing series C of debentures on the Tel-Aviv stock exchange which are to be redeemed in five equal, annual payments on 31 August each year starting in 2012 up until 2016 (inclusive). The proceeds of the Bonds will be applied for general working capital purposes.

Net Asset Value

The Company’s adjusted net asset value amounted to US$463.0 million in comparison to US$472.3 million as at December 2009, a decrease of 2%. MirLand's real estate assets, which are re-valued semi-annually, were appraised by an external and independent company, Cushman & Wakefield, in accordance with International Valuation Standards. As of June 2010, the portfolio as valued at US$779.0 million of which MirLand’s share is US$696.3 million, in comparison to its previous value of US$687.8 million in December 2009.

The valuation of each asset in MirLand's real estate portfolio at 30 June 2010 is set out in the following table:

City	Property Name	Market Value (thousands)	MirLand Share	MirLand Value (thousands)	Total m² of Land	Net Leasable/ Sellable Area m²
Moscow	Hydromashservice	$59,900	100%	$59,900	12,237	17,198
Moscow	MAG	$54,400	100%	$54,400	21,940	19,867
Moscow region	Perkhushkovo Western Residence	$85,500	100%	$85,500	225,300	65,629
Saratov	Triumph Mall	$94,900	100%	$94,900	22,000	27,396
Moscow	Skyscraper	$55,500	100%	$55,500	9,079	92,000
St. Petersburg	Triumph Park, Residential	$204,400	100%	$204,400	408,314	630,900
St. Petersburg	Triumph Park, Trade Centre	$16,500	100%	$16,500	81,663	96,000
Yaroslavl	Phase I: Vernissage Mall	$70,800	49%	$34,692	120,000	34,056
Yaroslavl	Phase II: Land Plot	$7,100	49%	$3,479	180,000	55,245
Moscow	Tamiz Building	$31,000	100%	$31,000	4,500	12,218
Moscow	Century Buildings	$87,600	50%	$44,676	5,800	21,581
Kazan	Triumph House	$7,800	100%	$7,800	22,000	31,479
Penza	Retail Centre	$2,500	100%	$2,500	52,790	18,024
Saratov	Logistics	$1,100	100%	$1,100	260,000	104,000
Total		$779,000		$696,347		

The full valuation report is published on the Company's website (www.mirland-development.com).

Cashflow

During H1 2010, the Company used US$23.1 million for investment in real estate properties in comparison with US$67.2 million in H12009. Cashflow used for operating activities amounted to US$17.1 million, of which US$5.0 million was used for the payment of interest and taxes. Cash flow provided by financing activities during the period amounted to US$3.8 million. Net proceeds from the sale of the Company's share in the Techagrocom joint venture amounted to US$18.5 million.

MARKET UPDATE

Russian Business Environment

The recovery already underway in the Russian economy continued throughout the first six months of the year following a 7.9% contraction in GDP in 2009. Macroeconomic indicators have exhibited positive trends with real GDP showing growth in H1 2010 of 4.2% (YoY), industrial production increasing sharply by 10.2% (YoY) and retail trade grew by 3.4% (YoY). Oil prices and exchange rates stabilised during the period and, together with a decreasing inflation rate, has supported a recovery in investor and consumer confidence which has also been buoyed by improving employment levels, which had hit record lows during the recession. These improved growth statistics are now resulting in upgrades in forecasts for the Russian economy over the coming years.

This more positive momentum was underlined when, in April, Russia resumed foreign borrowing for the first time since the 1998 financial crisis with a US$5.5 billion bond issue. The Finance Ministry raised this in five and ten year bonds at spreads just 125 and 135 basis points above U.S. government bonds with similar maturities, implying that the risk attributed to investment into Russia has decreased, and it is even lower than some countries in Western Europe.

As a result of the decelerating rate of inflation, which has stayed at just 4.4% since the beginning of the year (compared to 7.4% in the same period in 2009), the Russian Central Bank ("CBR") has reduced the refinancing rate from 13% in December 2008 to 7.75% in June 2010 in order to stimulate credit activity. The Ruble exchange rate has also stabilized during the period together with oil prices.

Improvements in macroeconomic indicators are gradually beginning to influence the real estate sector. Investment activity in the first six months increased and capitalisation rates started to compress followed by a noticeable increase in tenant and commercial occupier activity.

However, as the performance of the Russian economy relies heavily on oil prices that can be highly volatile and as the full outcome of recent events in Greece and other European countries is still unclear, it should be anticipated that the recovery will be gradual.

The Office Sector

The office market reached its trough at the end of 2009 and in the first six months of the year the sector started to show signs of recovery in Moscow as demand for office space increased due to tenants trying to take advantage of relatively low rental rates. Corporations have also largely completed redundancy programmes now and recruitment agencies have started to report growth in the number of positions available.

In the first half of the year, Russia's available office stock grew by an additional 340,000 sqm, reaching 11.1 million sqm. However, no new project starts have been announced and, after 2010, it is expected that the development pipeline will start to dry up.

Tenant demand in H1 2010 was significantly stronger, providing a solid base for the market recovery and the take up has reached the level seen in the "boom" years of 2007-2008. However, while demand has increased, the vacancy rate is still high at circa 16%, but has reduced significantly from the circa 25% where it stood at the end of 2009. Furthermore, Russia still suffers from some of the lowest office space per 1,000 inhabitants across Europe, indicating the market's potential as the country's economy recovers.

The Retail Sector

The positive fundamentals in the Russian economy stimulated an improvement in the retail sector in H1 2010 as demand increased, rental rates stabilized and vacancy rates declined. Moreover, retailer turnover grew in H1 2010 by 3.4%, compared to negative growth of 2.5% during the same period of 2009, and growth forecasts are positive for the rest of the year. The turnover growth has been reflected by an increase in the consumer confidence index (an improvement of 13% from the beginning of the year); together with growth in real disposable income.

Despite the projected 15% growth in total real estate retail stock by the end of the year, together with the new shopping centres opened during the first six months of the year, rental rates have remained stable but are expected to grow. The vacancy rate across the country is currently about 3% and this figure is expected to remain stable. As the Moscow shopping centre GLA per 1,000 inhabitants is still relatively low compared to main European cities, the great potential of this segment is yet to be fulfilled. Indeed some retailers, both international and domestic have already announced their intention to expand in Russia, however after almost 1.5 years elapsing with the announcement of no further new Grade A retail space developments, we expect there to be competition for high quality, well-located space in the future.

The Residential Sector

As the Russian economy continues to demonstrate positive trends, a slow revival in residential market activity is also being seen. Current demand is for completed, small apartments and houses. However, the demand for medium sized and luxury houses and apartments is also re-emerging.

Overall, the lack of mortgage financing at reasonable prices has been the main drag on potential demand. The mortgage market in Russia is still undeveloped with lending representing only 2% of GDP, while only 5%-10% of deals are financed through mortgages, and thus it has good potential for further growth. Following the CBR's cut of refinancing rates, together with the further development of a more transparent labour market, mortgage lending levels will inevitably rise, gradually increasing demand for residential property.

Average asking prices both in Moscow and St. Petersburg, were more or less stable in H1 2010 and are expected to remain so until the end of the year. The Russian residential market still suffers from very low stock of only 22 sqm per capita compared to the European average of 38 sqm, with the existing stock predominately being of poor quality. These indicators underline the great potential of this market.

The Logistics Sector

H1 2010 was characterized by a shortage in new supply as only 37,000 sqm of new space was introduced into the market, while approximately 360,000 sqm was absorbed in Moscow and 200,000 sqm in the regions. These trends reduced the vacancy rate to 8.9% in Moscow and it is forecast that vacancy rates will continue to decrease, however, rents remained stable during the period, a reflection of the economic environment.

Occupiers are showing growing interest in logistics space in the regions but demand remains predominantly focused on the Moscow region. Future development activity in the regions will be concentrated in areas where there is little or no good quality warehouse supply and where the development of complementary industries is expected.

Outlook

The Board remains focused on the delivery of the Company's business plan and, in light of improvements in the Russian macroeconomic environment, expects to dedicate resources to completing projects already under construction and commencing those where funding is in place to bring projects on stream as the gradual recovery continues. Together with this, we continue to intensify our efforts to improve our pre-sale and pre- letting activities. As in the past, we will move forward with the planning and design stages of our strategic projects, whilst acting to protect and enhance the strong income stream from our investment portfolio. Post the period end, we were very pleased to conclude the Bond issue which will provide us with additional working capital to support the development of our current pipeline of residential and commercial assets.

Whilst we are encouraged by these results, business conditions in Russia remain testing. There are however signs in most real estate sectors that markets have bottomed out and are starting to improve. MirLand has a high quality portfolio of completed, income producing investment property and this will improve further following the opening of our new shopping mall in Saratov. In addition, our development pipeline should provide both competitive advantage and significant future benefit to shareholders as conditions continue to improve, barring further unforeseen market shocks.

Nigel Wright	**Moshe Morag**
Chairman	**Chief Executive**
18 August 2010	**18 August 2010**

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2010	30 June 2009	31 December 2009
	Unaudited		Audited
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	10,337	7,991	20,971
Short-term loans	764	1,216	1,164
Trade receivables	486	808	655
Other receivables	4,611	1,274	1,890
VAT receivable	16,951	4,018	5,796
Inventories of buildings for sale	150,241	123,821	140,310
	183,390	139,128	170,786
NON-CURRENT ASSETS:			
VAT receivable	10,014	15,847	21,909
Investment properties	186,213	156,009	187,419
Investment properties under construction	194,755	154,624	185,043
Inventories of buildings for sale	21,271	21,206	21,939
Long-term loans	18,098	56,648	19,311
Financial derivative	-	684	1,675
Fixed assets, net	1,083	1,418	1,232
Deferred expenses	1,200	1,451	753
Deferred taxes	8,132	3,788	6,020
	440,766	411,675	445,301
TOTAL ASSETS	624,156	550,803	616,087

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

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June		31 December
	2010	2009	2009
	Unaudited		Audited
	U.S. dollars in thousands		
EQUITY AND LIABILITIES			
CURRENT LIABILITIES:			
Credit from banks	69,586	71,743	68,964
Current maturities of long-term loans from banks and debentures and other short-term loans	31,934	-	15,455
Loans from shareholders	47,816	31,813	20,672
Government authorities	2,284	2,592	2,475
Trade payables	6,639	10,822	11,584
Other accounts payable	8,189	7,945	7,003
	166,448	124,915	126,153
NON-CURRENT LIABILITIES:			
Loans from banks	56,939	30,071	74,077
Loans from shareholders	5,189	-	24,282
Debentures	52,323	62,259	52,345
Other non-current liabilities	5,180	6,800	5,082
Deferred taxes	18,973	9,872	14,947
	138,604	109,002	170,733
TOTAL LIABILITIES	305,052	233,917	296,886
Equity attributable to equity holders of the Parent:			
Issued capital	1,036	1,036	1,036
Share premium	359,803	359,803	359,803
Capital reserve for share-based payment transactions	9,974	8,468	9,974
Capital reserve for transactions with controlling shareholders	2,702	2,747	2,702
Foreign currency translation reserve	(31,398)	(28,932)	(23,153)
Accumulated deficit	(23,038)	(26,261)	(31,186)
	319,079	316,861	319,176
Non controlling interests	25	25	25
TOTAL EQUITY	319,104	316,886	319,201
TOTAL EQUITY AND LIABILITIES	624,156	550,803	616,087

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

INTERIM CONSOLIDATED STATEMENTS INCOME

	Six months ended 30 June		Year ended 31 December
	2010	2009	2009
	Unaudited		Audited
	U.S. dollars in thousands (except per share data)		
Revenues:			
Rental income from investment properties	6,917	7,208	14,754
Income from sale of inventories	1,089	-	-
Revenues from management fees	1,556	1,302	2,459
Total revenues	9,562	8,510	17,213
Cost of sales	(1,231)	-	-
Cost of maintenance and management	(5,962)	(3,004)	(7,438)
Gross profit	2,369	5,506	9,775
General, administrative and marketing expenses	(7,408)	(7,674)	(16,314)
Adjustment of provision to service provider	265	424	2,802
Fair value adjustments of investment properties and investment properties under construction	18,382	(8,605)	(16,463)
Other income (expenses), net	3,590	-	(698)
Operating income (loss)	17,198	(10,349)	(20,898)
Finance income	3,702	3,061	8,675
Finance costs	(9,890)	(8,316)	(5,653)
Income (loss) before taxes on income	11,010	(15,604)	(17,876)
Taxes on income	2,862	2,455	5,108
Net income (loss)	8,148	(18,059)	(22,984)
Net earnings (loss) per share (in U.S. dollars per share):			
Basic and diluted net earnings (loss)	0.078	(0.17)	(0.222)

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December
	2010	2009	2009
	Unaudited		Audited
	U.S. dollars in thousands		
Net income (loss)	8,148	(18,059)	(22,984)
Other comprehensive income (loss):			
Transfer of exchange differences to income statement for sale of subsidiary	815	-	-
Exchange differences on translation of foreign operations	(9,060)	(9,847)	(4,068)
Total comprehensive loss	(97)	(27,906)	(27,052)

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Parent								
	Share capital	Share premium	Capital reserve for share-based payment	Capital reserve for transactions with controlling shareholders	Foreign currency translation reserve	Accumulated deficit	Total	Non-controlling interests	Total Equity
	U.S. dollars in thousands								
Balance at 1 January 2010 (audited)	1,036	359,803	9,974	2,702	(23,153)	(31,186)	319,176	25	319,201
Total comprehensive income (loss)	-	-	-	-	(8,245)	8,148	(97)	-	(97)
Balance at 30 June 2010 (unaudited)	1,036	359,803	9,974	2,702	(31,398)	(23,038)	319,079	25	319,104

	Attributable to equity holders of the Parent								
	Share capital	Share premium	Capital reserve for share-based payment	Capital reserve for transactions with controlling shareholders	Foreign currency translation reserve	Accumulated deficit	Total	Non-controlling interests	Total Equity
	U.S. dollars in thousands								
Balance at 1 January 2009 (audited)	1,036	359,803	8,080	579	(19,085)	(8,202)	342,211	25	342,236
Total comprehensive loss	-	-	-	-	(9,847)	(18,059)	(27,906)	-	(27,906)
Share-based payment	-	-	388	-	-	-	388	-	388
Shareholders' contribution	-	-	-	2,168	-	-	2,168	-	2,168
Balance at 30 June 2009 (unaudited)	1,036	359,803	8,468	2,747	(28,932)	(26,261)	316,861	25	316,886

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Parent								
	Share capital	Share premium	Capital reserve for share-based payment transactions	Capital reserve for transactions with controlling shareholders	Foreign currency translation reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
	U.S. dollars in thousands								
Balance at 1 January 2009	1,036	359,803	8,080	579	(19,085)	(8,202)	342,211	25	342,236
Total comprehensive loss	-	-	-	-	(4,068)	(22,984)	(27,052)	-	(27,052)
Share-based payment transactions	-	-	1,894	-	-	-	1,894	-	1,894
Shareholders' contribution	-	-	-	2,123	-	-	2,123	-	2,123
Balance at 31 December 2009	1,036	359,803	9,974	2,702	(23,153)	(31,186)	319,176	25	319,201

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2010	2009	2009
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Net income (loss)	8,148	(18,059)	(22,984)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Deferred taxes, net	1,510	1,379	3,289
Depreciation and amortization	183	196	504
Finance costs (income), net	5,956	5,255	(2,066)
Share-based payment	-	388	1,894
Fair value adjustment of investment properties and investment properties under construction	(18,382)	8,605	16,463
Fair value adjustment of financial derivative	232	35	(956)
Gain from sale of consolidated subsidiary	(3,590)	-	-
	(14,091)	15,858	19,128
Changes in asset and liability items:			
Decrease (increase) in trade receivables	(3,092)	(470)	(317)
Decrease (increase) in VAT receivable	2,706	792	(6,466)
Increase in buildings for sale	(6,569)	(15,594)	(18,473)
Increase (decrease) in trade payables	(5,761)	79	284
Increase (decrease) in other accounts payable	50	6,712	(3,038)
	(12,666)	(8,481)	(28,010)
Cash paid and received during the period for:			
Interest paid	(4,814)	(2,120)	(8,030)
Interest received	1	242	236
Taxes paid	(218)	(520)	(1,736)
Taxes received	-	-	537
	(5,031)	(2,398)	(8,993)
Net cash flows used in operating activities	(23,640)	(13,080)	(40,859)

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2010	2009	2009
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from investing activities:			
Additions to investment properties	(3,061)	(579)	(1,902)
Additions to investment properties under construction	(13,519)	(36,959)	(49,684)
Purchase of fixed assets	(158)	(60)	(193)
Proceeds from the sale of fixed assets	54	157	556
Proceeds from the sale financial derivative	1,443	-	-
Proceeds from sale of consolidated subsidiary (1)	18,500	-	-
Proceeds from repayment of loans granted	2,645	-	-
Net cash flows provided by (used in) investing activities	5,904	(37,441)	(51,223)
Cash flows from financing activities:			
Short-term credit from banks and others, net	2,868	23,060	8,998
Receipt of long-term loans from shareholders	5,000	23,000	32,772
Receipt of long-term loans	-	-	68,332
Repayment of long-term loans	(4,084)	(861)	(3,895)
Deferred expenses on account of loan receipt	-	-	(1,364)
Net cash flows provided by financing activities	3,784	45,199	104,843
Increase (decrease) in cash and cash equivalents	(13,952)	(5,322)	12,761
Exchange differences on balances of cash and cash equivalents	3,318	3,491	(1,612)
Cash and cash equivalents at the beginning of the period	20,971	9,822	9,822
Cash and cash equivalents at the end of the period	10,337	7,991	20,971

(1) Proceeds from sale of consolidated subsidiary:			
Investment property under construction	15,545	-	-
Trade and other receivables	180	-	-
Foreign currency translation reserve	(815)	-	-
Gain from sale of consolidated subsidiary	3,590	-	-
	18,500	-	-

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 2010 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 2009 and for the year then ended ("annual financial statements").

b. For the six months ended 30 June 2010, the Company had negative cash flows from operating activities of approximately $ 17 million (excluding cash outflows for additions to costs of construction of residential projects for sale of approximately $ 6.6 million).

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 June 2010 amounting to approximately $ 145 million, and 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 short-term loans from banks amounting to approximately $ 70 million are secured by non-cancelable bank guarantees of the controlling shareholders until the full repayment of the loans.

In addition, the controlling shareholders provided loans to the Company of approximately $ 50 million that will be repaid since 31 December 2010. The Company believes that the loans repayment will be financed by the Company's operating cash flows and by obtaining finance from third parties.

Furthermore, after the balance sheet date, the Company has issued debentures in consideration of approximately $ 53.2 million (NIS 200 million). See also Note 5b.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the interim financial statements:

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for the interim periods, as prescribed in International Financial Reporting Standard IAS 34 ("Interim Financial Reporting"), and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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:

IFRS 3 (Revised) - Business Combinations and IAS 27 (Amended) - Consolidated and Separate Financial Statements:

IFRS 3 (Revised) and the amendments to IAS 27 ("the Standards") are effective for annual financial statements for periods beginning on 1 January 2010.

The principal changes expected to take place following the adoption of the Standards are:

- The definition of a business was broadened so that it contains also activities and assets that are not managed as a business as long as the seller is capable of operating them as a business.

- IFRS 3 currently prescribes that goodwill, as opposed to the acquiree's other identifiable assets and liabilities, will be measured as the excess of the cost of the acquisition over the acquirer's share in the fair value of the identifiable assets, net on the acquisition date. According to the Standards, non-controlling interests, including goodwill, can be measured either at fair value or at the proportionate share of the acquiree's fair value of net identifiable assets, this in respect of each business combination transaction measured separately.

- Contingent consideration in a business combination is measured at fair value and changes in the fair value of the contingent consideration, which do not represent adjustments to the acquisition cost in the measurement period, are not simultaneously recognized as goodwill adjustments. If the contingent consideration is classified as a liability it will be measured at fair value through profit or loss.

- Direct acquisition costs attributed to a business combination transaction are recognized in the statement of income as incurred as opposed to the previous requirement of carrying them as part of the consideration of the cost of the business combination, which has been removed.

- Subsequent measurement of a deferred tax asset for acquired temporary differences which did not meet the recognition criteria at acquisition date will be against profit or loss and not as adjustment to goodwill.

- A transaction with the non-controlling interests, whether a sale or an acquisition, will be accounted for as an equity transaction and will therefore not be recognized in the statement of income or have any effect on the amount of goodwill, respectively.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- A subsidiary's losses, even if resulting in a capital deficiency in a subsidiary, will be allocated between the parent company and non-controlling interests, even if the non-controlling has not guaranteed or has no contractual obligation for sustaining the subsidiary or of investing further amounts.

- On the loss or achievement of control of a subsidiary, the remaining investment, if any, will be revalued to fair value against gain or loss from the sale and this fair value will represent the cost basis for the purpose of subsequent treatment.

The revision was adopted as a prospective change on 1 January 2010.

The adoption of the Standard did not have any material effect on the presentation of consolidated financial statements.

IAS 36 - Impairment of Assets:

The amendment to IAS 36 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 was adopted as a prospective change on 1 January 2010.

The adoption of the Standard did not have any material effect on the presentation of consolidated financial statements.

IFRS 5 - Non-current Assets Held-for-Sale and Discontinued Operations:

According to the amendment to IFRS 5, when the parent decides to sell part of its interest in a subsidiary so that after the sale the parent retains a non-controlling interest, such as rights conferring to significant influence, all the assets and liabilities attributed to the subsidiary will be classified as held-for-sale if the relevant criteria of IFRS 5 are met, including the presentation as a discontinued operation. Further, an additional amendment specifies the disclosures required in respect of non-current assets (or disposal groups) that are classified as held-for-sale or discontinued operations. Pursuant to the amendment, only the disclosures required in IFRS 5 will be provided. Disclosures in other IFRSs apply to such assets only if they require specific disclosures in respect of non-current assets or disposal groups.

The amendment was adopted as a prospective change on 1 January 2010.

The adoption of the Standard did not have any material effect on the presentation of consolidated financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IFRIC 17 - Distributions of Non-cash Assets to Owners:

IFRIC 17 ("the Interpretation") provides guidance on how to account for a non-cash asset distribution to owners that are not controlling shareholders, including fixed assets, a business as defined in IFRS 3 and ownership interests in another entity. The Interpretation will be prospectively adopted starting from the financial statements for periods beginning on 1 January 2010. Earlier application is permitted.

According to the Interpretation, a liability to distribute is recognized when it is appropriately authorized by the entity. The liability is measured at the fair value of the asset to be distributed and carried directly to retained earnings in equity. At each balance sheet date, until the derecognition of the asset, the liability is measured at the fair value of the assets and the changes in fair value are carried to retained earnings. At the date of derecognition, a gain or loss is recognized in the statement of income in the amount of the difference between the amount of the liability and the carrying amount of the asset until the date of derecognition.

The interpretation was adopted as a prospective change on 1 January 2010.

The adoption of the interpretation did not have any material effect on the presentation of consolidated financial statements.

IAS 17 - Leases:

The amendment to IAS 17 ("the amendment") deals with the classification of land and buildings. Pursuant to the amendment, the specific criteria for classification of land were removed. Consequently, the requirement to classify a lease of land as an operating lease when title does not pass at the end of the lease no longer exists but the classification of a lease of land is examined by reference to the general guidance in IAS 17 which addresses the classification of a lease as finance or operating while taking into account that land, normally, has an indefinite economic life.

The amendment was adopted as a prospective change on 1 January 2010.

The adoption of the Standard did not have any material effect on the presentation of consolidated financial statements.

b. Early adoption of IFRS standards:

IFRS 3 - Business Combinations:

The amendments prescribed by the revised IFRS 3 are as follows:

Measurement of non-controlling interests:

The amendment limits the circumstances in which it is possible to choose the measurement of non-controlling interests based on their fair value on the date of acquisition or at the present ownership instruments' share in the recognized amounts of the acquiree's identifiable net assets. According to the amendment, this possibility is only available for types of non-

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

controlling interests that entitle their holders to present ownership interests and a proportionate share to the entity's net assets in the event of liquidation (usually shares). In contrast, other types of non-controlling interests (such as options that represent equity instruments in the acquiree) do not allow such choice and must be measured at fair value on the acquisition date, unless another measurement basis is required by IFRSs such as in IFRS 2.

Share-based payment awards in a business combination:

The amendment elaborates the accounting treatment of a business combination that refers to the exchange of the acquiree's share-based payment transactions (whether it is obligated or chooses to exchange them) with the acquirer's share-based payment transactions. Accordingly, the acquirer must allocate a value on the acquisition date and an expense in the period following the acquisition date. However, if the award expires as a result of the business combination and is exchanged for a new award, the value of the new award in accordance with IFRS 2 will be recognized as an expense in the period following the acquisition date and will not be included in the purchase price. Furthermore, if share-based payment awards are not exchanged, then, if the instruments have vested, they will form part of the non-controlling interests and are measured pursuant to the provisions of IFRS 2. If the instruments have not vested, they will be measured at the value that would have been used had they been re-granted on the acquisition date whereby this amount is allocated between the non-controlling interests and the post-acquisition expense.

c. Standards issued but not yet applied:

IFRS 7 - Financial Instruments: Disclosure:

The amendment to IFRS 7 clarifies the disclosure requirements prescribed by the Standard. The Standard highlights the connection between the quantitative and qualitative disclosures and the nature and scope of the risks arising from financial instruments. The disclosure requirements regarding securities held by the company have been minimized and the disclosure requirements regarding credit risk have been revised. The amendment will be adopted retrospectively in the financial statements for periods starting from 1 January 2011. Early adoption is possible.

IAS 34 - Interim Financial Reporting:

Pursuant to the amendment to IAS 34, new disclosure requirements were introduced to interim financial reporting regarding the circumstances that are likely to affect the fair value of financial instruments and their classification, the transfers of financial instruments between different fair value levels, changes in the classification of financial assets and changes in contingent liabilities and contingent assets. The amendment will be adopted retrospectively in the financial statements for periods starting from 1 January 2011. Early adoption is possible.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The required disclosures will be included in the Company's financial statements.

IAS 1 - Presentation of Financial Statements:

According to the amendment to IAS 1, the changes between the opening and the closing balances of each other comprehensive income component may be presented in the statement of changes in equity or in the notes accompanying the annual financial statements. The amendment will be adopted retrospectively in the financial statements for periods starting from 1 January 2011. Early adoption is possible.

The amendment is not expected to have a material effect on the Company's financial statements.

NOTE 3:- OPERATING SEGMENTS

	Commercial	Residential	Total
		Unaudited	
Six months ended 30 June 2010:		U.S. dollars in thousands	
Segment revenues	8,473	1,089	9,562
Segment results	19,944	(812)	19,132
Unallocated expenses			(1,934)
Finance costs			(9,890)
Finance income			3,702
Profit before taxes on income			11,010

NOTE 3:- OPERATING SEGMENTS (Cont.)

	Commercial	Residential	Total
		Unaudited	
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			(15,604)

	Commercial	Residential	Total
		Audited	
Year ended 31 December 2009:		U.S. dollars in thousands	
Segment revenues	17,213	-	17,213
Segment results	(7,384)	(1,521)	(8,905)
Unallocated expenses			(11,993)
Net finance income (costs)			3,022
Loss before income tax			(17,876)

NOTE 4:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

a. On 20 March 2010, a fire broke out in an office building which is owned by a subsidiary of the Company and leased to third parties ("the Office Building"). The Office Building constitutes a part of the "MAG" building complex located in the northern area of Moscow (the "MAG" Project). The value of the Office Building as presented in the Company's financial statements as of 31 December 2009, is approximately $ 23 million.

In accordance with the Company's insurance policy for the real estate properties it owns (including the Office Building), the Company has notified the insurance company about the fire. As of the date of the financial statements, the appraiser acting on behalf of the insurance company has not completed his report estimating the damages caused by the fire. In addition, the investigation being conducted by the firefighting authority regarding the circumstances that caused the fire has yet to be completed.

Following the fire, the Company engaged the services of an independent appraiser to determine the value of the Office Building, taking into consideration the damages that were caused. In accordance with such

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

evaluation, the Company has recorded in its financial statements as of 30 June 2010, an impairment of value of the Office Building in the amount of approximately $ 7 million which it entered into the "decrease (increase) of fair value of investment real estate under construction" item.

The MAG project is pledged in favor of the bank to secure a loan extended to the Company by the bank, the balance for which as of 30 June 2010 amounts to approximately $ 14.3 million. As of 30 June 2010, the Company is complying with the financial covenants agreed upon between the Company and the bank.

b. On 15 March 2010, the repayment of a loan from the Company's shareholders in the amount of $ 9 million, as well as the accrued interest, was deferred to 31 March 2011, with terms identical to those in the appendix to the agreement dated 16 November 2009, as detailed in Note 15b to the Company's financial statements as of 31 December 2009.

c. During the period, the Company was extended loans by its major shareholders in an amount aggregating to $ 5 million, which mature on 15 April 2012, bearing interest at a rate of 15%, which is in accordance with the loan framework agreement entered into on 17 May 2010.

d. On 3 June 2010, the Company completed the sale of Techagrocom-2, a joint venture company which owns a business park development in Russia. Consideration for the Company's share (50%) was $ 20 million gross, $ 18.5 million net of transaction costs. As a result, the Company has recorded approximately $ 3.6 million capital gain in the financial statements as of 30 June 2010.

NOTE 5:- SUBSEQUENT EVENTS

On 8 August 2010, the Company published a Shelf Offering Report in Israel according to which it raised approximately $ 53.2 million by issuance of New Israeli Shekel ("NIS") 200,000,000 C Series bonds (the "Bonds") to the public in Israel.

The Bonds are registered for trading on the Tel Aviv Stock Exchange.

The Bonds are to be redeemed in five annual, equal and consecutive payments on 31 August 2012 to 2016 (inclusive). Interest is payable on the Bonds, in semi-annual payments, at the annual rate of 8.5% linked to the Israeli Consumer Price Index. In the event of any downgrading of the rating of the Bonds, the interest rate will be increased by 0.5%.