

18 May 2011

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

UNAUDITED INTERIM CONSOLIDATED REPORT FOR THE
THREE MONTHS ENDED 31 MARCH 2011

***MIRLAND CONTINUES TO GROW INCOME AS RUSSIAN ECONOMY MAINTAINS GRADUAL
RECOVERY***

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 2011.

Financial Highlights:

- Total assets as at 31 March 2011 have increased to US\$758.8m (31 Dec 2010: US\$704.5m), of which 88% are property and land assets;
- Total comprehensive income increased to US\$21.7m for three months ended 31 March 2011 (three months ended 31 March 2010: US\$17.4m);
- Total revenues have increased to US\$9.8m (three months ended 31 March 2010: US\$5.0m) due to improved occupancy rates, the opening of the Triumph Mall in Saratov, and further house sales at the Western Residence project in Perkhushkovo;
- Net loss of US\$3.5m for three months ended 31 March 2011 (three months ended 31 March 2010: profit of US\$5.6m) mainly attributable to appreciation of the Rouble against the US\$ which resulted in depreciation of the value of certain commercial assets;
- Shareholders' equity increased to US\$362.9m on 31 March 2011, equating to 48% of total assets (31 December 2010: US\$341.0m);
- Strong progress in financing activity during the period:
 - During February the Company refinanced two loan facilities totaling approximately US\$43.1m with two leading Russian banks;
 - The Company also successfully raised approximately US\$47.0m of debt through the issue of series C debentures, the conversion of series 2 and 3 warrants into series C and D bonds respectively, and from the sale of series D bonds to third parties by a subsidiary company.

Operational Highlights

- Occupancy rates increased to almost 100% at the Vernissage Mall in Yaroslavl and the Triumph Mall in Saratov with both assets experiencing high footfall;
- Occupancy rates in Hydro, MAG and Century office buildings increased to an average of 97% (of available lettable space);
- Tamiz building is due to open in Q3 2011. Pre-let agreements or letters of intent are now in place for approximately 85% of the lettable area;
- To date 18 houses have been sold in the Western Residence project in Perkhushkovo. Construction of the first phase of 77 houses is now complete;

- MirLand completed the acquisition of a leasehold interest in a 40.6 hectares site designated for the development of a logistics centre of up to 180,000 sqm in Novosibirsk for a total consideration of US\$2.2m.

Nigel Wright, Chairman, commented:

“Following two years of testing market conditions we are pleased to report encouraging improvements within the Russian economy, the real estate sub-sector and our own business. Rising Oil prices provided a fillip to both GDP growth and government revenues whilst MirLand has benefited from improving rental demand and early stage yield compression.

“Given the generally more positive economic outlook and the near 100% occupancy rate in our completed developments we continue to seek new opportunities to enhance shareholder value by bringing forward our pipeline projects and cautiously seeking new acquisitions. The availability of domestic bank finance, a critical factor in all real estate businesses, appears also to be easing slightly and although there remain some concerns regarding continuing oil price volatility together with other external factors, we remain moderately optimistic for the coming period.”

-ENDS-

For further information, please contact:

MirLand Development Corporation plc
Roman Rozental
roman@mirland-development.com

+7 499 130 31 09

Financial Dynamics
Dido Laurimore / Will Henderson
dido.laurimore@fd.com / will.henderson@fd.com

+44 20 7831 3113

We are pleased to report MirLand's financial results for the three months ended 31 March 2011. During the period the Russian economy continued its gradual recovery from the financial crisis, and the Board of MirLand continued to implement measures to successfully deliver on the Company's business plan and strategy, which include the following key goals:

- to maximize returns from our existing diversified portfolio of assets;
- to successfully complete those projects currently under construction; and
- to resume our pipeline projects in light of both cost and availability of funding and market demand.

In addition, due to improving market conditions and the growing availability of financial sources, MirLand has started to exploit opportunities for new investments, as we believe that there are currently a number of attractive deals available in the market.

FINANCING

In February, the Group refinanced two loan facilities totaling approximately US\$43.1 million. This refinancing, undertaken by two leading Russian banks comprised:

1. The renewal on improved terms of an existing loan facility with GazpromBank secured by the Vernissage Mall in Yaroslavl at a reduced interest rate. The loan has been renewed for a five year term, with the option of a two year extension.
2. The financing by Sberbank of an office building in Moscow, forming part of our Century Buildings project. The loan of US\$14.0 million is repayable over a period of seven years.

On 23 February 2011 the Company published a Shelf Offering Report in Israel based on a Shelf prospectus that was published on 31 May 2010 as was amended on 27 July 2010. Based on the Shelf Offering Report, the Company raised approximately US\$17 million by the issuance of New Israeli Shekel series C bonds and series 2 warrants to institutional and public investors in Israel. The Bonds are to be repaid in five annual, equal and consecutive payments on 31 August 2012 to 2016 (inclusive). Interest is payable on the series C Bonds, in semi-annual payments, at the annual rate of 8.5% linked to the Israeli Consumer Price Index. The bonds are registered for trading on the Tel-Aviv Stock Exchange.

During the period warrants series 2 and 3 were exercised into bonds series C and D, respectively, for a total additional consideration of approximately US\$19 million. In addition, during the period a subsidiary company sold to third parties series D bonds, which were acquired by it during December 2010, for a total consideration of approximately US\$11 million. Post the balance sheet date, the subsidiary company sold to third parties series D bonds, which were acquired by it during December 2010, for a total additional consideration of approximately US\$7 million.

During the period the Company repaid approximately US\$17.5 million of shareholders' loans which fell due during the period.

As a result of the improvement in the market conditions in Russia the Company is continuing to take active measures aimed at diversifying its funding sources in order to finance its continuing development activities, as well as potential new acquisitions. The Company continues to have modest leverage at 42% of assets. Total borrowings (including shareholder loans of US\$26.4m) amounted to US\$319.9m (31 December 2010: 43%; US\$306.6m).

OPERATIONAL UPDATE

- **Triumph Mall, Saratov:** the shopping centre was opened on 15 December 2010. The occupancy rate is 99% and since opening, the centre has enjoyed high footfall of circa 415,000 visitors per month on average
- **Vernissage Mall, Yaroslavl:** the occupancy rate in the shopping centre has increased to 100%. The Shopping centre has also enjoyed high footfall of circa 315,000 visitors per month on average
- **Western Residence project in Perkhushkovo:** to date, 18 houses have been sold. Unit prices have continued to increase throughout the first quarter and the construction of the first phase of 77 houses has been completed.
- **Hydro, MAG and Century office buildings:** the average occupancy rate increased to over 97%
- **Tamiz office building:** the construction of the building is finished and fit out works for tenants are in progress. The building is 85% pre-leased and is expected to start produce income in the third quarter of this year
- **Triumph Park, St. Petersburg:** against improving market conditions MirLand continues to build out the first sub-phase of 510 apartments
- **Novosibirsk Logistics Centre:** in January 2011, MirLand completed the acquisition of the leasehold rights to a 40.6 hectares site designated for the development of a logistics centre of up to 180,000 sqm in Novosibirsk, for a total consideration of US\$2.2 million.

MARKET UPDATE

The post crisis recovery of the Russian economy continued in the first quarter of the year. With increasing oil prices and the implementation of government fiscal adjustments, the budget deficit is expected to total only 0.7% of GDP in 2011, while GDP growth is expected to grow by 4.2%. However, inflation accelerated, increasing to 3.8% during the period, causing the Central Bank to increase the refinancing rate twice to its current level of 8.25%. In addition, during the first quarter the Rouble appreciated by 7% against the US dollar.

Other macroeconomic indicators in the first quarter include growth of 4.7% year on year in retail sales, increased industrial production of 5.9%, growth in export levels and a decrease in the unemployment level to 7.1%. However, there was also a decrease of 2.9% year on year in real disposable income.

Favourable trends in macroeconomic indicators are gradually influencing the real estate sector. Prime yields continue to compress especially in the retail sector (0.5% in the first quarter), and investments, which were made solely by local players, totalled approximately US\$1bn in the first quarter, more than double the level of 2010.

The office sector experienced growing demand, increased rental rates and a decrease in vacancy levels. Also demand for retail space continues to grow, vacancy rates are decreasing and rental rates are showing gradual growth. Because of these improvements several new retailers have announced their intention to enter the Russian market and existing chains have expressed growing interest in regional expansion. The warehouse market experienced growth in rental rates and low vacancy rates especially in Moscow region, while in the regions, the market remains static despite low availability of good quality product.

As a result of improvements in the macro environment, the residential market stabilized in the first quarter. House prices were marginally positive both in Moscow and St. Petersburg, and the mortgage market remains the key driver in this sector.

However, as the performance of the Russian economy relies heavily on commodity prices, which can be highly volatile, we anticipate that the overall recovery will be gradual.

OUTLOOK

The Board remains focused on the delivery of the Company's business plan and, in light of improvements in the Russian economy, intends to continue to dedicate resources to completing projects under construction and commencing those where funding is in place. This will bring projects on stream into a recovering market. Furthermore, current market conditions should create good opportunities for new investments. The Board is willing to examine the merit of any such opportunities as and when they arise, given the availability of appropriate financial resources.

MirLand has a high quality portfolio of completed, income producing investment property. 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

Roman Rozental

Chairman
18 March 2011

Chief Executive
18 March 2011

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 March		31 December
	2011	2010	2010
	Unaudited		Audited
U.S. dollars in thousands			
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	35,542	13,309	10,974
Short-term loans	816	1,191	796
Trade receivables	1,394	708	905
Other receivables	2,652	4,825	2,116
VAT receivable	31,604	*) 15,560	31,014
Inventories of buildings for sale	193,945	147,423	178,338
	265,953	183,016	224,143
NON-CURRENT ASSETS:			
Long-term receivables	3,170	-	2,219
Investment properties	311,807	*) 184,952	*) 306,257
Investment properties under construction	131,344	*) 209,099	*) 121,364
Inventories of buildings for sale	32,525	22,597	30,483
Long-term loans	10,802	19,701	17,393
Fixed assets, net	1,451	1,403	1,422
VAT receivables	204	*) 12,942	-
Deferred expenses	1,230	1,212	1,207
Deferred taxes	353	*) -	*) -
	492,886	451,906	480,345
TOTAL ASSETS	758,839	634,922	704,488

*) Reclassified. See Note 2b.

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

	31 March		31 December
	2011	2010	2010
	Unaudited		Audited
U.S. dollars in thousands			
EQUITY AND LIABILITIES			
CURRENT LIABILITIES:			
Credit from banks	70,013	69,579	69,845
Current maturities of long-term loans from banks and debentures	20,888	30,304	18,280
Loans from shareholders	20,612	46,096	39,298
Government authorities	3,021	2,400	2,221
Trade payables	11,563	8,533	14,768
Deposits from tenants	4,265	3,834	4,534
Advances from buyers	7,538	1,758	7,587

Other accounts payable	1,949	3,672	1,128
	<u>139,849</u>	<u>166,176</u>	<u>157,661</u>
NON-CURRENT LIABILITIES:			
Loans from banks	71,345	57,614	67,589
Loans from shareholders	5,772	4,118	5,567
Debentures	166,802	53,039	117,044
Other non-current liabilities	5,644	6,940	5,489
Deferred taxes	6,514	*) 10,456	*) 10,115
	<u>256,077</u>	<u>132,167</u>	<u>205,804</u>
TOTAL LIABILITIES	<u>395,926</u>	<u>298,343</u>	<u>363,465</u>
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	10,781	9,974	10,579
Capital reserve for transactions with controlling shareholders	3,207	2,702	3,207
Foreign currency translation reserve	(435)	(11,392)	(25,596)
Accumulated deficit	(11,479)	(25,569)	(8,006)
	<u>362,913</u>	<u>336,554</u>	<u>341,023</u>
Non controlling interests	-	25	-
TOTAL EQUITY	<u>362,913</u>	<u>336,579</u>	<u>341,023</u>
TOTAL EQUITY AND LIABILITIES	<u><u>758,839</u></u>	<u><u>634,922</u></u>	<u><u>704,488</u></u>

*) Reclassified. See Note 2b.

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

INTERIM CONSOLIDATED INCOME STATEMENTS

	Three months ended 31 March		Year ended 31 December
	2011	2010	2010
	Unaudited		Audited
	U.S. dollars in thousands (except per share data)		
Rental income from investment properties	7,868	3,773	17,239
Income from sale of inventories	912	503	1,078
Revenues from managing fees	996	754	3,267
Total revenues	9,776	5,030	21,584
Cost of sales	(1,046)	(637)	(1,370)
Cost of maintenance and management	(3,479)	(2,639)	(10,356)
Gross profit	5,251	1,754	9,858
General, administrative and marketing expenses	(5,057)	(3,578)	(16,175)
Fair value adjustments of investment properties and investment properties under construction, net	(19,755)	*) 4,559	*) 29,822
Other income (expenses), net	702	(669)	2,973
Operating income (loss)	(18,859)	2,066	26,478
Finance income	704	2,327	5,234
Finance costs	(6,061)	(1,478)	(5,233)
Net foreign exchange differences	16,662	4,539	(839)
Profit (loss) before taxes on income	(7,554)	7,454	25,640
Taxes on income (tax benefit)	(4,081)	*) 1,837	*) 2,485
Net income (loss)	(3,473)	5,617	23,155
Basic and diluted net earnings (loss)	(0.03)	0.05	0.22

*) Reclassified. See Note 2b.

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended		Year ended
	31 March		31 December
	2011	2010	2010
	Unaudited		Audited
	U.S. dollars in thousands		
Net income (loss)	<u>(3,473)</u>	<u>5,617</u>	<u>23,155</u>
Other comprehensive income (loss) (net of tax effect)			
Transfer of translation reserve to income statement as a result of sale of jointly controlled entity	-	-	815
Exchange differences on translation of foreign operations	<u>25,161</u>	<u>11,761</u>	<u>(3,258)</u>
Total other comprehensive income (loss)	<u>25,161</u>	<u>11,761</u>	<u>(2,443)</u>
Total comprehensive income	<u>21,688</u>	<u>17,378</u>	<u>20,712</u>

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	Currency translation reserve	Accumulated Deficit	Total
	U.S. dollars in thousands						
<u>At 1 January 2011</u> (audited)	1,036	359,803	10,579	3,207	(25,596)	(8,006)	341,023
Net loss for the period	-	-	-	-	-	(3,473)	(3,473)
Other comprehensive income	-	-	-	-	25,161	-	25,161
Total comprehensive income (loss), net	-	-	-	-	25,161	(3,473)	21,688
Share-based payment transactions	-	-	202	-	-	-	202
<u>At 31 March 2011</u> (unaudited)	<u>1,036</u>	<u>359,803</u>	<u>10,781</u>	<u>3,207</u>	<u>(435)</u>	<u>(11,479)</u>	<u>362,913</u>

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 Company								
	Share capital	Share premium	Capital reserve for share-based payment	Accumulated deficit	Currency translation reserve	Capital reserve for transactions with controlling shareholders	Total	Non-controlling interests	Total equity
	U.S. dollars in thousands								
<u>At 1 January 2010</u> (audited)	1,036	359,803	9,974	(31,186)	(23,153)	2,702	319,176	25	319,201
Net income for the period	-	-	-	5,617	-	-	5,617	-	5,617
Other comprehensive income	-	-	-	-	11,761	-	11,761	-	11,761
Total comprehensive income, net	-	-	-	5,617	11,761	-	17,378	-	17,378
<u>At 31 March 2010</u> (unaudited)	<u>1,036</u>	<u>359,803</u>	<u>9,974</u>	<u>(25,569)</u>	<u>(11,392)</u>	<u>2,702</u>	<u>336,554</u>	<u>25</u>	<u>336,579</u>

	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	Currency translation reserve	Retained earnings (accumulated deficit)	Total	Non-controlling interests	Total equity
	U.S. dollars in thousands								
<u>At 1 January 2010</u>	1,036	359,803	9,974	2,702	(23,153)	(31,186)	319,176	25	319,201
Net income (loss) for the year	-	-	-	-	-	23,180	23,180	(25)	23,155
Other comprehensive loss	-	-	-	-	(2,443)	-	(2,443)	-	(2,443)
Total comprehensive income (loss), net	-	-	-	-	(2,443)	23,180	20,737	(25)	20,712
Share-based payment transactions	-	-	605	-	-	-	605	-	605
Equity component of transaction with controlling shareholders	-	-	-	505	-	-	505	-	505
<u>At 31 December 2010</u>	<u>1,036</u>	<u>359,803</u>	<u>10,579</u>	<u>3,207</u>	<u>(25,596)</u>	<u>(8,006)</u>	<u>341,023</u>	<u>-</u>	<u>341,023</u>

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended 31 March		Year ended 31 December
	2011	2010	2010
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Cash flows from operating activities:</u>			
Net income (loss)	(3,473)	5,617	23,155
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Deferred taxes, net	(4,587)	1,598	1,610
Depreciation and amortization	121	107	610
Finance costs (income), net	(11,305)	(5,620)	606
Share-based payment	202	-	605
Fair value adjustment of investment properties and investment properties under construction	19,755	(4,559)	(29,822)
Fair value adjustment and loss from sale of financial derivative	-	232	232
Gain from sale of jointly controlled entity	-	-	(3,159)
	4,186	(8,242)	(29,318)
Changes in asset and liability items:			
Increase in trade receivables	(1,760)	(33)	(256)
Decrease (increase) in VAT receivable and others	1,405	(2,794)	(2,729)
Increase in buildings for sale	(3,555)	(1,061)	(25,990)
Decrease in trade payables	-	(3,339)	-
Increase in other accounts payable	323	2,986	6,726
	(3,587)	(4,241)	(22,249)
Cash paid and received during the period for:			
Interest paid	(6,802)	(2,245)	(11,647)
Interest received	15	1	86
Taxes paid	(45)	(60)	(218)
	(6,832)	(2,304)	(11,779)
Net cash flows used in operating activities	(9,706)	(9,170)	(40,191)

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

	Three months ended 31 March		Year ended 31 December
	2011	2010	2010
	Unaudited		Audited

U.S. dollars in thousands

Cash flows from investing activities:

Additions to investment properties	(5,698)	(24)	(15,281)
Additions to investment properties under construction	(2,507)	(5,256)	(24,196)
Purchase of fixed assets	(141)	(65)	(872)
Proceeds from the sale of fixed assets	-	2	33
Proceeds from sale of jointly controlled entity (1)	-	-	18,069
Proceeds from repayment of loans granted	6,860	-	3,398
	<hr/>	<hr/>	<hr/>
Net cash flows used in investing activities	(1,486)	(5,343)	(18,849)

Cash flows from financing activities:

Issuance of debentures, net	46,985	-	70,024
Repayment of debentures	-	-	(10,823)
Short-term credit from banks and others, net	7,142	-	2,868
Receipt of loans from shareholders	-	4,118	5,000
Repayment of loans from shareholders	(17,504)	-	(10,000)
Repayment of other loans	-	-	(1,837)
Repayment of loans from banks	(1,755)	(1,477)	(5,900)
Proceeds from sale of financial derivative	-	1,443	1,443
	<hr/>	<hr/>	<hr/>
Net cash flows provided by financing activities	34,868	4,084	50,775

Exchange differences on balances of cash and cash equivalents	892	2,767	(1,732)
	<hr/>	<hr/>	<hr/>

Increase (decrease) in cash and cash equivalents	24,568	(7,662)	(9,997)
Cash and cash equivalents at the beginning of the period	10,974	20,971	20,971
	<hr/>	<hr/>	<hr/>

Cash and cash equivalents at the end of the period	35,542	13,309	10,974
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(1) Proceeds from sale of jointly controlled entity:

Investment property under construction	-	-	15,545
Trade and other receivables	-	-	180
Foreign currency translation reserve	-	-	(815)
Gain from sale of jointly controlled entity, net	-	-	3,159
	<hr/>	<hr/>	<hr/>
	-	-	18,069
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

- a. These interim consolidated financial statements have been prepared in a condensed format as of 31 March 2011 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 2010 and for the year then ended ("annual financial statements").
- b. For the three months ended 31 March 2011, the Company recorded a net loss of approximately \$ 3.5 million, and had negative cash flows from operating activities of approximately \$ 6.2 million (excluding cash outflows for additions to costs of construction of residential projects for sale of approximately \$ 3.5 million).

Based on management plans and as reflected in the Company's forecasted cash flows, the Company expects to finance its activities in 2011, inter alia, by obtaining loans from banks in Russia which will be secured by properties which are presently unsecured, with a fair market value as of 31 March 2011 amounting to approximately \$ 131 million, and revenues from sales of building projects that are expected to be completed during 2011.

In addition, the short-term loans from banks amounting to approximately \$ 70 million are secured by bank guarantees and irrevocable guarantees provided by the controlling shareholders until the full repayment of the loans.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of preparation of the interim financial statements:

The interim condensed consolidated financial statements for the three months ended 31 March 2011 have been prepared in accordance with the International Financial Reporting Standard IAS 34 ("Interim Financial Reporting").

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

IAS 24 Related Party Transactions (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of relationships in order to clarify in which circumstances persons and key management personnel from related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)*IAS 32 Financial instruments: Presentation (Amendment)*

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group.

b. Reclassification:

1. During 2011, the Group reclassified deferred tax assets and deferred tax liabilities as a result of reexamination of the offsetting right, according to IAS 12.

In addition, the Group reclassified deferred tax assets and deferred tax liabilities relating to Company's subsidiaries, which owns investment properties and investment properties under construction, in order to reflect the fair value of the Company's share in those subsidiaries.

As a result of the reclassification, deferred tax assets and deferred tax liabilities were decreased in the amount of \$ 6 million as of 31 March 2010 and \$ 4 million as of 31 December, 2010.

2. The Group reclassified long-term VAT in the total amount of approximately \$ 3.5 million to current assets as of 31 March 2010 in order to reflect the Group's operating cycle.

NOTE 3: SEGMENTS

	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
	<u>Unaudited</u>		
Three months ended 31 March 2011:	<u>U.S. dollars in thousands</u>		
Segment revenues	<u>8,864</u>	<u>912</u>	<u>9,776</u>
Segment results	<u>(14,928)</u>	<u>(489)</u>	<u>(15,417)</u>
Unallocated expenses			<u>(3,442)</u>
Finance costs, net			<u>11,305</u>
Loss before taxes on income			<u>(7,554)</u>

NOTE 3:- SEGMENTS (Cont.)

	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
--	-------------------	--------------------	--------------

Three months ended 31 March 2010:	Unaudited		
	U.S. dollars in thousands		
Segment revenues	<u>4,527</u>	<u>503</u>	<u>5,030</u>
Segment results	<u>5,320</u>	<u>(606)</u>	<u>4,714</u>
Unallocated expenses			(2,648)
Finance income, net			<u>5,388</u>
Profit before taxes on income			<u>7,454</u>
	Commercial	Residential	Total
	U.S. dollars in thousands		
Year ended 31 December 2010:			
Segment revenues	<u>20,506</u>	<u>1,078</u>	<u>21,584</u>
Segment results	<u>37,018</u>	<u>(1,435)</u>	<u>35,583</u>
Unallocated expenses			(9,105)
Finance costs, net			<u>(838)</u>
Profit before taxes on income			<u>25,640</u>

NOTE 4:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

- a. The Group has refinanced two loan facilities totaling approximately \$ 43.1 million. This refinancing, provide by two of Russia's leading banks, in February 2011, as detailed below.
 1. The extension and revision of an existing loan facility with GazpromBank regarding the Vernissage Mall in Yaroslavl. This property is owned by a jointly controlled entity, in which Mirland, being the largest shareholders, holds a 49% ownership interest.

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

The refinanced loan amount is \$ 29.1 million, representing the remaining balance of the previous loan following scheduled amortization. The refinanced interest rate is 9.25% p.a. (as opposed to the previous interest rate of 12% p.a.). The loan has been extended for a five year term, with the option of a further two year extension. The principal will be repaid through equal quarterly payments and repayment of approximately 53% of the loan amount at the end of the term.

2. The financing by Sberbank of an office building in Moscow, forming part of the "Century Project". The "Century Project" is owned by a subsidiary in which the

Company has currently ownership interest (subject to an option to be decreased to 50%).

The loan amount regarding to this asset is \$14.0 million, bearing an annual interest rate of Libor 3m + 7.7%, and is repayable over a period of seven years. The principal will be repaid through quarterly payments and a payment of approximately 37% of the loan amount at the end of the term.

- b. On February 23 2011, the Company published a Shelf Offering Report in Israel based on a Shelf prospectus that was published on May 31 2010 as was amended on July 27, 2010.

Based on the Shelf Offering, the Company raised approximately \$ 17 million by the issuance of New Israeli Shekel ("NIS") 56,126,000 Series C bonds public in Israel.

The Series C Bonds are registered for trading and are traded on the Tel-Aviv Stock Exchange.

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

In addition, the Company issued 425,000 Warrants (Series 2) convertible into NIS 42,500,000 Series C Bonds and 1,000,000 Warrants (Series 3) convertible into 100,000,000 Series D Bonds exercisable until March 31, 2011.

The Warrants which were not exercised were expired.

- c. During the period, 419,331 Warrants (Series 2) and 186,218 Warrants (Series 3) were exercised into 41,933,100 Bond C and 18,621,800 Bond D, respectively, for a total consideration of approximately \$ 19 million which was raised by the Company in addition to the above amounts.
- d. During the period, the Company's subsidiary sold to third parties 38,195,591 Series D Bonds, which were acquired by the Company's subsidiary during December 2010, in total consideration of approximately \$ 11 million.

NOTE 5:- SUBSEQUENT EVENTS

- a. On April 5, 2011, the Company repaid the loans from its shareholders in the total amount of approximately \$ 20.5 million.
- b. After the balance sheet date, the Company's subsidiary sold to third parties 24,057,709 Series D Bonds, which were acquired during December 2010, in total consideration of approximately \$ 7 million.