17 August 2011

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

UNAUDITED INTERIM CONSOLIDATED REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2011

MIRLAND GROWS PORTFOLIO INCOME AS RUSSIAN ECONOMY SHOWS IMPROVEMENT

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 2011.

Financial Highlights:

- Total assets as at 30 June 2011 were US$756.1m (31 Dec 2010: US$704.5m), of which 92% are property and land assets;
- Total comprehensive income increased to US$34.5m for six months ended 30 June 2011 (six months ended 30 June 2010: loss of US$0.1m);
- Total revenues up 143% to US$23.2m (six months ended 30 June 2010: US$9.6m) due to improved occupancy rates, the opening of the Triumph Mall in Saratov, and partial recognition of income from house sales at the Western Residence project in Perkhushkovo;
- Net Income of US$4.0m for six months ended 30 June 2011 (six months ended 30 June 2010: US$8.1m); reduction largely due an increase in financing costs and the appreciation of the Rouble against the US$ which resulted in a negative fair value adjustment of certain commercial assets, but was compensated for by foreign exchange differences gain;
- Shareholders' equity substantially increased to US$375.9m at 30 June 2011, equating to 50% 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$53.1m 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.
- During the period the Company repaid loans to its shareholders of approximately US$40 million total (including interest accrued thereon).
- Portfolio value* increased by 7% to US$831.5m (Company's share) (31 Dec 2010: US$775.4m) as a result of improved market conditions, yield compression and further improvement in the operational results of the portfolio assets;
- Adjusted NAV* of US$516.9m (31 Dec 2010: US$493.4m), a 5% increase;

*Valuation undertaken by Cushman & Wakefield as at 30 June 2011. The valuation report is available on the Company's website at www.mirland–development.com

Operational Highlights

- Occupancy rates increased to 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 99% (of available lettable space);
- The construction of the Tamiz building was successfully completed by the period end and is due to open in Q3 2011. Pre-let agreements or letters of intent are now in place for approximately 80% of the lettable area;
- Acquisition of the leasehold interest in a 40.6 hectares site in Novosibirsk designated for the development of a logistics centre of up to 180,000 sqm for a total consideration of US$2.2m.

Nigel Wright, Chairman, commented:

"Our policy of progressing our existing key projects continues whilst we prudently seek new opportunities for expansion. We are pleased with our success in both preserving and growing the strong revenue stream from our investment portfolio as this provides a sound foundation for future growth. Conditions in the Russian real estate market have slightly improved although we continue to see some sector and regional variations.

"Key economic indicators also give cause for modest encouragement, as do the early signs of improvement in the availability of domestic bank finance. However, volatile oil prices and events in the USA and Eurozone continue to give pause for thought. Accordingly we expect that continuing recovery will be gradual.

"To supplement our existing pipeline, we are actively seeking and reviewing new development and investment opportunities. However, we will only invest where we are confident that acquisitions will readily attract the requisite funding and add value to our high quality portfolio."

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 / Will Henderson
dido.laurimore@fd.com / will.henderson@fd.com

We are pleased to report further good progress for the Company for the half year ended 30 June 2011, against a context of an improving Russian economy.

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:

- 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.

By adjusting our operations in line with the above principles, the Company has successfully navigated through the financial crisis and is now strongly positioned to consider new investment deals which will enable the Company to capitalise on the attractive opportunities which have started to become available in the market.

H1 OPERATIONAL UPDATE

- **Triumph Mall, Saratov:** the shopping centre, which opened on 15 December 2010, is now fully occupied and enjoying high average footfall of more than 400,000 visitors per month (Q2 2011). The project has been nominated for the Russian based Commercial Real Estate Awards 2011 in the category of "the best medium-sized regional shopping centre".
- **Vernissage Mall, Yaroslavl**: the occupancy rate in the shopping centre is now 100%. The shopping centre has also enjoyed high footfall of more than 300,000 visitors per month on average during Q2 2011.
- **Western Residence project in Perkhushkovo**: to date, 18 houses have been sold. The Company is making significant efforts to increase the sales pace despite the challenging market conditions in this particular market segment. The market segment of low rise business class residential sales in the Moscow region has shown slower recovery from the crisis compared to other residential real estate segments. The Company believes that despite this, the medium term outlook for this segment is positive. During the period, the construction of the first phase of 77 houses was completed.
- **Hydro, MAG and Century office buildings**: the average occupancy rate increased to approximately 99% of the available lettable area. The Company is in advanced negotiations regarding compensation from insurance for building 26, following the fire in March 2010.
- **Tamiz office building**: the construction and fit out of the building have been completed. The building is 80% pre-let and has started to produce income during the third quarter.
- **Triumph Park, St. Petersburg**: against improving market conditions in the low cost residential segment in St. Petersburg, MirLand continues to build out the first sub-phase of 510 apartments. The

Company is in advanced negotiation with leading banks for refinancing its equity investment in the project to date, which, if successful will cover the remaining costs of the first sub phase.

- **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.

FINANCIAL REVIEW

Financial Results

Total assets as at 30 June 2011 increased to US$756.1 million (31 December 2010: US$704.5 million). Shareholders' equity increased by 10% and accounted for US$375.9 million as at 30 June 2011 (31 December 2010: US$341.0 million).

MirLand's assets are externally valued semi-annually on 30 June and 31 December by Cushman & Wakefield. Based on the June 2011 valuation, investment properties and investment properties under construction increased in value to US$459.1 million as at 30 June 2011 (31 December 2010: US$427.6) as a result of market improvement, yield compression, further investment by the Company and improvement in operational results of the portfolio’s commercial assets.

Inventories of buildings for sale increased from US$208.8 million as at 31 December 2010 to US$235.0 million as at 30 June 2011 due to further investments during the period and the appreciation of the Rouble against the US$.

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

Total comprehensive income in H1 2011 was US$34.5 million compared to a loss of US$0.1 million in H1 2010. Over the period, rental income, income from the sale of inventories and revenues from management fees amounted to US$23.2 million, up from US$9.6 million in H1 2010, an increase of 143%. This increase is largely attributable to the opening of the Triumph mall in Saratov which provided a full six month income contribution and to the improvement in occupancy rates at MirLand's other yielding assets.

In accordance with IAS 40, the Company has revalued its investment properties and investment properties under construction for the financial period ending 30 June 2011 and has recognized the resulting movement in valuation through its income statement as fair value adjustments. Despite Cushman &Wakefield’s valuation showing a positive increase in real terms (see below), the 8% appreciation of the Rouble against the US$ resulted in a negative fair value adjustment of certain commercial assets during the period of US$12.2 million.

Cost of sales of houses in Perkhushkovo amounted to US$3.3 million during the period. The cost of maintenance and management of the Company rose from US$6.0 million in H1 2010 to US$10.4 million in H1 2011 due to the opening of the Triumph Mall in Saratov and improvement of occupancy in the yielding assets.

The Company's general, administrative and marketing expenses for the period increased to US$9.7 million in comparison to US$7.4 million in the same period in 2010 due to the increase in marketing activities and volume of operations.

Financing costs for the period amounted to US$12.8 million compared to US$4.6 million in the same period of 2010 due to the increase in loans and the issuance of debentures. Foreign exchange differences resulted in income of US$19.5 million due to the appreciation of the Rouble against the US$ compared to an expense of US$5.3 million in H1 2010 which was caused by the corresponding devaluation.

Despite the significant improvement in the total comprehensive income, net income for the period was US$4.0 million down from US$8.1 million in H1 2010. The decrease is largely attributed to the increase in financing cost and to the appreciation of the Rouble against the US$. Furthermore, in H1 2010 there was a one off capital gain from the sale of Techagrocom of US$3.2 million.

Balance Sheet

Total assets as at 30 June 2011 amounted to US$756.1 million in comparison to US$704.5 million in 31 December 2010, an increase of 7%. Property and land comprises 92% of the total assets of the Company (US$694.1 million) and cash amounted to US$9.7 million.

Equity and Liabilities

Shareholders' equity as at 30 June 2011 was US$375.9 million in comparison to US$341.0 million at 31 December 2010, an increase of 10%. Shareholders' equity comprises 50% of its total assets.

Financial liabilities as at 30 June 2011 were US$344.6 million (including US$6.0 million of shareholders' loans) in comparison to US$317.6 million at 31 December 2010. Short term credit from banks amounting to US$70.1 million is guaranteed by the Company's main shareholder, the Fishman Group, which the Company assumes will revolve if necessary. As at 30 June 2011, financial liabilities comprise 46% of MirLand's total assets.

Net Asset Value

The Company's adjusted net asset value as at 30 June 2011 amounted to US$516.9 million in comparison to US$493.4 million as at December 2010, an increase of 5%. As of 30 June 2011, the portfolio was valued at US$929.2 million of which MirLand's share is US$831.5 million a 7% increase (December 2010: US$775.4 million). Of the US$56.1 million increase in value of MirLand's share, US$8.3 million is attributed to the acquisition of a leasehold interest in a 40.6 hectares site in Novosibirsk, designated for the development of a logistics centre of up to 180,000 sqm.

The valuation of each asset in MirLand's real estate portfolio at 30 June 2011 is set out in the following table:

Ref.	City	Property Name and Address	Portfolio Market Value as of 30th of June 2011 (Rounded)	Percentage Owned by MirLand	MirLand Market Value as of 30th of June 2011 (Rounded)	Total sqm of Land	Projected Net Leasable / Saleable Area in sqm upon Completion (excl. Parking)
001	Moscow	Hydromashservice	$67,200,000	100%	$67,200,000	12,237	16,696
002	Moscow	MAG	$65,500,000	100%	$65,500,000	21,940	18,929
003	Moscow Region	Western Residence, Perkhushkovo	$97,500,000	100%	$97,500,000	225,300	65,629
004	Saratov	Triumph Mall	$107,700,000	100%	$107,700,000	22,000	27,305
005	Moscow	Skyscraper	$61,100,000	100%	$61,100,000	9,079	92,000
006	Saint Petersburg	Triumph Park, Residential	$240,200,000	100%	$240,200,000	326,651	630,900
007	Saint Petersburg	Triumph Park, Trade Center	$21,000,000	100%	$21,000,000	81,663	117,775
008	Yaroslavl	Vernissage Mall	$90,900,000	49%	$44,500,000	120,000	34,091
009	Yaroslavl	Phase II	$8,200,000	49%	$4,000,000	180,000	55,245
010	Moscow	Tamiz Building	$46,700,000	100%	$46,700,000	4,500	12,971
011	Moscow	Century Buildings	$96,100,000	51%	$49,000,000	5,800	20,903
012	Kazan	Triumph House	$8,600,000	100%	$8,600,000	22,000	31,480
013	Penza	Retail Center	$3,000,000	100%	$3,000,000	52,790	18,024
014	Saratov	Logistics Complex	$7,200,000	100%	$7,200,000	260,000	104,000
015	Novosibirsk	Logistics Complex	$8,300,000	100%	$8,300,000	406,752	180,000
		Total	**$929,200,000**		**$831,500,000**		

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

Cashflow

During H1 2011, the Company invested US$18.0 million in real estate properties in comparison with US$23.1 million in H1 2010. Cashflow used for operating activities amounted to US$8.2 million (without change in inventories), after taking into account US$12.4 million used for the payment of interest and taxes. Cash flow provided by financing activities during the period amounted to US$19.8 million including repayment of US$36.8 million of shareholders' loans.

FINANCING

During the period the Company refinanced two loan facilities totalling approximately US$43.1 million:

1. The extension and revision of an existing loan facility with GazpromBank regarding the Vernissage Mall in Yaroslavl, resulting in an increased maturity and at an improved rate. The refinanced loan amount is US$29.1 million, representing the remaining balance of the previous loan following scheduled amortization. The refinanced interest rate is reduced to 9.25% p.a. (previously 12% p.a.). The loan has been extended for a five year term, with the option for 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 buildings. The loan amount of US$14.0 million, bears an annual interest rate of 3 month Libor + 7.7%, and is repayable over a seven year period. The principal will be repaid through quarterly payments and a payment of approximately 37% of the loan amount at the end of the term.

As previously announced, 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, which was further amended on 27 July 2010. In accordance with the Shelf Offering, the Company raised approximately US$17 million by the issuance of New Israeli Shekel Series C bonds. 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 warrants (Series 2) convertible into series C Bonds and warrants (Series 3) convertible into series D Bonds exercisable until 31 March 2011. During the period, the Company raised an additional US$19 million from the exercise of Warrants Series 2 and 3 into bonds Series C and D respectively. The Warrants which were not exercised have now expired.

During the period, the Company's subsidiary sold to third parties series D Bonds for a total consideration of approximately US$18 million.

Bonds series A to D of the Company are rated ilBBB stable by Ma'alot Standard & Poors (last reviewed in July 2011) and Bonds series A to B of the Company are rated ilBaa2 stable by Midrug, the Israeli affiliate of Moody's (last reviewed in January 2011).

In April the Company repaid loans from its shareholders of approximately US$40 million, including accrued interest.

For additional information regarding financing activities during the period please see note 4 to the accounts.

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, the line of credit backed by the Company's main shareholders, project financing, shareholders' loans, and corporate loans.

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 at 30 June 2011, its financial liabilities equated to 46% of its total 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 more difficult to obtain in Russia compared to commercial assets. Typically, residential projects are constructed in phases, allowing the use of capital from pre-sales to finance ongoing development phases, However MirLand is pleased to report that it is currently in advanced negotiation with leading banks for refinancing its equity investments it the Triumph Park project in St. Petersburg which will cover the remaining costs of the first sub-phase.

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 its portfolio of projects and assets.

MARKET UPDATE

Russian Business Environment

The recovery in the Russian economy continued throughout the first half of the year with real GDP growth of 3.9% (YoY). Most of the macroeconomic indicators have demonstrated positive trends: industrial production and retail turnover increased by 5.3% (YoY), while the unemployment level decreased to 6.1%. Compared to the first quarter, the Industrial Optimism Index grew by 5% and fixed capital investments continued to grow. Following an increase in the inflation rate between February and May, the rate slowed in June, resulting in a first half increase in CPI of 5%.

The Central Bank of Russia has been actively tightening its monetary policy since February 2011, inter alia, by increasing the refinancing rate to the current 8.25%. The commodity markets remain highly favourable and the average Ural oil price was US$115 per barrel during Q2. Supported by a high oil prices and monetary tightening, the Rouble appreciated by about 8% in the first half of the year.

Improvements in macroeconomic indicators have positively affected the real estate sector. Investment activity in the first six months increased significantly to US$2.3 billion, already outpacing 2010’s full year volume, while capitalisation rates are continuing to compress following a noticeable increase in tenant and commercial occupier activity.

However, as the performance of the Russian economy relies heavily on oil prices, which are characterised by high volatility, and whilst the full outcome of recent events in the USA and Eurozone are still unclear, it should be expected that the recovery will continue to be gradual.

The Office Sector

After 1.5 years of positive economic growth and high oil prices, office demand has reached the same level as its peak in 2007-2008, with office take up reaching almost reached 1 million sqm since the beginning of the year.

By June 2011 there was 12.3 million sqm in total of high quality office space in Moscow. Conversely, while office take up remains strong, the construction pipeline has continued to shrink with only eight office buildings being delivered in Q2 providing circa 100,000 sqm. Rental rates and vacancy rates remain stable. In H1 2011, the average vacancy rate for all offices in Moscow was 12.5% which is significantly lower than the average rate of 25% at the end of 2009.

Furthermore, Russia still suffers from some of the lowest office space per 1,000 inhabitants across Europe, illustrating the market's potential as the Country’s economy continues to recover.

The Retail Sector

The positive fundamentals in the Russian economy stimulated an improvement in the retail sector during the first six months of the year. More retailers are looking for new space, vacancy rates are at the same levels as before the recession and rental rates are improving.

Developers are now beginning to restart previously frozen projects and a number of new project starts have been announced across Russia. Both local and international retailers have interest in the Moscow regions and they are now considering large regional cities which have populations of 500,000 citizens upwards.

During H1 retailer turnover grew by 5.3%, and growth forecasts are positive for the rest of the year. The Moscow shopping centre GLA per 1,000 inhabitants is still relatively low compared to large European cities and therefore we expect there is much greater capacity to be fulfilled.

The Residential Sector

As the Russian economy continues to demonstrate positive trends, a revival in the residential market is also being witnessed.

The lack of mortgage financing at reasonable prices has been the main drag on potential demand and the mortgage market in Russia is still undeveloped with lending representing only 3% of GDP.

Average asking prices in Moscow and St. Petersburg were stable in H1 2011 and are expected to remain so until the end of the year. The Russian residential market still suffers from very low stock of only 22.8 sqm per capita compared to the European average of 38 sqm per capita, with the existing stock predominately being of poor quality. These strong fundamentals underline the significant potential of this market.

The Logistics Sector

H1 2011 was characterized by a shortage in new supply as only 165,000 sqm of new space was introduced into the market, while approximately 760,000 sqm was absorbed. As a result, the vacancy rate reduced to circa 3% in Moscow and is expected to decrease further. Rental rates increased sharply and are expected to achieve the 2007 peak in the next few quarters.

The regions have enjoyed increasing demand for good quality space and while the vacancy rates are compressing asking rents have continued to rise. Wholesalers, logistics and transportation operators are looking for expansion and setting up new logistic chains with the majority of the demand focussed on Krasnodar, Ekaterinburg, Novosibirsk, Kazan, Samara, Moscow and St. Petersburg.

OUTLOOK

Our policy of progressing our existing key projects continues whilst we prudently seek new opportunities for expansion. We are pleased with our success in both preserving and growing the strong revenue stream from our investment portfolio as this provides a sound foundation for future growth. Conditions in the Russian real estate market have slightly improved although we continue to see some sector and regional variations.

Key economic indicators also give cause for modest encouragement, as do the early signs of improvement in the availability of domestic bank finance. However, volatile oil prices and events in the USA and Eurozone continue to give pause for thought. Accordingly we expect that continuing recovery will be gradual.

To supplement our existing pipeline, we are actively seeking and reviewing new development and investment opportunities. However, we will only invest where we are confident that acquisitions will readily attract the requisite funding and add value to our high quality portfolio.

Nigel Wright
Chairman
17 August 2011

Roman Rozental
Chief Executive Officer
17 August 2011

(INTERIM) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June		31 December
	2011	2010	2010
	Unaudited		Audited
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	9,681	10,337	10,974
Short-term loans	830	764	796
Trade receivables	3,530	486	905
Other receivables	2,652	4,611	2,116
VAT receivable	26,640	*) 21,021	31,014
Inventories of buildings for sale	202,094	150,241	178,338
	245,427	187,460	224,143
NON-CURRENT ASSETS:			
Investment properties	318,711	*) 185,646	*) 306,257
Investment properties under construction	140,424	*) 195,268	*) 121,364
Inventories of buildings for sale	32,885	21,271	30,483
Long-term loans	11,965	18,098	17,393
VAT receivable	422	*) 5,944	-
Other long-term receivables	3,152	-	2,219
Deferred expenses	1,373	1,200	1,207
Fixed assets, net	1,460	1,083	1,422
Deferred taxes	288	*) -	*) -
	510,680	428,510	480,345
TOTAL ASSETS	756,107	615,970	704,488

*) Reclassified, see Note 2c.

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

(INTERIM) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2011	30 June 2010	31 December 2010
	Unaudited	Unaudited	Audited
	U.S. dollars in thousands		
EQUITY AND LIABILITIES			
CURRENT LIABILITIES:			
Credit from banks	70,151	69,586	69,845
Current maturities of long-term loans from banks and debentures and other short-term loans	20,565	31,934	18,280
Loans from shareholders	5,981	47,816	39,298
Government authorities	3,256	2,284	2,221
Trade payables	10,629	6,639	14,768
Deposits from tenants	4,808	4,711	4,534
Advances from buyers	6,695	2,415	7,587
Other accounts payable	1,968	1,063	1,128
	124,053	166,448	157,661
NON-CURRENT LIABILITIES:			
Loans from banks	69,856	56,939	67,589
Loans from shareholders	-	5,189	5,567
Debentures	178,090	52,323	117,044
Other non-current liabilities	6,035	5,180	5,489
Deferred taxes	2,169	*) 10,787	*) 10,115
	256,150	130,418	205,804
TOTAL LIABILITIES	380,203	296,866	363,465
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	10,983	9,974	10,579
Capital reserve for transactions with controlling shareholders	3,207	2,702	3,207
Foreign currency translation reserve	4,896	(31,398)	(25,596)
Accumulated deficit	(4,021)	(23,038)	(8,006)
	375,904	319,079	341,023
Non controlling interests	-	25	-
TOTAL EQUITY	375,904	319,104	341,023
TOTAL EQUITY AND LIABILITIES	756,107	615,970	704,488

*) Reclassified, see Note 2c.

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

(INTERIM) CONSOLIDATED STATEMENTS OF INCOME

	Six months ended 30 June		Year ended 31 December
	2011	2010	2010
	Unaudited		Audited
	U.S. dollars in thousands (except per share data)		
Revenues:			
Rental income from investment properties	19,061	6,917	17,239
Income from sale of inventories	2,125	1,089	1,078
Revenues from management fees	2,005	1,556	3,267
Total revenues	23,191	9,562	21,584
Cost of sales	(3,335)	(1,231)	(1,370)
Cost of maintenance and management	(10,390)	(5,962)	(10,356)
Gross profit	9,466	2,369	9,858
General, administrative and marketing expenses	(9,667)	(7,408)	(16,175)
Fair value adjustments of investment properties and investment properties under construction	(12,184)	*) 18,508	*) 29,822
Other income, net	100	3,855	2,973
Operating income (loss)	(12,285)	17,324	26,478
Finance income	938	3,702	5,234
Finance costs	(12,819)	(4,632)	(5,233)
Net foreign exchange differences	19,547	(5,258)	(839)
Income (loss) before taxes on income	(4,619)	11,136	25,640
Taxes on income (tax benefit)	(8,604)	*) 2,988	*) 2,485
Net income	3,985	8,148	23,155
Net earnings per share (in U.S. dollars per share):			
Basic and diluted net earnings	0.04	0.08	0.22

*) Reclassified, see Note 2c.

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
	2011	2010	2010
	Unaudited		Audited
	U.S. dollars in thousands		
Net income	3,985	8,148	23,155
Other comprehensive income (loss):			
Transfer of exchange differences to income statement for sale of subsidiary	-	815	815
Exchange differences on translation of foreign operations	30,492	(9,060)	(3,258)
Total other comprehensive income (loss)	30,492	(8,245)	(2,443)
Total comprehensive income (loss)	34,477	(97)	20,712

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 equity
	U.S. dollars in thousands						
At 1 January 2011 (audited)	1,036	359,803	10,579	3,207	(25,596)	(8,006)	341,023
Net income for the period	-	-	-	-	-	3,985	3,985
Other comprehensive income	-	-	-	-	30,492	-	30,492
Total comprehensive income, net	-	-	-	-	30,492	3,985	34,477
Share-based payment transactions	-	-	404	-	-	-	404
At 30 June 2011 (unaudited)	1,036	359,803	10,983	3,207	4,896	(4,021)	375,904

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								
At 1 January 2010 (audited)	1,036	359,803	9,974	2,702	(23,153)	(31,186)	319,176	25	319,201
Net income for the period	-	-	-	-	-	8,148	8,148	-	8,148
Other comprehensive loss	-	-	-	-	(8,245)	-	(8,245)	-	(8,245)
Total comprehensive income (loss)	-	-	-	-	(8,245)	8,148	(97)	-	(97)
At 30 June 2010 (unaudited)	1,036	359,803	9,974	2,702	(31,398)	(23,038)	319,079	25	319,104

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								
At 1 January 2010 (audited)	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
At 31 December 2010 (audited)	1,036	359,803	10,579	3,207	(25,596)	(8,006)	341,023	-	341,023

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
	2011	2010	2010
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Net income	3,985	8,148	23,155
Adjustments to reconcile net income to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Deferred taxes, net	(8,942)	1,636	1,610
Depreciation and amortization	260	183	610
Finance costs (income), net	(7,666)	5,956	606
Share-based payment	404	-	605
Fair value adjustment of investment properties and investment properties under construction	12,184	(18,508)	(29,822)
Fair value adjustment of financial derivative	-	232	232
Gain from sale of consolidated subsidiary	-	(3,159)	(3,159)
	(3,760)	(13,660)	(29,318)
Changes in asset and liability items:			
Increase in trade receivables	(3,108)	(3,092)	(256)
Decrease (increase) in VAT receivable	6,429	2,706	(2,729)
Increase in inventories of buildings for sale	(5,749)	(6,569)	(25,990)
Increase (decrease) in trade payables	218	(5,761)	-
Increase in other accounts payable	464	50	6,726
	(1,746)	(12,666)	(22,249)
Cash paid and received during the period for:			
Interest paid	(12,384)	(4,814)	(11,647)
Interest received	20	1	86
Taxes paid	(61)	(218)	(218)
	(12,425)	(5,031)	(11,779)
Net cash flows used in operating activities	(13,946)	(23,209)	(40,191)

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
	2011	2010	2010
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from investing activities:			
Additions to investment properties	(4,484)	(3,061)	(15,281)
Additions to investment properties under construction	(7,786)	(13,519)	(24,196)
Purchase of fixed assets	(289)	(158)	(872)
Proceeds from the sale of fixed assets	-	54	33
Proceeds from sale of consolidated subsidiary (1)	-	18,069	18,069
Proceeds from repayment of loans granted	6,860	2,645	3,398
Loans granted to related parties	(980)	-	-
Net cash flows provided by (used in) investing activities	(6,679)	4,030	(18,849)
Cash flows from financing activities:			
Issuance of debentures	53,172	-	70,024
Short-term credit from banks and others, net	7,142	2,868	2,868
Receipt of long-term loans from shareholders	-	5,000	5,000
Repayment of debentures	-	-	(10,823)
Repayment of loans from shareholders	(36,843)	-	(10,000)
Repayment of other loans	-	-	(1,837)
Repayment of loans from banks	(3,645)	(4,084)	(5,900)
Proceeds from sale of financial derivative	-	1,443	1,443
Net cash flows provided by financing activities	19,826	5,227	50,775
Exchange differences on balances of cash and cash equivalents	(494)	3,318	(1,732)
Decrease in cash and cash equivalents	(1,293)	(10,634)	(9,997)
Cash and cash equivalents at the beginning of the period	10,974	20,971	20,971
Cash and cash equivalents at the end of the period	9,681	10,337	10,974
(1) Proceeds from sale of consolidated subsidiary:			
Investment property under construction	-	15,545	15,545
Trade and other receivables	-	180	180
Foreign currency translation reserve	-	(815)	(815)
Gain from sale of consolidated subsidiary	-	3,159	3,159
	-	18,069	18,069

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 2011 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 2010 and for the year then ended ("annual financial statements").

b. For the six months ended 30 June 2011, the Company had negative cash flows from operating activities of approximately $ 8.3 million (excluding cash outflows for additions to costs of construction of residential projects for sale of approximately $ 5.7 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 value as of 30 June 2011 amounting to approximately $ 134 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 non-cancelable bank guarantees of 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 six months ended 30 June 2011 have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

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 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 emphasize 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.

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. Standards issued but not yet applied:

In May 2011, the IASB issued four new Standards: IFRS 10, "*Consolidated Financial Statements*", IFRS 11, "*Joint Arrangements*", IFRS 12, "*Disclosure of Interests in Other Entities*" ("the new Standards") and IFRS 13, "*Fair Value Measurement*", and amended two existing Standards, IAS 27R (Revised 2011), "*Separate Financial Statements*", and IAS 28R (Revised 2011), "*Investments in Associates and Joint Ventures*".

The new Standards are to be applied retrospectively in financial statements for annual periods commencing on January 1, 2013 or thereafter. Earlier application is permitted. However, if the Company chooses earlier application, it must adopt all the new Standards as a package (excluding the disclosure requirements of IFRS 12 which may be adopted separately). The Standards prescribe transition provisions with certain modifications upon initial adoption.

The main provisions of the Standards and their expected effects on the Company are as follows:

IFRS 10 - Consolidated Financial Statements:

IFRS 10 supersedes IAS 27 regarding the accounting treatment of consolidated financial statements and includes the accounting treatment for the consolidation of structured entities previously accounted for under SIC 12, "*Consolidation - Special Purpose Entities*".

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IFRS 10 does not prescribe changes to the consolidation procedures but rather modifies the definition of control for the purpose of consolidation and introduces a single consolidation model. According to IFRS 10, in order for an investor to control an investee, the investor must have power over the investee and exposure, or rights, to variable returns from the investee. Power is defined as the ability to influence and direct the investee's activities that significantly affect the investor's return.

According to IFRS 10, when assessing the existence of control, potential voting rights should be considered only if they are substantive, as opposed to the provisions of IAS 27 prior to its amendment which required consideration of potential voting rights only if they could be exercised immediately while disregarding management's intentions and financial ability to exercise such rights.

IFRS 10 also prescribes that an investor may have control even if it holds less than a majority of the investee's voting rights (de facto control), as opposed to the provisions of the existing IAS 27 which permits a choice between two consolidation models - the de facto control model and the legal control model.

IFRS 10 is to be applied retrospectively in financial statements for annual periods commencing on January 1, 2013, or thereafter.

The Company is evaluating the possible impact of the adoption of IFRS 10 but is presently unable to assess the effects, if any, on its financial statements.

IAS 27R - Separate Financial Statements:

IAS 27R supersedes IAS 27 and only addresses separate financial statements. The existing guidance for separate financial statements has remained unchanged in IAS 27R.

IFRS 11 - Joint Arrangements:

IFRS 11 supersedes IAS 31 regarding the accounting treatment of interests in joint ventures and SIC 13 regarding the interpretation of the accounting treatment of non-monetary contributions by venturers.

IFRS 11 defines joint arrangements as contractual arrangements over which two or more parties have joint control.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IFRS 11 distinguishes between two types of joint arrangements:

- Joint ventures in which the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires joint ventures to be accounted for solely by using the equity method, as opposed to the provisions of IAS 31 which allowed the Company to make an accounting policy choice whether to apply proportionate consolidation or the equity method for entities under joint control.

- Joint operations in which the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. IFRS 11 requires the joint operator to recognize a joint operation's assets, liabilities, revenues and expenses in proportion to its relative share of the joint operation as determined in the joint arrangement, similar to the current accounting treatment for proportionate consolidation.

IFRS 11 is to be applied retrospectively in financial statements for annual periods commencing on January 1, 2013, or thereafter.

The Company is evaluating the possible impact of the adoption of IFRS 11 but is presently unable to assess the effects, if any, on its financial statements.

IAS 28R - Investments in Associates:

IAS 28R supersedes IAS 28. The principal changes in IAS 28R compared to IAS 28 relate to the application of the equity method of accounting for investments in joint ventures, as a result of the issuance of IFRS 11, and the guidance for transition from proportionate consolidation to the equity method of accounting for these investments.

IFRS 12 - Disclosure of Interests in Other Entities:

IFRS 12 prescribes disclosure requirements for the Company's investees, including subsidiaries, joint arrangements, associates and structured entities. IFRS 12 expands the disclosure requirements to include the judgments and assumptions used by management in determining the existence of control, joint control or significant influence over investees, and in determining the type of joint arrangement. IFRS 12 also provides disclosure requirements for material investees.

The required disclosures will be included in the Company's financial statements upon initial adoption of IFRS 12.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IFRS 13 - Fair Value Measurement:

IFRS 13 establishes guidance for the measurement of fair value, to the extent that such measurement is required according to IFRS. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 also specifies the characteristics of market participants and determines that fair value is based on the assumptions that would have been used by market participants. According to IFRS 13, fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

IFRS 13 requires an entity to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. IFRS 13 also includes a fair value hierarchy based on the inputs used to determine fair value as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - unobservable inputs (valuation techniques that do not make use of observable inputs).

IFRS 13 also prescribes certain specific disclosure requirements.

The new disclosures, and the measurement of assets and liabilities pursuant to IFRS 13, are to be applied prospectively for periods commencing after the Standard's effective date, in financial statements for annual periods commencing on January 1, 2013 or thereafter. Earlier application is permitted. The new disclosures will not be required for comparative data.

The appropriate disclosures will be included in the Company's financial statements upon initial adoption of IFRS 13.

As for the effect on the financial statements, the Company believes that IFRS 13 is not expected to have a material impact on its financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Reclassification:

1. 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 $ 8 million as of 30 June 2010 and $ 4 million as of 31 December, 2010.

2. The Group reclassified long-term VAT in the total amount of approximately $ 4 million to current assets as of 30 June 2010 in order to reflect the Group's operating cycle.

NOTE 3:- OPERATING SEGMENTS

	Commercial	Residential	Total
		Unaudited	
		U.S. dollars in thousands	
Six months ended 30 June 2011:			
Segment revenues	21,066	2,125	23,191
Segment results	(3,082)	(2,098)	(5,180)
Unallocated expenses			(7,105)
Finance costs, net			7,666
Loss before taxes on income			(4,619)

NOTE 3:- OPERATING SEGMENTS (Cont.)

	Commercial	Residential	Total
		Unaudited	
		U.S. dollars in thousands	
Six months ended 30 June 2010:			
Segment revenues	8,473	1,089	9,562
Segment results	20,070	(812)	19,258
Unallocated expenses			(1,934)
Finance costs, net			(6,188)
Income before taxes on income			11,136

	Commercial	Residential	Total
		Audited	
		U.S. dollars in thousands	
Year ended 31 December 2010:			
Segment revenues	20,506	1,078	21,584
Segment results	37,018	(1,435)	35,583
Unallocated expenses			(9,105)
Finance costs, net			(838)
Income before taxes on income			25,640

NOTE 4:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. The Group has refinanced two loan facilities totaling approximately $ 43.1 million. This refinancing was provided 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 shareholder, holds a 49% ownership interest.

NOTE 4:- SIGNIFICANT EVENTS DURING THE REPORTING 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 currently has ownership interest (subject to an option to be decreased to 50%).

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

b. 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 amended on 27 July 2010.

   Based on the shelf offering, the Company raised approximately $ 17 million by the issuance of NIS 56,126,000 Series C bonds from the public in Israel.

   The Series C bonds are registered for trading 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 NIS 100,000,000 Series D bonds exercisable until 31 March 2011.

   The warrants which were not exercised expired.

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

c. During the reporting period, 419,331 warrants (Series 2) and 186,218 warrants (Series 3) were exercised into 41,933,100 Series C bonds and 18,621,800 Series D bonds, respectively, for a total consideration of approximately $ 19 million which was raised by the Company in addition to the above amounts.

d. During the reporting period, the Company's subsidiary sold to third parties 63,950,481 Series D bonds, which were acquired by the Company's subsidiary during December 2010, for a total consideration of approximately $ 18 million. The effective interest rate is 5.4%.

e. On 5 April 2011, the Company repaid the loans from its shareholders in the total amount of approximately $ 20.5 million (including interest paid).

f. In October 2008, a jointly controlled entity ("Avtoprioritet") entered into a lease agreement with Reiffeisen Bank ("the lessee") according to which the lessee undertook to lease approximately 5,600 sq. m. for a period of 10 years, in a project whose lease rights are held by Avtoprioritet. In December 2008, the lessee announced that it had no intention of fulfilling the lease agreement. Within the framework of mutual legal claims filed in connection with the validity of the lease agreement, the court made a final ruling, in a number of instances, according to which the lease agreement is binding to both parties and the area was transferred to the lessee according to the agreement and the law. In view of the court's ruling, Avtoprioritet filed a claim for enforcing the payment of lease fees for 2009 and for the first quarter of 2010 which were fully settled by the lessee during 2010 as a result of the court’s ruling in 2010. Avtoprioritet's claim for enforcing the payment of lease fees for the last nine months of 2010 was granted by the court in the first half of 2011 in the amount of approximately $ 3,831 thousand including VAT. As of the date of the financial statements, Avtoprioritet is acting for the enforcement of the court’s ruling and intends to file a claim for enforcing the payment of lease fees for the first half of 2011. In view of the above, the Company recognized in its financial statements rental income for the last nine months of 2010 totaling approximately $ 1,656 thousand (the Company's share). The Company also recognized rental income for the first half of 2011 totaling approximately $ 1,213 thousand (the Company's share), less an allowance for doubtful accounts of approximately $ 716 thousand (the Company's share, including VAT). The income recognized for the first half of 2011 equals the amount of the deposit placed by the lessee to secure the lease fees.

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