16 November 2011

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

UNAUDITED INTERIM CONSOLIDATED REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

MIRLAND GROWS PORTFOLIO INCOME AGAINST IMPROVING RUSSIAN ECONOMY

MirLand Development Corporation, one of the leading international residential and commercial property developers in Russia, today announces its interim results for the nine months ended 30 September 2011.

Financial Highlights:

- Total assets as at 30 September 2011 were US$716.7m (31 Dec 2010: US$704.5m), of which 93% are property and land assets;
- Total revenues increased by 141% to US$33.6m (nine months ended 30 September 2010: US$13.9m) mainly due to the opening of the Triumph Mall in Saratov, improved occupancy and rental rates in the Company’s yielding assets, and the opening of Tamiz office project in the third quarter.
- Net income rose to US$28.3m (nine months ended 30 September 2010: US$8.6m) due to an increase in revenues, fair value adjustments and tax benefits;
- Total comprehensive income increased to US$8.9m (nine months ended 30 September 2010: US$8.0m);
- Shareholders’ equity increased to US$350.6m, equating to 49% of total assets (31 December 2010: US$341.0m);
- Strong progress achieved in financing activity during and post the period end, in line with the Company’s strategy of diversifying its funding sources:
  - In November, the Company obtained a US$41m credit line facility from Sberbank of Russia Bank (‘SberBank’) for the construction of the first phase of its flagship project, Triumph Park in St. Petersburg;
  - In September, the Company obtained a refinancing loan of US$14m for two office buildings owned by its fully owned subsidiary, Hydromashservice LLC. The proceeds of the loan were received by the Company following the end of the reported period.

Operational Highlights

- Sales campaign for first phase of Triumph Park Project in St. Petersburg was launched in November 2011;
- 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 are now 97% on average (of available lettable space);
- The Tamiz office building opened during the third quarter, and is already 87% occupied, with negotiations with tenants underway for the remaining space;

- Insurance settlement amounting to approximately US$6m was received compensating MAG for the fire damage caused to one of its buildings in March 2010 and renovation works of the building have now commenced.

Nigel Wright, Chairman, commented:

"We have seen encouraging signs in the Third Quarter. Despite testing conditions in both financial and real estate markets we have made steady progress. In the banking market we have not only refinanced some existing facilities but also procured new finance for Triumph Park, our major residential project in St. Petersburg. The latter will enable the construction of over 500 apartments comprising Phase One and we have already launched our initial sales and marketing campaign. Most importantly we are growing valued relationships with major domestic lenders and their support will be a key driver for the company's future growth plans.

"I am also particularly encouraged by the growth in core rental income, boosted mainly by our rapidly maturing retail and office investment portfolio. The vacancy rate in our portfolio is minimal and accordingly we are actively seeking new pipeline opportunities. Given the continuing uncertainties surrounding the general World and European economic outlook, we remain cautious, but optimistically so."

For further information, please contact:

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

FTI Consulting +44 20 7831 3113
Dido Laurimore / Will Henderson
dido.laurimore@fticonsulting.com
will.henderson@fticonsulting.com

CHAIRMAN'S REPORT

We are pleased to report further good progress for the Company for the nine months ended 30 September 2011, against the 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 the 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 well positioned to consider new investment deals, which will enable the Company to capitalise on the attractive opportunities that have started to become available in the market.

OPERATIONAL UPDATE

- **Triumph Park, St. Petersburg**: against improving market conditions in the affordable residential segment in St. Petersburg, MirLand continues to build out the first sub-phase of 510 apartments. The Company commenced marketing the apartments for sale in November 2011. As recently announced, the Company has also obtained a credit facility from Sberbank of Russia, Russia's leading domestic bank, for the construction financing of the first phase of the project. The Loan of approximately $41M comprises approximately 70% of the cost of building the first phase of the project and will be provided to Petra in installments over the course of 16 months.
- **Triumph Mall, Saratov:** the shopping centre, which opened on 15 December 2010, is now 100% occupied and enjoying high footfall, with an average of more than 450,000 visitors per month since March 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 2011. Phase II of the project is now in a stage of advanced planning.
- **Western Residence project in Perkhushkovo**: to date, 19 houses have been sold. The Company is making significant efforts to increase the sales pace, despite the challenging conditions in this particular market segment; sales in the low rise, business class residential sector in the Moscow region have shown a slower recovery from the crisis than other residential real estate segments although the

Company believes that 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 across these assets increased to approximately 97% of the available lettable area. In September, the Company settled its outstanding insurance claim in respect of the fire damaged building owned by the subsidiary MAG, the total settlement received was approximately US$6 million. Renovation works of the building have now commenced and are expected to be completed during Q2, 2012.
- **Tamiz office building**: the building became operative during the third quarter and is now 87% leased. The Company is currently in negotiations with potential tenants for the remaining available area.
- **Novosibirsk Logistics Centre:** in January 2011, MirLand completed the acquisition of the leasehold rights to a 40.6 hectare 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 September 2011 increased to US$716.7 million (31 December 2010: US$704.5 million). Shareholders' equity increased to US$350.6 million (31 December 2010: US$341.0 million).

Investment properties, investment properties under construction and inventories of buildings for sale increased to US$663.8 million (31 December 2010: US$636.4) as a result of market improvement, yield compression, further investment by the Company and improvement in operational results of the portfolio’s yielding commercial assets.

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

Over the period, rental income, income from the sale of inventories and revenues from management fees amounted to US$33.6 million, compared to US$13.9 million in September 2010, showing an increase of 141%. This increase is largely attributable to the opening of the Triumph Mall in Saratov, which provided a full nine month income contribution, and to the improvement in occupancy rates at MirLand's other yielding assets.

Net income during the period was US$28.3 million compared to US$8.6 million during the same period in 2010, and total comprehensive income during the period amounted to US$8.9 million (30 September2010 US$8.0 million).

Cost of sales of houses in Perkhushkovo amounted to US$4.1 million during the period. The cost of maintenance and management of the Company rose from US$7.9 million in January to September 2010 to US$15.7 million during the period 2011, due to the opening of the Triumph Mall in Saratov, the opening of Tamiz office building and improved occupancy among the yielding assets.

The Company's general, administrative and marketing expenses for the period increased to US$13.6 million in comparison to US$11.1 million for the same period in 2010, due to the increase in marketing activities associated with property sales and leasing and an increase in the general volume of the Company's operations.

Fair value adjustments of investment properties and investment properties under construction amounted to US$30.7 million due to the improved market conditions and to the depreciation of the Rouble against the US Dollar which resulted in a positive fair value adjustment of certain commercial assets.

During the period the Company recognized other income of approximately US$6.3 million from the settlement of an insurance claim in respect of the fire damaged property from March 2010 owned by the subsidiary MAG.

Financing costs for the period amounted to US$10.8 million compared to US$4.6 million in the same period of 2010 as a result of the increase in loans and the issuance of debentures. Foreign exchange differences resulted in an expense of US$10.6 million due to the depreciation of the Rouble against the US Dollar, compared to an expense of US$0.4 million in the same period in 2010.

During the period the Company recognized tax benefits amounting to US$11.7 million as a result of the creation of deferred tax asset in the Company's balance sheet. This recognition was created due to increased feasibility of future profits attributed mainly to the Triumph park project in St. Petersburg.

Net income for the period improved significantly to US$28.2 million compared to US$8.6M during the same period of 2010. Comprehensive income for the period was US$8.9 million, up from US$8.0 million for the same period in 2010. The difference between the net income and the total comprehensive income is largely attributed to the depreciation of the Rouble against the US$.

Balance Sheet

Total assets as at 30 September 2011 amounted to US$716.7 million, in comparison to US$704.5 million in 31 December 2010, an increase of 2%. Property and land comprised 93% of the total assets of the Company (US$663.8 million) and cash amounted to US$11.9 million.

Equity and Liabilities

Shareholders' equity as at 30 September 2011 was US$350.6 million in comparison to US$341.0 million at 31 December 2010, an increase of 3%. Shareholders' equity comprises 49% of total assets.

Financial liabilities as at 30 September 2011 were US$332.9 million (including the total of US$6.2 million of shareholders' loans) in comparison to US$317.6 million at 31 December 2010 (including US$44.9 million of shareholders' loans). Short term credit from banks amounting to US$70.3 million, which is part of the financial liabilities, is guaranteed by the Company's main shareholder, the Fishman Group, which the Company assumes will revolve if necessary based on past experience. As at 30 September 2011, financial liabilities comprise 46% of MirLand's total assets.

Cashflow

During the nine months period in 2011, the Company invested US$28.1 million in real estate properties in comparison with US$43.3 million in the same period in 2010. Cashflow provided from operating activities amounted to US$4.0 million (without change in inventories), after taking into account US$17.2 million used for the payment of interest and taxes. Cash flow provided by financing activities during the period amounted to US$19.9 million after repayment of US$36.8 million of shareholders' loans.

FINANCING

During the period the Company refinanced three loan facilities totalling approximately US$57.1 million:

1. The extension and revision of an existing loan facility with GazpromBank regarding the Vernissage Mall in Yaroslavl. 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.
3. The financing by Uniastrum Bank of two office buildings in Moscow, owned by the Company's wholly owned subsidiary Hydromashservice LLC. The loan amount of US$14 million, bears an annual interest of 9.8% and is repayable over a 10 year period, subject to annual renewal. The principal and interest are

to be paid on a monthly basis. The proceeds of this loan were received following the end of the reported period.

In addition, in November 2011 the Company signed a US$41 million, non-revolving credit line with Sberbank to finance the construction costs of the first phase of the Triumph Park project in St. Petersburg. The Loan comprises approximately 70% of the budget of the first phase of the project and will be provided in installments over the course of 16 months. The loan will be repaid over three years.

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, as 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 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 credit 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 resulting 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 and confirmed 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 and confirmed in January 2011).

During the period 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 notes 5 and 6 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 corporate bond issues 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 September 2011, its financial liabilities equated to 46% of its total assets.

Typically, residential projects are constructed in phases, allowing the use of capital from pre-sales to finance ongoing development phases. As mentioned above, the Company obtained a credit line facility from Sberbank for the first phase of its flagship project, the Triumph Park in St. Petersburg.

MARKET UPDATE

Russian Business Environment

The Russian economy has demonstrated continued growth in January to September, with real GDP growth of 4.2% (YoY). Most of the macroeconomic indicators have shown positive trends: inflation stood at only 4.7% compared to 6.2% in the same period in the previous year, industrial production and retail turnover increased by 5.2% (YoY) and 6.2% (YoY) respectively, while unemployment decreased by 0.1% from August to 6% at the end of September.

The Central Bank of Russia has been actively tightening monetary policy since February 2011, inter alia, by increasing the refinancing rate to the current 8.25%. However, as a result of volatile oil prices and high capital outflow, which totalled approximately US$49 billion in the year to date, the Rouble depreciated by about 13.5% during the third quarter.

During the period the real estate market continued its positive trend. Investment volumes have already hit historical record levels, with US$6.5 billion achieved in the year to date, while cap rates have shown compression of two percent across all sectors since the end of 2010.

However, as the performance of the Russian economy relies heavily on oil prices, which are characterised by high volatility, and while the full impact of the recent slowdown in the USA and European Union and the sovereign debt crisis in Europe are still unclear, it should be expected that the recovery will continue to be gradual.

The Office Sector

By the end of the third quarter there was 12.4 million sqm of quality office space in Moscow. Rental rates are stable, with positive dynamics observed in the Class B segment, where average rental rates have increased by 10% within the quarter.

Office occupiers demonstrated high purchase and leasing activity, with take up reaching close to record levels. However, the high level of leasing activity has not led to any reduction in vacancy, which remains at approximately 12.7% (weighted average) for both A and B classes. The rate of new construction is decreasing, partly because of the recent initiatives of the Moscow administration to limit construction in the city centre and to shift activities to newly attached territories, and as a result oversupply in the market is not anticipated.

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

By the end of the third quarter, quality retail space in Moscow totalled approximately 3.4 million sqm. Rental rates and vacancies remained stable, while no new high quality shopping centres were opened in Moscow during the third quarter. On the other hand, the regional shopping centre construction market demonstrated a high level of activity, and several retailers reported regional expansion success and further growth plans.

During the third quarter, retail companies’ turnover grew by 6.2% 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 believe that there is demand for much greater capacity.

The Residential Sector

Following the improvement in macroeconomic indicators through the third quarter, average asking prices in Moscow and St. Petersburg increased marginally and this trend is expected to remain until the end of the year. The poor quality of existing premises and the lack of mortgage financing at reasonable prices have been the main drags on demand.

The mortgage market in Russia remains underdeveloped, with lending representing only 3% of GDP, while the average residential area per capita is only 22.7 sqm, well below that of most developed countries. These strong fundamentals underline the significant potential of this market.

The Logistics Sector

The third quarter was characterized by a shortage in new supply as only 129,000 sqm of new space was introduced into the Moscow market, while approximately 179,000 sqm was absorbed. As a result, the vacancy rate reduced to circa 1% in Moscow and the triple net rents increased from $130 to $135 per sqm per annum.

The market situation in the regions remained unchanged, with no signs of oversupply and with rents in the range of US$75-US$110 per sqm. Wholesalers, logistics and transportation operators are looking to expand, with the majority of the demand focused on Krasnodar, Ekaterinburg, Novosibirsk, Kazan, Samara, Moscow and St. Petersburg.

OUTLOOK

Our policy of progressing our existing key projects continues, and we are prudently seeking 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 our future growth. Conditions in the Russian real estate market have slightly improved, although we continue to see some sector and regional variations, as well as global macroeconomic risks.

Key domestic 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 US 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
16 November 2011

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 September 2011	30 September 2010	31 December 2010
	Unaudited	Unaudited	Audited
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	11,929	24,020	10,974
Short-term loans	845	779	796
Trade receivables	3,479	494	905
Other receivables	1,617	4,812	2,116
VAT receivable	14,853	*) 26,073	31,014
Inventories of buildings for sale	190,644	167,316	178,338
	223,367	223,494	224,143
NON-CURRENT ASSETS:			
Investment properties	312,961	*) 185,416	*) 306,257
Investment properties under construction	132,299	*) 214,883	*) 121,364
Inventories of buildings for sale	27,924	21,825	30,483
Long-term loans	12,162	18,939	17,393
VAT receivable	338	*) 2,976	-
Other long-term receivables	2,913	-	2,219
Deferred expenses	1,215	1,202	1,207
Fixed assets, net	1,198	1,204	1,422
Deferred taxes	2,314	*) -	*) -
	493,324	446,445	480,345
TOTAL ASSETS	716,691	669,939	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 September 2011	30 September 2010	31 December 2010
	Unaudited	Unaudited	Audited
	U.S. dollars in thousands		
EQUITY AND LIABILITIES			
CURRENT LIABILITIES:			
Credit from banks	70,290	70,178	69,845
Current maturities of long-term loans from banks and debentures and other short-term loans	38,442	29,872	18,280
Loans from shareholders	6,191	37,955	39,298
Government authorities	3,373	2,011	2,221
Trade payables	8,980	6,816	14,768
Deposits from tenants	4,612	4,896	4,534
Advances from buyers	7,708	4,264	7,587
Other accounts payable	1,745	970	1,128
	141,341	156,962	157,661
NON-CURRENT LIABILITIES:			
Loans from banks	68,046	55,378	67,589
Loans from shareholders	-	5,378	5,567
Debentures	149,912	107,744	117,044
Other non-current liabilities	6,835	5,228	5,489
Deferred taxes	-	*) 12,048	*) 10,115
	224,793	185,776	205,804
TOTAL LIABILITIES	366,134	342,738	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	11,184	9,974	10,579
Capital reserve for transactions with controlling shareholders	3,207	2,702	3,207
Foreign currency translation reserve	(44,927)	(23,728)	(25,596)
Accumulated deficit	20,254	(22,611)	(8,006)
	350,557	327,176	341,023
Non controlling interests	-	25	-
TOTAL EQUITY	350,557	327,201	341,023
TOTAL EQUITY AND LIABILITIES	716,691	669,939	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

	Nine months ended 30 September		Year ended 31 December
	2011	2010	2010
	Unaudited		Audited
	U.S. dollars in thousands (except per share data)		
Revenues:			
Rental income from investment properties	27,796	10,489	17,239
Income from sale of inventories	2,828	1,089	1,078
Revenues from management fees	2,936	2,366	3,267
Total revenues	33,560	13,944	21,584
Cost of sales	(4,144)	(1,231)	(1,370)
Cost of maintenance and management	(15,718)	(7,921)	(10,356)
Gross profit	13,698	4,792	9,858
General, administrative and marketing expenses	13,574	(11,085)	(16,175)
Fair value adjustments of investment properties and investment properties under construction	30,700	*) 15,934	*) 29,822
Other income, net	4,699	3,940	2,973
Operating income	35,523	13,581	26,478
Finance income	2,368	4,264	5,234
Finance costs	(10,756)	(4,604)	(5,233)
Net foreign exchange differences	(10,577)	(394)	(839)
Income before taxes on income	16,558	12,847	25,640
Taxes on income (tax benefit)	(11,702)	*) 4,272	*) 2,485
Net income	28,260	8,575	23,155
Net earnings per share (in U.S. dollars per share):			
Basic and diluted net earnings	0.273	0.083	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

	Nine months ended 30 September		Year ended 31 December
	2011	2010	2010
	Unaudited		Audited
	U.S. dollars in thousands		
Net income	28,260	8,575	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	(19,331)	(1,390)	(3,258)
Total other comprehensive loss	(19,331)	(575)	(2,443)
Total comprehensive income	8,929	8,000	20,712

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	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	-	-	-	-	-	28,260	28,260
Other comprehensive income	-	-	-	-	(19,331)	-	(19,331)
Total comprehensive income, net	-	-	-	-	(19,331)	28,260	8,929
Share-based payment transactions	-	-	605	-	-	-	605
At 30 September 2011 (unaudited)	1,036	359,803	11,184	3,207	(44,927)	20,254	350,557

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
Net income for the year	-	-	-	-	-	8,575	8,575	-	8,575
Other comprehensive loss	-	-	-	-	(575)	-	(575)	-	(575)
Total comprehensive income (loss), net	-	-	-	-	(575)	8,575	8,000	-	8,000
Balance at 30 September 2010 (unaudited)	1,036	359,803	9,974	2,702	(23,728)	(22,611)	327,176	25	327,201

	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 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

	Nine months ended 30 September		Year ended 31 December
	2011	2010	2010
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Net income	28,260	8,575	23,155
Adjustments to reconcile net income to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Deferred taxes, net	(14,008)	*) 3,533	*) 1,610
Depreciation and amortization	369	225	610
Finance costs (income), net	18,965	502	606
Share-based payment	605	-	605
Fair value adjustment of investment properties and investment properties under construction	(30,700)	*) (15,934)	*) (29,822)
Fair value adjustment of financial derivative	-	232	232
Gain from sale of consolidated subsidiary	-	(3,159)	(3,159)
	(24,769)	(14,601)	(29,318)
Changes in asset and liability items:			
Increase in trade receivables	(3,070)	(2,787)	(256)
Decrease (increase) in VAT receivable	16,035	142	(2,729)
Increase in inventories of buildings for sale	(13,778)	(16,167)	(25,990)
Increase (decrease) in trade payables	169	(4,462)	-
Increase in other accounts payable	4,601	3,157	6,726
	3,957	(20,117)	(22,249)
Cash paid and received during the period for:			
Interest paid	(17,127)	(9,346)	(11,647)
Interest received	20	48	86
Taxes paid	(114)	(218)	(218)
	(17,221)	(9,516)	(11,779)
Net cash flows used in operating activities	(9,773)	(35,659)	(40,191)

*) Reclassified, see Note 2c.

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

(INTERIM) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended 30 September		Year ended 31 December
	2011	2010	2010
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from investing activities:			
Additions to investment properties	(5,317)	(10,027)	(15,281)
Additions to investment properties under construction	(8,687)	(16,682)	(24,196)
Purchase of fixed assets	(299)	(372)	(872)
Proceeds from the sale of fixed assets	-	33	33
Proceeds from sale of consolidated subsidiary (1)	-	18,069	18,069
Proceeds from repayment	6,860	2,645	3,398
Loans granted to related parties	(980)	-	-
Net cash flows used in investing activities	(8,423)	(6,334)	(18,849)
Cash flows from financing activities:			
Issuance of debentures	54,104	52,149	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)	(10,000)
Repayment of other loans	-	(1,837)	(1,837)
Repayment of loans from banks	(4,513)	(5,694)	(5,900)
Proceeds from sale of financial derivative	-	1,443	1,443
Net cash flows provided by financing activities	19,890	43,929	50,775
Exchange differences on balances of cash and cash equivalents	(739)	1,113	(1,732)
Increase (decrease) in cash and cash equivalents	955	3,049	(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	11,929	24,020	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 September 2011 and for the nine-month period then ended ("interim condensed consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements and accompanying notes as of 31 December 2010 and for the year then ended ("annual financial statements").

b. Based on management plans and as reflected in the Company's forecasted cash flows, the Company expects to finance its activities, 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 September 2011 amounting to approximately $ 127 million, and revenues from sales of building projects that are expected to be completed during 2011-2012.

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 nine months ended 30 September 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 1 January 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 1 January 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 1 January 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 1 January 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 $ 3 million as of 30 September 2010 and $ 4 million as of 31 December, 2010.

2. The Group reclassified long-term VAT in the total amount of approximately $ 5 million to current assets as of 30 September 2010 in order to reflect the Group's operating cycle.

NOTE 3:- THE EFFECT OF CHANGES IN FOREIGN CURRANCY EXCHANGE RATES

In the reported period, significant changes occurred in the exchange rates of foreign currency to which the Company is exposed following the weakening of the Russian rubles, in relation to the US dollar, which is the Company's functional currency. The main exposure arises from foreign operations whose functional currency is the Russian Ruble and in respect of which other comprehensive loss of approximately US$ 19,331 thousand was recorded in the nine months ended September 30, 2011.

NOTE 4:- OPERATING SEGMENTS

	Commercial	Residential	Total
		Unaudited	
		U.S. dollars in thousands	
Nine months ended 30 September 2011:			
Segment revenues	30,732	2,828	33,560
Segment results	41,938	(2,851)	39,087
Unallocated expenses			(3,564)
Finance costs, net			(18,965)
Loss before taxes on income			16,558

NOTE 4:- OPERATING SEGMENTS (Cont.)

	Commercial	Residential	Total
	Unaudited		
	U.S. dollars in thousands		
Nine months ended 30 September 2010:			
Segment revenues	12,855	1,089	13,944
Segment results	19,952	(1,067)	18,885
Unallocated expenses			(5,304)
Finance costs, net			(734)
Income before taxes on income			12,847

	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 5:- 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 5:- 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 Russia 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 3months 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 to 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 have expired.

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.

NOTE 5:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

d. During the reporting period, the Company's subsidiary placed and sold 63,950,481 Series D bonds to third parties, which were previously 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. During the reporting period, the Company's subsidiary sold 2,800,000 Series C bonds to third parties, which were acquired by the Company's subsidiary during May 2011, for a total consideration of approximately $ 1 million. The effective interest rate is 4.3%.

f. During the reporting period, the Company repaid part of the loans from its shareholders in the total amount of approximately $ 40.6 million (including interest paid).

g. 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 leased space was indeed 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 has received the amount aforementioned and intends to file a claim for enforcing the payment of lease fees for the first nine months 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 nine months of 2011 totaling approximately $ 1,820 thousand (the Company's share), less an allowance for doubtful accounts of approximately $ 910 thousand (the Company's share) taking into consideration the lessee rent deposit that the Company has on its account.

h. In September 2011, the Company has settled its outstanding insurance claim in respect of the fire damaged property owned by its subsidiary, MAG. (For additional information regarding the fire in MAG please refer to Note 7d in the Company's annual financial statements for 2010).

The total settlement received amounted to approximately $ 6.3 million. Based on an independent engineering report received by MAG, the total cost of the required remedial works will be approximately $ 7.8 million.

NOTE 5:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

i. During the reporting period, the Company recognized deferred tax assets arising from tax losses carryforward in the Company's subsidiaries in the total amount of $ 14 million due to the Company's utilizable tax losses carryforward in the foreseeable future.

NOTE 6:- SUBSEQUENT EVENTS

a. After the balance sheet date, subsidiary of the Company Gidromashservice ("Gidro") signed facility agreement with Uniastrum Bank ("Bank"). According to agreement, the loan facility amounts to $ 14 million to be repaid during 10 years.

The loan bears fixed annual interest rate of 9.8%.

According to the agreement Gidro needs to meet financial covenants throughout the loan period as follows:

1. Debt service ratio cannot be lower than 1;
2. Loan to value ratio not to exceed 50%.

In order to secure the loan repayment, Gidro has pledged commercial premises of the project owned by it and leasehold land right underneath, in favor of the Bank.

b. After balance sheet date, the Company's wholly-owned subsidiary Petra 8 LLC ("Petra") has entered into a loan agreement with SberBank of Russia ("Bank") for the provision of a line of credit of approximately $ 41 million. The purpose of the loan is to finance the construction of the first phase of "Triumph Park" mixed use residential development in St. Petersburg.

The loan bears 10.25% interest rate per annum and will be repaid with 3 years.

c. After the balance sheet date, the Company purchased 1.5% of the shares of a jointly controlled entity which holds Yaroslavl Vernissage Shopping Center ("The Shopping Center") for the total amount of approximately $ 1,055 thousand.

The deal was executed by offsetting the amount aforesaid from a loan previously granted to the seller in an amount of approximately 1,205$ thousand (principal and interest).

Pursuant to the deal, the Company through its subsidiaries, will hold 50.5% of The Shopping Center.

- - - - - - - - - - - - - - - - - -