16 May 2012

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

UNAUDITED INTERIM CONSOLIDATED REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2012

MIRLAND CONTINUES GOOD PROGRESS WITH EARNINGS GROWTH AND STRONG SALES

MirLand Development Corporation, one of the leading international residential and commercial property developers in Russia, today announces its interim results for the three months ended 31 March 2012.

Financial Highlights:

- Total assets up 3.2% to US$763.4 million (31 December 2011: US$739.6 million), of which 95% are property and land assets;
- Shareholders’ equity US$365.8 million at 31 March 2012, equating to 48% of total assets (31 December 2011: US$347.1 million);
- Total revenues up 35.2% to US$13.2 million (three months ended 31 March 2011: US$9.8 million) due to improved occupancy rates in yielding properties, income from the Tamiz property and further recognition of house sales at the Western Residence project in Perkhushkovo;
- Net operating income (NOI) from investment properties up 71% to US$6.7 million (three months ended 31 March 2011: US$3.8 million), due to improved occupancy, the opening and letting of the Tamiz building and increased income from rent indexation;
- EBITDA increased 144% to US$2.2 million (three months ended 31 March 2011: US$0.9million);
- Total comprehensive income of US$18.2 million for the three months ended 31 March 2012 (three months ended 31 March 2011: US$21.7 million);
- Loss of US$19.8 million (three months ended 31 March 2011: loss of US$3.5 million) due to currency movements following appreciation of the Rouble against the US Dollar of approximately 9% that resulted in nominal depreciation of commercial assets at the same rate. The nominal depreciation was compensated for by an increase in equity;
- Net leverage maintained at 44.6% of total assets (31 December 2011: 43.9%). In January 2012, the Company repaid the remaining balance of Shareholders’ loans amounting to approximately US$6.4 million (including accumulated interest).

Operational Highlights

- Continued progress in the Company’s flagship project, Triumph Park in St. Petersburg:

- Ongoing strong sales of Phase One with 258 apartments sold subject to contract and a further 54 reserved, representing a projected income of approximately US$41 million
- Since launch of sales in November 2011, apartments that account for an area of approximately 16,200 sqm out of total saleable area of approximately 26,220 sqm, or 61.7%, have been sold;
- Launch of sales of Phase Two, consisting of 630 apartments planned for Q3 2012.

- In April of 2012, a jointly controlled entity ("Avtoprioritet") reached a final judicially approved settlement agreement with regards to its lease dispute with Reiffeisen Bank for a space of approximately 5,600, according to which it collected an outstanding rent debt of US$6.4 million and received a final compensation of US$8.6 million for the remaining term of the lease (both amounts without VAT);
- Acquisition of an additional 10% of MirLand's jointly controlled entity Inomotor LLC, which owns an office building with a leasable area of approximately 11,000 sqm in the Century Project, for a total consideration of US$1.5 million in cash, taking the Company's interest to 61%;
- Ongoing progress regarding renovation of the MAG buildings with expected completion in Q2 2012. Negotiations to re-let the space at an advanced stage.

Nigel Wright, Chairman, commented:

"We have started the year strongly, with good levels of revenue growth from our income producing portfolio and better than expected sales of residential units. The economy continues to show signs of improvement and stabilization. MirLand has also benefited from improving demand for residential property supported by growing demand from owner occupiers supported by lower mortgage rates, which have acted to significantly boost sales at Triumph Park, our flagship residential project in St. Petersburg. We are optimistic about prospects for the next phase of the project.

"Given the improving conditions and the success we have achieved in our developments, illustrated by their near 100% occupancy rate, we are continuing to seek new opportunities to enhance shareholder value by bringing forward our pipeline projects and assessing new acquisitions with the aim of delivering long term shareholder value."

-ENDS-

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We are pleased to report MirLand's financial results for the three months ended 31 March 2012. During the period the Russian economy continued to perform well and the Board of MirLand made further good, positive progress in implementing measures to successfully deliver on the Company’s business plan and strategy, which include the following key goals:

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

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

FINANCING

The Company maintained modest leverage at 44.6% of total assets (31 December 2011: 43.9%). Total net borrowings amounted to US$340.2 million (31 December 2011: US$324.7 million).

In January 2012, the Company repaid the remaining balance of Shareholders’ loans amounting to US$6.4 million (including accumulated interest). The Company intends to continue to diversify its funding sources whilst obtaining bank financing in order to fund its planned development activities, as well as ensuring it is appropriately capitalized to enable it to make new acquisitions where it sees opportunities to deliver value to shareholders.

OPERATIONAL UPDATE

Sales of Sub Phase One of Triumph Park Project in St. Petersburg, comprising 510 apartments, continued at a higher than projected pace and contracts for the sale of 258 apartments have been executed and a further 54 apartments have been reserved. Construction of this first phase is on track and the Company is now making preparations for the sale of the second phase, comprising 630 apartments, which is planned for launch during Q3 2012.

As described in Note 28 of the Company’s Financial Statements for the year ended 31 December 2011, in October 2008, Avtoprioritet, Mirland’s jointly controlled entity, entered into a lease agreement with Raiffeisen Bank ("the Lessee") according to which the Lessee undertook to lease approximately 5,600 sqm for a period of 10 years. In December 2008, the Lessee announced that it had no intention of fulfilling the lease agreement. Following a sequence of mutual legal claims filed in connection with the validity of the lease agreement, the Russian Supreme Court made a final ruling that the lease agreement is binding to both parties and the leased space was indeed transferred to the Lessee in accordance with the agreement. Following the Court ruling, Avtoprioritet has filed a number of monetary claims for different periods of the lease agreement and collected a total amount of US$7.6 million to date. In April

2012, Avtoprioritet reached a final judicially approved settlement with the Lessee under which it collected an outstanding rent debt of US$6.4 million and received a final compensation of US$8.6 million for the remaining term of the lease (all amounts are excluding VAT). Following the final settlement, the Company is now undertaking a marketing campaign to let up the vacant space.

As part of Mirland's strategy to increase its yielding asset portfolio, on 30 March 2012, the Company acquired a 10% additional interest in shares of jointly controlled entity Inomotor for a total consideration of $1.5 million in cash. As a result, the Company now holds a 61% interest in Inomotor. Inomotor owns an office building with leasable area of approximately 11,000 sqm in the Century Project.

We have also made good progress in the renovation works of the MAG buildings which was damaged by fire in March 2010. Renovation works are expected to be completed in Q2 2012 and negotiations to let the renovated space are at an advanced stage.

The fully occupied Vernissage Mall in Yaroslavl and the Triumph Mall in Saratov continued to enjoy high footfall. Occupancy rates in Hydro, MAG and the Century office buildings are at 97% (of available lettable space). We have also made excellent progress in letting the Tamiz building, which was opened in Q3 2011, and now has an occupancy rate of 92%.

MARKET UPDATE

Overall, the Russian macro-economy continued to perform well in Q1 2012, driven by low inflation, continued consumer spending growth, increased consumer lending and favorable global commodity demand.

GDP recorded a 4.1% year-on-year increase in Q1 2012 . Industrial production performed well, improving by 5%, driven by growing demand of energy resources due to the extremely cold weather experienced in Russia during the period.

Inflation was at record low at 1.5% year-on-year, helped by a freeze in utility and fuel prices. However, a post election inflation increase is expected in the second half of 2012.

The favorable macro economic conditions led to increased consumer spending growth, further supported by low inflation and growing consumer lending. Retail trade turnover grew by 7.3% in the first two months of 2012, compared to 5.2% during the same period of last year.

The Rouble strengthened against the US Dollar by 9% during Q1. One of the main concerns for the Russian macro economy remains the continued trend of capital outflow, which amounted to US$35.1 billion in Q1 2012.

The overall macroeconomic stability had a positive influence on the real estate sector. The total volume of investments in Q1 2012 reached US$1.46 billion (30% lower than Q1 2011, which was the most successful year on record for the Russian commercial real estate investment market, but close to the pre-crisis hiatus of 2006-7.)

Real estate investment activity showed two main trends: growing confidence of foreign investors (responsible for US$1.11 billion or 76% of total investment volume in Q1 2012) and growing interest in regional assets (80% of the total investment volume). Capitalization rates in Q1 2012 remained at the Q4 2011 level – 8.5% for Class A offices and 9.25% for retail.

The office sector saw relatively high take-up of c.357,000 sqm. Tenant demand is concentrated on completed offices, while pre-lease deals amounted to only 5% of the total. Despite relatively low levels of new construction, a slight increase in vacancy rate from 13.4% to 13.8% was recorded for the market due to most of the demand coming from tenants that who left other buildings rather than taking on new, additional space. Despite the vacancy, rental rates remained stable and the leasing environment continues to be favorable for high quality well located office accommodation.

In the retail sector, consumer spending remained high, driven by increase in real wages and the growing prominence of Russia's middle class. The vacancy rate for retail space in Moscow remained very low at 0.6%. There is high demand for retail space in all Russian cities where the population is greater than 300,000.

The residential sector witnessed a continued trend of sales price increases in the Moscow and St. Petersburg markets, supported by increased levels of mortgage lending and greater affordability through a stable mortgage rates.

The Russian economy continues to perform well, but the transition of Presidential power, expected state monopoly price increases and increasing budget spending will present future challenges.

MANAGEMENT

As announced yesterday, Emil Budilovsky stepped down from his position as Chief Financial Officer of the Company and resigned from the board of directors of the Company (the “Board”) in order to pursue other business interests with immediate effect.

The Company is pleased to announce that Yevgeny Steklov has been promoted to the role of Chief Financial Officer and has been appointed to the Board with effect from the close of the Annual General Meeting on Monday 14 May 2012.

OUTLOOK

The Board remains focused on the delivery of the Company's business plan and, in light of ongoing stability in the Russian economy, will continue to focus its resources and activities on completing projects under construction and commencing those where funding is in place, building on the recent success. We anticipate bringing further new projects on stream into this improving environment as well as capitalising on the current market opportunities to identify new investments. The Board is willing to examine the merit of any such opportunities as and when they arise, given the availability of appropriate financial resources.

MirLand has a high quality portfolio of completed, income producing investment property. In addition, our development pipeline should provide both competitive advantage and significant future benefit to shareholders as conditions continue to improve.

Nigel Wright	**Roman Rozental**
Chairman	**Chief Executive**
16 May 2012	**16 May 2012**

MIRLAND DEVELOPMENT CORPORATION PLC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 MARCH 2012

U.S. DOLLARS IN THOUSANDS

UNAUDITED

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 March		31 December
	2012	**2011**	**2011**
	Unaudited		**Audited**
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	14,658	35,542	32,333
Short-term loans	-	816	-
Restricted bank deposits	1,909	-	1,739
Trade receivables	5,118	1,394	4,568
Other receivables	2,330	2,652	2,780
VAT receivable	7,711	31,604	7,393
Inventories of buildings for sale	172,492	193,945	157,772
	204,218	265,953	206,585
NON-CURRENT ASSETS:			
Investment properties	382,432	311,807	363,569
Investment properties under construction	83,346	131,344	82,703
Inventories of buildings for sale	71,952	32,525	67,062
Long-term loans to related parties	10,601	10,802	10,611
Fixed assets, net	1,267	1,451	1,190
VAT receivable	261	204	317
Other long-term receivables	4,417	3,170	2,851
Prepaid expenses	2,460	1,230	1,802
Deferred taxes	2,447	353	2,915
	559,183	492,886	533,020
TOTAL ASSETS	763,401	758,839	739,605

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

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 March		31 December
	2012	2011	2011
	Unaudited		Audited
	U.S. dollars in thousands		
EQUITY AND LIABILITIES			
CURRENT LIABILITIES:			
Credit from banks	67,842	70,013	66,992
Current maturities of long-term loans from banks and debentures	43,777	20,888	40,962
Credit from banks for financing of inventory of buildings for sale	22,984	-	24,218
Loans from shareholders	-	20,612	6,402
Government authorities	3,634	3,021	3,981
Trade payables	9,355	11,563	9,135
Deposits from tenants	2,925	4,265	3,831
Advances from buyers	13,817	7,538	7,099
Other accounts payable	2,110	1,949	1,871
	166,444	139,849	164,491
NON-CURRENT LIABILITIES:			
Loans from banks	78,827	71,345	79,960
Loans from shareholders	-	5,772	-
Debentures	141,474	166,802	138,488
Other non-current liabilities	10,268	5,644	9,528
Deferred taxes	564	6,514	-
	231,133	256,077	227,976
TOTAL LIABILITIES	397,577	395,926	392,467
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	11,902	10,781	11,341
Capital reserve for transactions with controlling shareholders	6,565	3,207	6,565
Foreign currency translation reserve	(14,161)	(435)	(52,126)
Accumulated deficit (retained earnings)	679	(11,479)	20,519
TOTAL EQUITY	365,824	362,913	347,138
TOTAL EQUITY AND LIABILITIES	763,401	758,839	739,605

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

INTERIM CONSOLIDATED INCOME STATEMENTS

	Three months ended 31 March		Year ended 31 December
	2012	2011	2011
	Unaudited		Audited
	U.S. dollars in thousands (except per share data)		
Rental income from investment properties	10,628	7,868	39,679
Income from sale of inventories	1,628	912	3,932
Revenues from managing fees	966	996	3,922
Total revenues	13,222	9,776	47,533
Cost of sales	(2,553)	(1,046)	(6,279)
Cost of maintenance and management	(4,941)	(4,979)	(20,915)
Gross profit	5,728	3,751	18,839
General and administrative expenses	(3,732)	(4,235)	(16,583)
Marketing expenses	(428)	(822)	(2,593)
Fair value adjustments of investment properties and investment properties under construction, net	(29,671)	(18,255)	33,485
Other income, net	190	702	3,849
Operating income (loss)	(27,913)	(18,859)	38,497
Finance income	264	704	2,141
Finance costs	(6,151)	(4,129)	(18,031)
Net foreign exchange differences	15,220	14,730	(6,349)
Profit (loss) before taxes on income	(18,580)	(7,554)	16,258
Taxes on income (tax benefit)	1,260	(4,081)	(12,267)
Net income (loss)	(19,840)	(3,473)	28,525
Basic and diluted net earnings (loss) per share	(0.19)	(0.03)	0.28

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended 31 March		Year ended 31 December
	2012	2011	2011
	Unaudited		Audited
	U.S. dollars in thousands		
Net income (loss)	(19,840)	(3,473)	28,525
Other comprehensive income (loss) (net of tax effect):			
Exchange differences on translation of foreign operations	37,965	25,161	(26,530)
Total other comprehensive income (loss)	37,965	25,161	(26,530)
Total comprehensive income	18,125	21,688	1,995

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	Currency translation reserve	Retained earnings (accumulated deficit)	Total
	U.S. dollars in thousands						
At 1 January 2011	1,036	359,803	10,579	3,207	(25,596)	(8,006)	341,023
Net income for the year	-	-	-	-	-	28,525	28,525
Other comprehensive loss	-	-	-	-	(26,530)	-	(26,530)
Total comprehensive income (loss), net	-	-	-	-	(26,530)	28,525	1,995
Share-based payment transactions	-	-	762	-	-	-	762
Equity component of transaction with controlling shareholders	-	-	-	3,358	-	-	3,358
At 31 December 2011	1,036	359,803	11,341	6,565	(52,126)	20,519	347,138
Net income for the year	-	-	-	-	-	(19,840)	(19,840)
Other comprehensive loss	-	-	-	-	37,965	-	37,965
Total comprehensive income (loss), net	-	-	-	-	37,965	(19,840)	18,125
Share-based payment transactions	-	-	561	-	-	-	561
Equity component of transaction with controlling shareholders	-	-	-	-	-	-	-
At 31 March 2012 (unaudited)	1,036	359,803	11,902	6,565	(14,161)	679	365,824

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	Currency translation reserve	Accumulated Deficit	Total
				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 loss for the period	-	-	-	-	-	(3,473)	(3,473)
Other comprehensive income	-	-	-	-	25,161	-	25,161
Total comprehensive income (loss), net	-	-	-	-	25,161	(3,473)	21,688
Share-based payment transactions	-	-	202	-	-	-	202
At 31 March 2011 (unaudited)	1,036	359,803	10,781	3,207	(435)	(11,479)	362,913

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended 31 March		Year ended 31 December
	2012	2011	2011
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Net income (loss)	(19,840)	(3,473)	28,525
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Deferred taxes, net	1,286	(4,587)	(13,482)
Depreciation and amortization	123	121	467
Finance costs (income), net	(9,333)	(11,305)	22,239
Share-based payment	561	202	762
Fair value adjustment of investment properties and investment properties under construction	29,671	18,255	(33,485)
	22,308	2,686	(23,499)
Changes in asset and liability items:			
Increase in trade receivables	(96)	(1,760)	(5,547)
Decrease (increase) in VAT receivable and others	(169)	1,405	23,708
Increase in inventories of buildings for sale	(3,960)	(3,555)	(21,759)
Increase (decrease) in trade payables	(44)	-	165
Increase in other accounts payable	4,735	323	6,612
	466	(3,587)	3,179
Cash paid and received during the period for:			
Interest paid	(7,340)	(6,802)	(23,370)
Interest received	2	15	20
Taxes paid	(153)	(45)	(948)
Taxes received	-	-	22
	(7,491)	(6,832)	(24,276)
Net cash flows used in operating activities	(4,557)	(11,206)	(16,071)

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended 31 March		Year ended 31 December
	2012	2011	2011
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from investing activities:			
Additions to investment properties	(1,924)	(4,198)	(6,365)
Additions to investment properties under construction	(42)	(2,507)	(8,742)
Acquisition of additional interest in jointly controlled entity	(1,500)	-	-
Purchase of fixed assets	(200)	(141)	(349)
Loans granted to related parties	(1,446)	-	-
Proceeds from repayment of loans granted	-	6,860	8,428
Investment in restricted deposit	-	-	(1,739)
Net cash flows used in (provided by) investing activities	(5,112)	14	(8,767)
Cash flows from financing activities:			
Issuance of debentures, net	-	46,985	54,104
Repayment of debentures	-	-	(10,768)
Short-term credit from banks and others, net	-	7,142	-
Repayment of loans from shareholders	(5,567)	(17,504)	(36,843)
Receipt of long-term loans	5,314	-	47,696
Repayment of loans from banks	(7,282)	(1,755)	(6,206)
Net cash flows provided by (used in) financing activities	(7,535)	34,868	47,983
Exchange differences on balances of cash and cash equivalents	(471)	892	(1,786)
Increase (decrease) in cash and cash equivalents	(17,675)	24,568	21,359
Cash and cash equivalents at the beginning of the period	32,333	10,974	10,974
Cash and cash equivalents at the end of the period	14,658	35,542	32,333

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 31 March 2012 and for the three-month period then ended ("interim condensed consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements and accompanying notes as of 31 December 2011 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 31 March 2012 amounting to approximately $ 89 million, and revenues from sales of building projects that are expected to be completed during 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

Basis of preparation of the interim financial statements:

The interim condensed consolidated financial statements for the three months ended 31 March 2012 have been prepared in accordance with the International Financial Reporting Standard IAS 34 ("Interim Financial Reporting").

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

IAS 12 - Income Taxes:

The amendment to IAS 12 ("the Amendment") applies to investment property measured at fair value. According to the Amendment, the deferred tax asset/liability in respect of such property should be measured based on the presumption that the carrying amount of the property will be recovered in full through sale (and not through use). However, if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embedded in the investment property over time rather than through sale, the sale presumption is rebutted and the Group should apply the regular guidelines of IAS 12 (namely, deferred taxes are measured based on the expected recovery of the property as determined by management - through sale or use).

The Amendment supersedes the provisions of SIC 21 that require separation of the land component and the building component of investment property measured at fair value in order to calculate the deferred tax.

The Amendment is applied retrospectively commencing from the financial statements for annual periods beginning on January 1, 2012. The Amendment has had no effect on the financial statements.

NOTE 3:- SEGMENTS

	Commercial	Residential	Total
	Unaudited		
Three months ended 31 March 2012:	U.S. dollars in thousands		
Segment revenues	11,594	1,628	13,222
Segment results	(23,583)	(1,395)	(24,978)
Unallocated expenses			(2,935)
Finance costs, net			9,333
Loss before taxes on income			(18,580)

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

	Year ended 31 December 2011		
	Commercial	Residential	Total
	U.S. dollars in thousands		
Segment revenues	43,601	3,932	47,533
Segment results	50,840	(4,661)	46,179
Unallocated expenses			(7,682)
Finance cost, net			(22,239)
Profit before taxes on income			16,258

NOTE 4:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

a. On March 12, 2012, the Company's board of directors approved by a way of reallocation the prolongation of the expiration date of 1,122,994 options, previously granted by the Company, to 19 March 2014, and updated the exercise price of those options from 4.8 GBP per share to exercise price of 3.5 GBP per share. According to IFRS 7, the additional value of those options was measured by independent appraiser and amounted to $494 thousand. The Company recognized this amount as expenses in the income statement. As of the balance sheet date, the options are fully vested.

b. During the period, the Company repaid shareholder's loans in total amount of approximately $ 6.4 million (including interest accrued).

c. On March 30 2012 the Company acquired 10% additional interest in shares of jointly controlled entity ("Inomotor") for total consideration of $ 1.5 million. As a result, the Company holds 61% in shares of Inomotor as of the balance sheet date. The joint venture agreement between the parties was not amended as a result of acquisition, therefore as of the balance sheet date the Company accounts investment in Inomotor using the proportionate consolidation method.

NOTE 5: - SUBSEQUENT EVENTS

Further to Note 28i to the Company's annual financial statements, on April 9, 2012, the Company signed a compromise agreement with Raiffeisen Bank ("the lessee") which was approved by ruling court agreement in Russia. According to the agreement, a debt balance, for which the lessee was liable in respect to 2011 in an amount aggregating to about $ 4.8 million (not including VAT), was paid. Further, on April 23, 2012 an additional compromise agreement and lease termination agreement were signed and were approved by court ruling. Pursuant to the compromise agreement, the Company collected the debt balance, for which the lessee was liable in respect to the period from January 1, 2012 until the date on which the compromise was signed, in the amount of about $ 1.5 million (not including VAT). Further, in accordance to the lease termination agreement between the parties it was agreed that in reference to the period up to the end of the original lease agreement, to which the lessee was liable, an amount aggregating to $ 7.7 million will be paid in addition to the deposit in the amount of about $ 1.3 million that the lessee deposited with it and that was transferred to the Company at the inception of the lease agreement. The compromise amounts were received by the Company in full. As of the balance sheet date, the compromise agreement had no effect on the fair value of leased property.