19 August 2015

MIRLAND DEVELOPMENT CORPORATION PLC
("MirLand" or the "Company")

UNAUDITED INTERIM CONSOLIDATED REPORT FOR THE SIX MONTHS ENDED 30 June 2015

INCREASED REVENUES AND RESILIENT PERFORMANCE, DEPSITE TOUGH MARKET CONDITIONS

MirLand, one of the leading international residential and commercial property developers in Russia, announces its results for the six months ended 30 June 2015.

Financial Highlights:

- Total revenues up 43% to US$66.2 million (30 June 2014: US$46.3 million) due to an increase in income from the sale of residential units;
- Net operating income ("NOI") from the Company's share of the investment portfolio down to US$12.4 million (30 June 2014: US$19.9 million), mainly due to depreciation in the Russian Rouble against the US Dollar and due to movement in the Russian real estate market;
- Gross profit of US$12.8 million (30 June 2014: US$21 million);
- EBITDA of US$7.2 million (30 June 2014: US$12 million);
- Loss of US$66.2 million (30 June 2014: net income of US$0.3 million) due to the on-going impact of adverse conditions in the Russian economy, which resulted in the negative fair value adjustment of the Company's share of the investment portfolio of approximately US$50.4 million following a decrease in projected NOI. In addition, the Company recorded a net foreign exchange loss of US$2.9 million. There was also a negative fair value adjustment of the Company's share of the investment portfolio of US$10.3 million following depreciation of the Russian Rouble against the US Dollar of approximately 1.3%, resulting in nominal depreciation of commercial assets at the same rate;
- Total assets amounted to US$694.9 million, of which 89% are property and land assets (31 December 2014: US$756.6 million);
- Total equity of US$79.9 million (31 December 2014: US$141.4 million), equating to 11.7% of total assets;
- Net leverage stands at 71.1% of total assets (31 December 2014: 57%);
- The Company is continuing its discussions with the trustees of the Series A-F bondholders to agree a restructuring of its debt and will update the market in due course.

Operational Highlights

Residential:

Triumph Park, St. Petersburg

Sales rates continue to remain high with prices in Russian Rouble of later phases increasing ahead of inflation:

- Phase II: Handover of final apartments during the third quarter of 2015.
- Phase III: Sales momentum continuing with an additional 78 sales since 1 January 2015. In total, 922 apartments out of 1,346 have been pre-sold, totalling circa 69% of the scheme and representing sales of approximately US$69.9 million;
- Phase IV: Construction of 1,244 units began in Q3 2014, followed by the commencement of sales in Q1 2015. 267 apartments were pre-sold off plan during the initial six months with sales totalling approximately 22% of the scheme or US$19.8 million.

Western Residence, Perkhushkovo, Moscow

- Further strong progress, with sales of a further nine houses at our Western Residence development in Perkhushkovo, Moscow, have completed since 1 January 2015, taking the total number of units sold to 49 of the 77 houses in the scheme.

Retail:

- Satisfactory performance achieved despite pressures on rents and occupancy rates during the first six months, with half year NOI of US$7.4 million from the Vernissage Mall and Triumph Mall, compared to US$11.7 million last year;
- Occupancy slightly decreased to approximately 90%;
- An agreement to sell land for the construction of a 15,000 sqm extension of the Vernissage Mall, which will house an international DIY retailer, was signed during the period. The store is expected to be open and trading within a year and the Board expects the introduction of the retailer to increase the attractiveness of the Mall as a retail destination.

Offices:

- Occupancy rates slightly decreased at the MirLand Business Centre, and stand at 81% – in line with the market trend. NOI has reduced to US$5 million (Company share) in the first half of 2015.

Nigel Wright, Chairman of Mirland, commented:

“In testing market conditions, we have been able to increase revenues and maintain a respectable operational performance. Mirland’s resilience has been demonstrated by strong residential sales at Triumph Park in St. Petersburg. The latter phases of the development have achieved higher sales prices, exceeding inflation, and delivered strong profits from the project.

"As I have stated previously, economic conditions in Russia are beyond our control and there is no denying that our performance has been severely impacted by the devaluation of the Russian Rouble and a consequent devaluation of assets. We are working hard to maximize value by all means within our control and continue to keep a close eye on capital expenditure. We successfully reduced Maintenance and Management Costs together with General and Administrative expenses again during the period.

"Despite the current challenging conditions in the Russian market, we remain confident that the quality of our portfolio will be further demonstrated as the market improves in the long-term."

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MirLand’s progress during the first half year of 2015 reflects our core strategy to:

- Maximize returns from our existing assets;
- Successfully complete projects currently under construction; and
- Activate pipeline projects and selectively seek new projects subject to availability of appropriate funding and market demand.

FINANCIAL REVIEW

Balance Sheet

Our balance sheet remains resilient with total assets as at 30 June 2015 of US$694.9 million (31 December 2014: US$756.6 million). Total equity was US$79.9 million as at 30 June 2015 (31 December 2014: US$141.5 million) and net cash was US$29 million.

MirLand's assets are externally valued half-yearly on 30 June and 31 December by Cushman & Wakefield. Based on the 30 June 2015 valuation, investment properties and investment properties under construction decreased in value to US$364.2 million as at 30 June 2015 (31 December 2014: US$414.6), mainly due to the depreciation of the Russian Rouble (compared to 31 December, 2014) against the US Dollar and the continuance of the challenging economic environment in the country. In carrying out the valuations, no change was made to the discount and capitalisation rates by Cushman & Wakefield.

Inventories of buildings for sale slightly decreased from US$258.2 million as at 31 December 2014 to US$252.3 million (30 June 2015) mainly due to delivery of apartments from the second phase to the tenants during the first half of 2015.

Equity and Liabilities

Total equity as at 30 June 2015 was US$79.9 million, including minority rights. This represents a decrease on the US$141.5 million reported at 31 December 2014 and was mainly caused by devaluation of the Russian Rouble against the US Dollar and the negative revaluation of the Company’s properties. Shareholders' equity comprises 11.7% of total assets.

Net Financial liabilities as at 30 June 2015 were US$466.5 million in comparison to US$430.1 million at 31 December 2014. As at 30 June 2015, net financial liabilities comprised 71.1% of MirLand's total assets.

Income Statement

Total income (income from the sale of inventories, revenues from rent and management fees) increased 43% to US$66.2 million (H1 2014: US$46.3 million) primarily due to an increase in income from the sale of residential units.

In accordance with IAS 40, the Company has revaluated its investment properties and investment properties under construction for the financial period ending 30 June 2015 and has recognised the resulting movement in valuation through its income statement as fair value adjustments. The fair value negative adjustment during the period amounted to US$60.7 million (H1 2014: US$8.8 million) and was mainly attributed to a decrease in projected NOI, which resulted in the negative fair value adjustment of investment properties of approximately US$50.4. There was also a negative fair value adjustment of investment properties of US$10.3 million following depreciation of the Russian Rouble against the US Dollar of approximately 1.3%, resulting in nominal depreciation of commercial assets at the same rate.

The cost of maintenance and management of the Company's investment portfolio decreased from US$8.4 million in H1 2014 to US$6.9 million in H1 2015. This was due to the additional efficiency measures implemented by the Company, mainly in the office segment and the depreciation of the Russian Rouble against the US Dollar.

The Company's gross profit for the period decreased to US$15.7 million compared to US$21million in the same period in 2014.

General and administrative expenses for the period decreased to US$5.4 million in comparison to US$6.7 million in the same period in 2014, mainly due to efficiency measures implemented by the Company.

Net financing costs for the period amounted to US$16.7 million in comparison to US$16.8 million in the same period of 2014. Foreign exchange differences resulted in a loss of US$2.9 million due to the appreciation of the NIS against the US$ of approximately 3.1%, compared to US$5.8 million in H1 2014.

Loss of US$66.8 million was recorded by the Company compared to net profit of US$0.3 million in H1 2014.

Net Asset Value

The Company's adjusted net asset value as at 30 June 2015 decreased 40.6% to US$98 million, compared to US$165 million as at December 2014. As of 30 June 2015, the portfolio was valued at US$532.6 million, of which MirLand's share is US$504.5 million (December 2014: US$589.5 million).

The valuation of each asset in MirLand's real estate portfolio as at 30 June 2015 is set out in the following table:

Ref.	City	Property Name and Address	Portfolio Market Value as of 30th of June 2015 (Rounded)	Percentage Owned by MirLand	MirLand Market Value as of 30th of June 2015 (Rounded)	Total sqm of Land	Projected Net Leasable / Saleable Area in sqm upon Completion (excl. Parking)
001	Moscow	Hydromashservice	$40,100,000	100%	$40,100,000	12,237	16,696
002	Moscow	MAG	$49,000,000	100%	$49,000,000	21,940	18,535
003	Moscow Region	Western Residence, Perkhushkovo	$25,100,000	100%	$25,100,000	225,300	45,151
004	Saratov	Triumph Mall	$86,000,000	100%	$86,000,000	22,000	27,241
006	Saint Petersburg	Triumph Park, Residential	$143,300,000	100%	$143,300,000	326,651	411,413
007	Saint Petersburg	Triumph Park, Trade Center	$12,000,000	100%	$12,000,000	81,663	N/A
008	Yaroslavl	Vernissage Mall	$59,500,000	100%	$59,500,000	120,000	34,092
009	Yaroslavl	Phase II	$9,700,000	100%	$9,700,000	180,000	57,000
010	Moscow	Tamiz Building	$31,700,000	100%	$31,700,000	4,500	11,737
011	Moscow	Century Buildings	$63,200,000	51%/61%	$35,100,000	5,800	20,904
012	Kazan	Triumph House	$7,600,000	100%	$7,600,000	22,000	16,783
013	Saratov	Logistics Complex	$5,400,000	100%	$5,400,000	260,000	N/A
014	Novosibirsk	Logistics Complex	$0	100%	$0	N/A	N/A
		Total	**$532,600,000**		**$504,500,000**		

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

We strongly believe in the quality of the assets owned by the Company and that the portfolio will deliver an attractive yield to our investors over the long term as the market continues to improve.

Cash flow

FINANCING

The challenging economic environment has continued to have a substantial impact on the valuation of the Company’s real estate portfolio. This saw the value marked down by approximately 36% during 2014 and an additional 12% during the first half of 2015, resulting in net leverage increasing further to 71.1% of total assets as at 30 June 2015 from 56.9% as at 31 December 2014. Total net borrowings amounted to US$466.5 million (31 December 2014: US$430.1 million).

As reported at the time of the Full Year results in March 2015, the Company is in negotiation with the trustees of the Series A-F bondholders to agree a restructuring of its debt which addresses the challenges posed by the current instability in the Russian economy for the benefit of all the Company's creditors and shareholders.

Discussions are continuing and, during this period, the Company has agreed not to undertake certain transactions which would involve incurring any material obligations without giving the Trustees the agreed prior notice (the “Interim Period”).

Furthermore, the Company's controlling shareholders, Jerusalem Economy Ltd., Industrial Buildings Corporation Ltd. and Darban Investments Ltd., as well as Dunchoille Holdings Ltd. (a subsidiary wholly owned by the Company), have undertaken that, during the Interim Period, no disposal will be made of any of the Company's debentures held by them, unless they give the Trustees prior written notice specifying the particulars of the transaction.

The Company will update the market further on this in due course.

OPERATIONAL UPDATE

Good progress continues to be achieved in the pre-sale, build and delivery of Triumph Park in St. Petersburg, the Company’s BREEAM certified sustainable residential project. Following the successful conclusion of Phase II with all flats sold, and handed over to the buyers during the third quarter of 2015. Sales have continued to be strong in Phase III of the scheme, with 922 (69% of the scheme) apartments now pre-sold. The Company is continuing to achieve sale prices in Russian Rouble in these later phases ahead of the rate of inflation, underpinning the strong levels of profitability for the project.

The construction of Phase IV of the project, representing a further 1,244 units, commenced in Q3 2014, and 267 units were pre-sold during the first six months of sales.

The Western Residence residential development at Perkhushkovo, Moscow, has also maintained momentum with nine further houses sold since the beginning of 2015. This now takes the number sold to 49 of a total of 77 houses in the scheme.

Occupancy at our Vernissage Mall and Triumph Mall assets slightly decreased to approximately 90%, although footfall remained high at both.

In April, 2015, a sub-subsidiary of the Company (Global 1 LLC) ("Sub-subsidiary") which holds the rights of the Yaroslavl Project (Vernissage Mall Project) contracted into a series of agreements that obligate the Sub-subsidiary to sell an area of land of about 20,800 square metres to an International chain that is involved in the "Do-It-Yourself industry" ("The Chain") for a consideration of approximately 400 Million Roubles, including VAT (approximately US Dollar 7.7 million). The chain has taken upon itself the construction obligations of the shop (Big Box) on the land through an undertaking to open the shop on a date no later than 30 June 2016. Additionally, the sub-subsidiary will lease to the chain additional land of about 6,070 square metres for a period of 49 years and will allow the chain access to other areas of the land for the purpose of building the shop. The sub-subsidiary will be responsible for removing all encumbrances and liens on the land before the rights are transferred to the chain, and similarly to establish the necessary infrastructure for running the shop.

After the date of the balance sheet, in July 2015, an approval for its sale was received from the funding bank, which has a pledge on the real estate. The Sub-subsidiary agreed to designate 60% of the total consideration for early repayment of the loan principal received from the funding bank.

Occupancy at the MirLand Business Centre remains in line with market conditions at approximately 81% of the total rentable area, which is in line with the market average.

On account of the challenging economic environment, the Company has been providing certain discounts and limitation agreements on the exchange rate to its retail and office tenants, which led to a substantial decrease in its NOI in the first half of 2015.

MARKET UPDATE

Russia's economy contracted by 4.2% in 2Q15 compared with 2Q14, the largest drop in six years, since the financial crisis in 2009. The annual forecast is for a fall by around 2.8% in 2015, and to grow less than 1% in 2016 (Russian Ministry of Economic Development).

A spike in consumer price inflation, which has peaked at around 17%, resulted in a sharp fall in real wages, weighing on private consumption. The June 2015 inflation rate was 15.3% on an annual basis.

The currency fluctuated between 50-60 Russian Rouble to US Dollar from the beginning of the year and was at 55.52 on 30 June 2015. As of the date of publication of the announcement the rate increased to 65.5.

Russia's Urals oil brand sold for an average of US$56.99 per barrel between January and June, down 47% from an average of US$107.28 per barrel during the same period last year (Russian Ministry of Finance).

The Central Bank interest rate in Russia averaged 6.66% from 2003 to 2015, reaching a record high of 17% in December 2014, and has declined gradually since to 11% on 31 July 2015. It is the fifth consecutive cut aimed at boosting growth and is despite a slight increase in the inflation risks.

Net capital outflow fell in 2Q15 to US$20bn, according to estimated balance of payments data published by the Central Bank of Russia, while in 1Q15 it was at US$32.5bn, and the predicted amount for 2015 is currently $90bn.

Foreign Direct Investments in 2Q15 were approximately US$3.5bn, which is a small improvement from the negative figures in 4Q14 which reflected the conflict and the international sanctions on Russia.

The unemployment rate decreased to 5.4% in June 2015 from 5.6% in May 2015. It is the lowest figure since December 2014 and below market expectations.

Real Estate market

Prime yields in 2Q 2015 were 11% for offices, 11% for prime retail, and 13% for warehouses, which are unchanged from the previous quarter.

In total, the volume of investment in 1H15 in commercial real estate was US$1.3bn (US$658mn in offices, US$196 million in retail and US$444 million in warehouses). The volatile global and domestic economic environment means the forecast for 2015 remains US$2.5bn, taking into consideration a pipeline of US$1bn. US$807 million and US$529million were invested by domestic and foreign companies, respectively. The share of foreign companies' investments decreased from 55% in 1Q15 to 40%. As usual, Moscow attracted the majority of investments — US$1.2bn (90%). Only US$110 million (8%) was invested in commercial real estate in St. Petersburg.

Offices

The total volume of investments in the office segment was US$658 million approximately 50% of total investments).

The average rental rates showed minor growth in Q2, reflecting technical consolidation of the rents. Class A rents are now US$645 per sq m and US$281 per sq m for Class B (triple net). In USD equivalent both classes' average rents decreased in 1H15. In Russian Rouble equivalent, the trends are different with growth in Class A and a decline in Class B.

The average vacancy rate has increased to 17.9%: 31.4% in Class A (2015F – 33%), and 14.7% Class B (2015F – 16%). The net absorption is negative and signifies the lack of demand for new offices.

Retail

The first half of 2015 was characterised by a record low volume invested in retail - US$196 million (15% of total investments).

13 new shopping centres with a total GLA of 547,700 sq m were opened in 1H15 (six in Q1 and seven in Q2 (GLA 199,000sqm)) five of which were delivered in Moscow.

In prime Moscow shopping malls the average vacancy rate remained low at 2.2% (1Q15 – 2%). The total Moscow quality retail stock overall vacancy rate is at 8%.

The prime rental rate indicator in the first half of 2015 was unchanged at US$3,200. At the end of 2014 and beginning of 2015 the majority of retailers received the maximum possible temporary discounts, so rental rate growth may start at the end of 2015, at earliest.

In 2Q15 Moscow shopping mall footfall was the lowest since 2011 and 10% lower than the four-year quarterly average.

Residential

The mortgage lending market is decreasing, with approximately 379.1bn Russia Rouble (Approximately US$6.82bn) of mortgages granted between January and May 2015, 40% lower than the same period in 2014.The average lending rate at the beginning of June 2015 was 13.5% (lower than May at 14.06%).

2Q15 delivery of new residential projects to the market in St. Petersburg totalled 373,000 sq m, which is 60% less than in 1Q15. Most of the delivery to the market remains in the mass-market segment (approximately 275,000 sq m). 2Q15 demand amounted to 800,000 sq m, which is similar to the previous quarter.

Industrial

Total investment volume in the segment was US$225 million in 2Q 2015 (US$444 in 1H15).
About 392,000 sq m of industrial space was completed in Moscow at the end of 1H15.
An increase of 19% in demand was observed in 1H15 (compared to 1H14), after a significant decline in market activity at the end of 2014.

1H15 vacancy rate was at 9.7% in Class A, and of 7% in Class B. 90% of the vacant space marketed with Russian Rouble lease rates. The average lease length is less than five years.

Nigel Wright	**Roman Rozental**
Chairman	**Chief Executive**
18 August 2015	**18 August 2015**

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June 2015	30 June 2014	31 December 2014
	Unaudited	Unaudited	Audited
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	17,883	83,150	40,646
Restricted cash	11,159	-	-
Trade receivables	3,749	3,277	1,502
Accounts receivables	6,971	9,337	6,530
VAT receivable	4,742	5,263	4,438
Inventories of buildings for sale	167,538	205,585	169,297
	212,042	306,612	222,413
Assets held for sale	5,655	-	-
	217,697	-	-
NON-CURRENT ASSETS:			
Investment properties	329,500	547,501	383,800
Investment properties under construction	29,045	57,500	30,800
Inventories of buildings for sale	84,750	102,969	88,917
VAT receivable	373	414	314
Fixed assets, net	1,239	1,908	1,231
Other long term receivables	18,874	8,181	18,558
Prepaid expenses	509	980	517
Deferred taxes	12,863	5,627	10,056
	477,153	725,080	534,193
TOTAL ASSETS	694,850	1,031,692	756,606

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 June		31 December
	2015	2014	2014
	Unaudited		Audited
	U.S. dollars in thousands		
EQUITY AND LIABILITIES			
CURRENT LIABILITIES:			
Long-term loans from banks which classified for short-term	206,574	-	181,588
Current maturities of long-term credit from banks	16,555	63,780	15,445
Current maturities of debentures	76,870	-	57,298
Credit from banks for financing of inventory of buildings for sale	21,452	12,763	3,300
Long-term Debentures which classified for short-term	174,064	-	178,316
Trade payables	10,416	10,069	8,262
Deposits from tenants	1,765	3,706	2,762
Advances from buyers	71,909	100,170	88,471
Other accounts payable	2,471	5,017	2,847
	582,076	195,505	538,289
NON-CURRENT LIABILITIES:			
Loans from banks and others	-	223,121	34,847
Debentures	-	208,432	-
Other non-current liabilities	12,107	18,050	12,562
Deferred taxes	21,014	60,026	29,461
	33,121	509,629	76,870
TOTAL LIABILITIES	615,197	705,134	615,159
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	12,559	12,458	12,530
Capital reserve for transactions with controlling shareholders	8,556	8,556	8,556
Foreign currency translation reserve	(170,433)	(66,579)	(174,197)
Accumulated deficit	(152,855)	(19,704)	(89,757)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	58,666	295,570	117,971
Non-controlling interest	20,987	30,988	23,476
Total equity	79,653	326,558	141,447
TOTAL EQUITY AND LIABILITIES	694,850	1,031,692	756,606

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Six months ended 30 June		Year ended 31 December
	2015	2014	2014
	Unaudited		Audited
	U.S. dollars in thousands (except earnings (loss) per share data)		
Rental income from investment properties	17,805	26,800	52,525
Revenues from sale of residential units	46,894	17,752	29,796
Revenues from management fees	1,499	1,747	3,938
Total revenues	66,198	46,299	86,259
Cost of sales and maintenance of residential units	43,534	16,947	28,974
Cost of maintenance and management	6,917	8,372	18,228
Gross profit before provision for impairment	15,747	20,980	39,057
Impairment of inventory	2,986	-	-
Gross profit	12,761	20,980	39,057
General and administrative expenses	5,412	6,723	13,043
Bond settlement expenses	1,444	-	-
Marketing expenses	2,954	2,137	4,053
Fair value adjustments of investment properties and investment properties under construction	(60,698)	8,776	84,802
Other expense (earnings), net	70	850	1,992
Company's share in earnings of companies accounted for using the equity method and gain from obtaining control in company previously accounted for using the equity method	-	4,009	4,009
Operating income (loss)	(57,817)	24,055	108,780
Finance income	1,101	531	1,521
Finance expenses	(17,777)	(17,365)	(36,942)
Net foreign exchange differences	(2,943)	(5,803)	(149,361)
Profit (loss) before taxes on income	(77,436)	1,418	(76,002)
Taxes on income (tax benefit)	(11,239)	1,094	(13,125)
Net income (loss)	(66,197)	324	(62,877)
Attributable to:			
Equity holders of the parent	(63,098)	(1,260)	(71,313)
Non-controlling interests	(3,099)	1,584	8,436
	(66,197)	324	(62,877)
Basic and diluted net earnings (loss) per share (US Dollars) attributable to equity holders of the parent	(0.60)	(0.01)	(0.69)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended 30 June		Year ended 31 December
	2015	2014	2014
	Unaudited		Audited
	U.S. dollars in thousands		
Net Income (loss)	(66,197)	324	(62,877)
Other comprehensive income (loss) (net of tax effect):			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Transfer of currency translation reserve to income statement for obtaining control in companies previously accounted for using the equity method	-	6,624	6,624
Exchange differences on translation of foreign operations	4,374	(8,871)	(130,853)
Company's share of net other comprehensive loss of companies accounted for the equity method	-	(3,298)	(3,298)
Total other comprehensive income (loss)	4,374	(5,545)	(127,527)
Total comprehensive income (loss)	(61,823)	(5,221)	(190,404)
Attributable to:			
Equity holders of the parent	(59,334)	(6,316)	(183,987)
Non-controlling interest	(2,489)	1,095	(6,417)
	61,823	(5,221)	(190,404)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital	Share premium	Capital reserve for share-based payments	Capital reserve for transactions with controlling shareholders	Foreign currency translation reserve	Accumulated deficit	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
	U.S. dollars in thousands								
At 1 January 2015	1,036	359,803	12,530	8,556	(174,197)	(89,757)	117,971	23,476	141,447
Net profit (loss) for the year	-	-	-	-	-	(63,098)	(63,098)	(3,099)	(66,197)
Other comprehensive loss	-	-	-	-	3,764	-	3,764	610	4,374
Total comprehensive income (loss)	-	-	-	-	3,764	(63,098)	(59,334)	(2,489)	(61,823)
Share-based payments (Note 19)	-	-	29	-	-	-	29	-	29
At 30 June 2015 (unaudited)	1,036	359,803	12,559	8,556	(170,433)	(152,855)	58,666	20,987	79,653

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital	Share premium	Capital reserve for share-based payments	Capital reserve for transactions with controlling shareholders	Foreign currency translation reserve	Accumulated deficit	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
	U.S. dollars in thousands								
At 1 January 2014	1,036	359,803	12,396	8,556	(61,523)	(18,444)	301,824	29,893	331,717
Net profit (loss) for the year	-	-	-	-	-	(1,260)	(1,260)	1,584	324
Other comprehensive loss	-	-	-	-	(5,056)	-	(5,056)	(489)	(5,545)
Total comprehensive income (loss)	-	-	-	-	(5,056)	(1,260)	(6,316)	1,095	(5,221)
Share-based payments	-	-	62	-	-	-	62	-	62
At 30 June 2014 (unaudited)	1,036	359,803	12,458	8,556	(66,579)	(19,704)	295,570	30,998	326,558

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital	Share premium	Capital reserve for share-based payments	Capital reserve for transactions with controlling shareholders	Foreign currency translation reserve	Accumulated deficit	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
	U.S. dollars in thousands								
At 1 January 2014	1,036	359,803	12,396	8,556	(61,523)	(18,444)	301,824	29,893	331,717
Net profit (loss) for the year	-	-	-	-	-	(71,313)	(71,313)	8,436	(62,877)
Other comprehensive loss	-	-	-	-	(112,674)	-	(112,674)	(14,853)	(127,527)
Total comprehensive income (loss)	-	-	-	-	(112,674)	(71,313)	(183,987)	(6,417)	(190,404)
Share-based payments	-	-	134	-	-	-	134	-	134
At 31 December 2014	1,036	359,803	12,530	8,556	(174,197)	(89,757)	117,971	23,476	141,447

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2015	2014	2014
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Net profit	(66,197)	324	(62,877)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Adjustments to the profit or loss items:			
Deferred taxes, net	(11,851)	(208)	(14,824)
Depreciation and amortization	82	91	201
Finance expenses, net	19,619	22,637	184,782
Share-based payment	29	62	134
Fair value adjustment of investment properties and investment properties under construction	60,698	(8,776)	(84,802)
Company's share in earnings of companies accounted for using the equity method and gain from obtaining control in company previously accounted for using the equity method	-	(4,009)	(4,009)
	68,577	9,797	81,482
Working Capital adjustments:			
Decrease (increase) in trade receivables	(2,088)	(1,842)	1,879
Increase in VAT receivable and others	(1,200)	(1,440)	(3,022)
Increase (decrease) in inventories of buildings for sale	13,296	(29,877)	(78,763)
Increase (decrease) in trade payables	(147)	331	6,957
Increase (decrease) in other accounts payable	(18,035)	23,537	62,724
	(8,174)	(9,291)	(10,225)
Interest paid	(10,273)	(17,504)	(36,730)
Interest received	173	123	231
Taxes paid	(935)	(372)	(2,046)
	(11,035)	(17,753)	(38,545)
Net cash flows generated from (used in) operating activities	(16,829)	(16,923)	(30,165)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2015	2014	2014
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from investing activities:			
Additions to investment properties	-	-	(3,529)
Additions to investment properties under construction	(1,642)	(1,546)	(3,418)
Purchase of fixed assets	-	(760)	(625)
Loans granted to related parties	-	(726)	(10,684)
Cash from obtaining control in companies previously accounted for using the equity method (a)	-	(21,140)	(21,140)
Net cash flows used in investing activities	(1,642)	(24,172)	(39,396)
Cash flows from financing activities:			
Issuance of debenture, net	-	-	39,152
Repayment of debentures	-	-	(32,211)
Receipt of loans from banks and others, net from origination costs	21,430	120,962	155,630
Repayment of loans from banks and others	(14,175)	(61,557)	(109,667)
Net cash flows generated from financing activities	7,255	59,405	52,904
Exchange differences on balances of cash and cash equivalents	(388)	(1,314)	(8,851)
Increase (Decrease) in cash and cash equivalents	(11,604)	16,996	(25,508)
Cash and cash equivalents at the beginning of the period	40,646	66,154	66,154
Cash and cash equivalents at the end of the period	29,042	83,150	40,646

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2015	2014	2014
	Unaudited		Audited
	U.S. dollars in thousands		
(a) Cash generated from obtaining control in companies accounted for the equity method:			
The subsidiaries' assets and liabilities at date of sale:			
Working capital (excluding cash and cash equivalents)	-	136	136
Investment properties	-	(109,800)	(109,800)
Other receivables	-	(49)	(49)
Fixed assets, net	-	(313)	(313)
Deferred taxes	-	16,107	16,107
Loans from banks	-	21,419	21,419
Other non-current liabilities	-	12,700	12,700
Indemnification asset	-	(5,737)	(5,737)
Foreign currency translation reserve	-	6,624	6,624
Profit (loss) from obtaining control in companies previously accounted for using the equity method	-	702	702
Investment in associates	-	33,727	33,727
Loans granted to associates	-	3,344	3,344
	-	(21,140)	(21,140)

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 2015 and for the six-month period then ended ("interim condensed consolidated financial statements"). These financial statements should be read in connection with the Company's annual financial statements and accompanying notes as of 31 December 2014 and for the year then ended ("annual financial statements").

b. 1. During 2014, mainly in the second half of the year, the Russian economy was subject to sanctions imposed on it by the west and in the last quarter of 2014, the Russian economy experienced a serious deterioration which resulted, inter alia, in the weakening of Russian Ruble in relation to the U.S. dollar by about 79% up to date. In the second half of 2014 and principally in December of that year, due to the decline in oil prices, the aggravation of the sanctions imposed by the West due to Geopolitical instability in the East Ukraine and the devaluation of the Russian Ruble, the Central Bank of Russia raised the interbank interest rate from 5.5% in January 2014 to 17% as of January 2015. International rating agencies (S&P Moody's and Fitch Ratings) gradually lowered Russia's credit rating to BB+/Baa3 with a negative outlook. After the balance sheet date through the date of signing the financial statements, the Ruble dropped another 9% in its value in relation to the U.S dollar. Up to the signing date of this report the Central Bank of Russia lowered gradually the interbank interest to 11%. After the balance sheet date and up to date the Russia Ruble depreciated by approximately 15% against the US Dollar. The continuance of the depreciation could have additional negative affect on the Company equity.

2. On December 18, 2014, the trustees of the holders of the Company's debentures (series A-F) called for a meeting for obtaining reports from the Company's representatives regarding the developments in the Company's business affairs and for discussing and deciding on actions to be taken to protect the rights of the creditors.

On the same date and following the announcement of the trustees of the holders of the Company's debentures, the Company announced that in view of the fluctuations in the Russian markets, the scheduled meeting of the holders of debentures and their appeals to the Company, the Company's Board decided to defer the principal and interest payments to the holders of debentures (series A-B) which were due on December 31, 2014.

In addition on the same date, the rating agencies (S&P Maalot and Midroog) announced the lowering of the Company's rating to ilCC and B1 with negative outlooks, respectively, this among others, following the Company's announcement of deferring the debenture payments of December 2014.

In the meeting of holders of debentures held on December 22, 2014, the Company announced that it requires time until the general situation in Russia and the Company's specific business affairs become clear. In early January 2015, the Company announced the results of the voting of the holders of debentures (series A-F) which resolved to temporarily defer the maturity dates of the principal and interest payments to the holders of debentures (series A-B) to February 1, 2015 (as well as authorizing the trustee to extend this date by an overall 60-day period) subject to depositing $ 11 million in an escrow account in favor of the Company (reflecting the payment that was due in December 2014) and provided that the Company initiate an immediate, consecutive and intensive dialog with the trustees of the debentures (who have been authorized to negotiate with the Company for reaching an arrangement) and the Company will sign a Stand Still letter and subject to the signing of the stand still letter by controlling shareholders of the Company, Jerusalem Economic Corporation Ltd., and Industrial Buildings Ltd., as long as the amount of the deposit is held in trust account, they will not sell the bonds (series A and B) held Biden to a third party.

On January 22, 2015, the Company signed a "standstill commitment" towards the trustees and the holders of the debentures in which it undertook, among others, to the following principles according to the specified in the "standstill commitment": not to make any material payments to its financial creditors in respect of any debt, whether in or outside of Israel beyond the amortization schedule settled with them, but due notice trustees, not to make any payments to the controlling shareholders in the Company, not to dispose of any material assets, not to distribute any dividends only with a prior notice to the trustees and also other commitments as detailed in the "standstill commitment".

On February 10, 2015, the Company's Board decided to announce the deferral of payments to holders of all the series of debentures until negotiations with them are concluded.

On March 30, 2015 the Company published the arrangement principles which were agreed with the trustees and include, inter alia, increase of interest to all the series, certain liabilities of the parent Companies and issuance of shares and options to the holders of debentures.

During 2015, the trustee of the series A, E and F decided to defer the maturity dates of the principal and interest payments to August 31, 2015.

On February 2, 2015, S&P announced another lowering of the Company's rating to D- with a negative outlook since the Company failed to meet its liabilities to the holders of debentures (series A and B) in the 30-day period following the original maturity date and given its intention to refinance the debt on the all the debenture series.

At the Bondholders' (Series B) meeting held on June 17, 2015, it was decided not authorize the Trustees to postpone the deadlines of the payments dates.

NOTE 1:- GENERAL (Cont.)

On July 2, 2015 the Tel Aviv Stock Exchange published a notice on the partial redemption of a loan whose payment was not received by the Exchange's clearance system, such that the unpaid balance of debenture (series B) will be listed separately.

During 2015, the trustee of the debentures (series C-D) decided to defer the maturity dates of the interest payments to September 30, 2015.

On July 6, 2015, the Company published the main amendments to be added to the arrangement plan with the holders of debentures in the Company and an immediate report with respect to the filing of a motion with the court of Cyprus, pursuant to the assembling of meetings toward approval of the arrangement between the Company and its debenture holders. On July 14, 2015, the Company notified that the Cypriot court approved the motion of the Company.

The Company continues negotiations with the trustees of the holders of the debentures in order to achieve a comprehensive arrangement.

As a result, the Company classified the outstanding debentures in an amount of $ 174.1 million as current liabilities in its financial statements as of June 30, 2015.

3. In the context of financing agreements with lending banks in Russia, certain financial covenants were determined with which the Company is not in compliance as of June 30, 2015 which include, among others, a certain LTV ratio, minimum occupancy rates and debt coverage and interest ratios. As a result, the Company classified in its financial statements as of June 30, 2015 loans from banks, in which the Company breaches its covenants, in an amount of $ 206.6 million as current liabilities.

4. The Company has a working capital deficiency of approximately $ 369.9 million as of June 30, 2015, a loss of approximately $ 66.2 million, total comprehensive loss of approximate $ 61.8 million for the six months then ended and negative cash flows from operating activities of approximately $ 16.8 million for the six months then ended.

   The Company continues to monitor the economic developments in Russia which are external to the Company and beyond its control and is continuing taking steps to minimize its exposure to the situation. In view of all of the aforementioned, there is a material uncertainty which may cast significant doubt as to the Company's ability to continue to operate as a going concern. The financial statements do not include any adjustments to the carrying amounts of assets and liabilities and their classification which might be required if the Company is unable to continue to operate as a going concern.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the interim financial statements:

The interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standard IAS 34 ("Interim Financial Reporting").

b. New standards, interpretations and amendments adopted by the Company:

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.

NOTE 3:- FINANCIAL INSTRUMENTS

Set out below is a comparison of the carrying amounts and fair values of financial instruments as of June 30, 2015:

	Carrying amount	**Fair Value**
	U.S. dollars in thousands	
Financial liabilities:		
Debentures (series A)	4,359	1,945
Debentures (series B)	18,129	7,521
Debentures (series C)	36,694	13,412
Debentures (series D)	44,920	16,637
Debentures (series E)	106,952	39,488
Debentures (series F)	39,880	14,749

The fair value of the bonds is measured based on quoted market prices, according to Level 1 of the fair value hierarchy.
There is no material change in the fair value of bank loans in compare to the value presented in the annual financial statements.

NOTE 4:- SEGMENTS

Six months ended 30 June 2015:	Commercial	Residential	Total
		Unaudited	
		U.S. dollars in thousands	
Segment revenues	19,304	46,894	66,198
Segment results	(48,709)	(4,379)	(53,088)
Unallocated income			(4,729)
Finance costs, net			(19,619)
Loss before taxes on income			(77,436

Six months ended 30 June 2014:	Commercial	Residential	Total
		Unaudited	
		U.S. dollars in thousands	
Segment revenues	28,547	17,752	46,299
Segment results	30,309	(2,145)	28,164
Unallocated expenses			(4,109)
Finance costs, net			(22,637)
Profit before taxes on income			1,418

	Commercial	Residential	Total
		U.S. dollars in thousands	
Year ended 31 December 2014:			
Segment revenues	56,463	29,796	86,259
Segment results	121,905	(4,944)	116,961
Unallocated expenses			(8,181)
Finance expenses, net			(184,782)
Loss before taxes on income			(76,002)

NOTE 5: - MATERIAL EVENTS DURING THE PERIOD

In April, 2015, a sub-subsidiary of the Company (Global 1 LLC) ("Sub-subsidiary") which holds the rights of the Yaroslavl Project (Vernissage Mall Project) contracted into a series of agreements that obligate the Sub-subsidiary to sell an area of land of about 20,800 square metres to an International chain that is involved in the "Do-It-Yourself industry" ("The Chain") for consideration of approximately 400 Million Rubles, including VAT (approximately US Dollar 7.7 million). The chain has taken upon itself the construction obligations of the shop (Big Box) on the land through an undertaking to open the shop on a date no later than 30 June 2016. Additionally, the sub-subsidiary will lease to the chain additional land of about 6,070 square metres for a period of 49 years and will allow the chain access to other areas of the land for the purpose of building the shop. The sub-subsidiary will be responsible for removing all encumbrances and liens on the land before the rights are transferred to the chain, and similarly to establish the necessary infrastructure for running the shop.

After the report date on July, 2015 the bank holding the lien on the ground, approved the sale. The Sub-subsidiary agreed to designate 60% of total consideration for early repayment of loan principal received from the funding bank.