

18 November 2008

MirLand Development Corporation plc (“MirLand” / “Company”)**INTERIM REPORT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2008**

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 30 September 2008.

Financial Summary:

- Rental income and property management fees increased by 95% to US\$15.3 million (30 September 2007: US\$7.9 million);
- Increase in total assets to US\$612.8 million (30 September 2007: US\$583.2 million);
- Company's equity as at 30 September 2008 amounted to US\$437.1 million representing 71.3% of total assets (30 September 2007: US\$462.4 million representing 79.2%);
- Loss after tax US\$38.3 million (30 September 2007: net profit of US\$59.1 million) – mainly due to foreign exchange losses caused by sharp devaluation of Russian Rouble against USD and the negative revaluation of three of the Company’s investment properties;
- Cash and cash equivalents balance of US\$45.3 million (30 September 2007: US\$113.7 million);
- Investment properties, which are presented in the Financial Statements at fair value decreased by US\$31.1 million in comparison to 30 June 2008. The composition of the investment portfolio is as follows:

City	Property Name and Address	Market Value as at 30 September 2008 attributed to MirLand*	Market Value as at 30 June 2008 attributed to MirLand**
Moscow	Hydromashservice, 2-Khutorskaya str., 38A	\$94,940,000	\$106,570,000
Moscow	MAG, 2-Khutorskaya str., 38A	\$94,420,000	\$106,230,000
Yaroslavl	Phase 1: Operating Shopping Centre, Kalinina str.	\$39,720,000	\$44,546,000
Yaroslavl	Phase 2 (Remaining unimproved land plot of 18 Ha)	\$4,370,000	\$7,232,000
	Total	\$233,450,000	\$264,578,000

* Company valuation

** Independent valuation by Cushman & Wakefield Stiles & Riabokobylo

- The Company is modestly leveraged at 22.8 % of its assets with no significant loan repayments due within the next 12 months. Short-term loans, which total US\$59.2 million, are guaranteed by Fishman Group companies.

Operational highlights:

- Increased focus on projects already under construction, financing, pre sales and leasing activity, to optimise results through the difficult market;
- 14 significant ongoing projects which, will provide approximately 1.3 million sqm of office, retail and residential property when completed, of this, approximately 130,000 sqm of new development is currently under construction in Saratov, Century, Tamiz, St. Petersburg Phase One and Perkhushkovo Phase One;
- Commencement in July of construction on the Tamiz project, which is the latest phase of the Moscow office development located adjacent to Hydromashservice and MAG projects;
- Construction phase has started on the Company's flagship Triumph Park residential project in St Petersburg with the main works contractor engaged in August 2008. In October, the Company hosted a Ground Breaking Ceremony marking the official start of the construction of Phase One;
- Yielding properties now comprise approximately 69,580 sqm of commercial space;
- Pre-Lease agreements and Letters of Intent signed for over 85% of the Saratov Triumph Mall, which is due for completion by the end of 2009, and long term leases for 30% of the Century office project which is due for completion in January 2009.

Nigel Wright, Chairman, commented:

“In the three months since last reporting to shareholders, international and domestic financial markets have continued to deteriorate and the prospect of worldwide recession is rapidly becoming a reality.

“Despite the inclement financial and economic climate I am delighted that we have continued to make progress on key projects and note in particular the commencement of the construction phase of Triumph Park, St. Petersburg and the continuing successful construction and pre-leasing of our retail project in Saratov now over 85% pre-let or with signed Letters of Intent.

“Whilst we are in a long term business we are inevitably subject to the short and medium term vagaries of the market. As elsewhere in the world, two key drivers of the Russian real estate market are confidence in the future and financial liquidity, both much reduced in recent months and both outside of our control. Confidence has been adversely influenced by falling oil prices, a significant withdrawal of foreign investment capital, currency depreciation and the prospect of a slowdown in domestic GDP growth. Financial liquidity has been greatly diminished as a result of the worldwide credit crunch and the consequent decimation of bank capital. This will lead to a slowdown in our rate of build, but we are fortunate that we have flexibility to amend the phasing of our projects. Furthermore, we have the comfort of a growing high quality income producing investment base. Notwithstanding the present difficulties in our market place we remain confident in the resilience of both MirLand and the Russian economy and remain optimistic about the long term outcome.”

Moshe Morag, Chief Executive, commented:

“Despite the difficult operating environment I am confident that our conservative financing, low levels of gearing and strong pre-leasing activity will ensure our business is well positioned to ride out the current economic crisis and support its growth when the markets return to normal behaviour.”

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CHAIRMAN'S STATEMENT

Business Environment

Since we last reported the global economy has undergone substantial turmoil and the financial markets have been extremely volatile, largely as a consequence of the global credit crunch, and as a result we are operating in a challenging business environment. As in other parts of the world, the Russian market is experiencing a liquidity crisis and we are entering a period which offers both threats and opportunities which require a prudent and cautious approach.

Shares trading on the Russian Stock Exchange have deteriorated significantly during the last three months, with the real-estate sector stocks being impacted the most. In order to prevent the economy from slipping into a recession, the Russian Government has announced a series of significant measures aimed at regaining investors' confidence, increasing liquidity and redeeming foreign debt payments.

Despite these challenging conditions, I strongly believe that MirLand's business model is well positioned to weather this difficult operating environment:

- The Company has a diversified portfolio of assets comprising both residential and commercial projects;
- Our investment portfolio has an extremely low vacancy rate of less than 2%;
- Projects in the marketing stage are seeing strong demand such as Triumph Mall in Saratov and Century office buildings in Moscow;
- The Company is very modestly leveraged at just 22.8% of its assets with no significant loan facilities due for repayment within the next 12 months;
- We have signed pre-lease agreements and Letters of Intent for over 85% of the Triumph Mall in Saratov which is under construction and due for completion in Q4 2009 and 30% of the Century office project, construction of which is due to be completed on Q1 2009. When agreeing new leases we make the financial quality of the tenant a key priority in our due diligence process;
- Furthermore, the long term outlook for demand of good quality commercial and residential property in Russia is strong, underpinned by the country's demographic and social trends.

Financing

Real estate companies rely on both short and long term financing sources but, over the last few months, the global economic situation has dramatically changed the ability for companies to arrange bank debt or raise bonds on the public markets.

Given the current and apparently continuing credit crunch and consequent reduction in funding sources and liquidity, the Company has taken measures aimed at diversifying its funding resources. To date, the Company has

relied upon a combination of equity capital raised during our earlier IPO on AIM, the proceeds of our previous corporate bond issue in Israel and the line of credit backed by its main shareholders.

The Company has also formed a strong relationship with international banks, in particular the European Bank for Reconstruction and Development (EBRD) which is currently financing our projects in Saratov and is strongly committed to financing Triumph Park, our flagship residential project in St Petersburg.

We continue to invest significant time and effort into building upon existing banking relationships and building new ones going forward.

I referred earlier to our ability to re-programme our development pipeline according to available cash resources, in particular our residential projects. Accordingly, we have resolved to split certain projects to smaller, more manageable phases. This will enable us to fund them through a mix of pre-sales of apartments, advance payments and internally generated cash resources, including, in part cash, cash generated from investment properties' rental income. Where we have on-going commercial projects under construction, the Company is entering into pre lease agreements with high quality tenants to ensure cash flow upon completion.

Results

Total assets as at 30 September 2008 amounted to US\$612.8 million in comparison to US\$583.2 million as at 30 September 2007 and US\$658 million as at 31 December 2007. Equity as at 30 September 2008 amounted to US\$437.1 million compared to US\$462.4 million as at 30 September 2007 and US\$472.8 million as at 31 December 2007. The main reasons for the decrease in the third quarter of 2008 was the loss recognized by the Company mainly due to foreign exchange losses caused by the sharp devaluation of the Russian Rouble against USD and the negative revaluation of three investment properties of the Company.

Loss after tax for 30 September 2008 amounted to US\$38.3 million in comparison with profit of US\$59.1 million for 30 September 2007. Again, the main reason for the loss is foreign exchange losses and the negative revaluation of the Company's three investment properties, as a result of changing market conditions.

Rental income and property management fees increased to US\$15.3 million in comparison with US\$7.9 million for 30 September 2007.

Fair Value of Investment Properties

In line with the Company's policy, MirLand's assets are normally externally valued semi annually – on 30 June and at 31 December. However, recognizing recent changes in market conditions and having consulted with our external advisers the Company decided to conduct an additional internal valuation of its investment properties: Hydromashservice, MAG and Yaroslavl as at 30 September 2008. As investment properties these assets have direct influence on our financial reports.

MIRLAND DEVELOPMENT CORPORATION PLC

The valuation was based on the methodology used by Cushman & Wakefield Stiles & Riabokobyenko ("Cushman & Wakefield"), the Company's independent valuers, for 30 June 2008, with some adjustments based on Cushman & Wakefield assumptions regarding the increase of the current yields in the Russian real-estate market by 1%.

Change in Market Value (representing 100% of the projects)*

	<u>30.9.2008</u>	<u>30.6.2008</u>	<u>Diff</u>
Hydromashservice	94,940,000	106,570,000	-11,630,000
MAG	94,420,000	106,230,000	-11,810,000
Yaroslavl	89,980,000	105,670,000	-15,690,000
Total	<u>279,340,000</u>	<u>318,470,000</u>	<u>-39,130,000</u>

* **Company valuation**

Portfolio Development

During the third quarter, significant progress on the construction of the Perkhushkovo, Century and Saratov projects was achieved and construction works began on two additional projects:

- Phase one of Triumph Park, St. Petersburg involving the development of circa 250 apartments (as the first element of phase one) out of 1,500 apartments. On completion, the entire development will comprise 9,000 apartments for all phases of the project. As previously stated, the Company is in advanced negotiations with EBRD to provide development financing on the scheme. We have agreed Head of Terms with them for up to US\$150 million and the loan is in the process of syndication;
- The new Tamiz office building which is located adjacent to Hydromashservice, MAG and Century projects.

In addition to the above, the Company is continuing to progress the Skyscraper, Techagrocom and Kazan projects. Commencement of construction will be dependent upon market conditions and the availability of finance.

As previously reported, in July 2008 the Company ended the joint venture relating to two residential projects in Moscow due to its former partner's failure to comply with the development agreement terms and conditions regarding obtaining development permits. In accordance with the terms of the joint venture, the Company had made a secure loan of approximately US\$14 million aimed at supporting the initial set up and design stages of the projects. Following termination of the agreement, the Company was repaid the full amount of the loan it has provided as well as an additional sum equal to US\$1.5 million as interest. The Company has no outstanding obligations in connection with the joint venture.

Outlook

In view of the uncertain and changing market conditions referred to previously, MirLand will continue to monitor and adjust its strategy according to circumstances.

The Board has decided to focus the Company's efforts and resources on completing projects already under construction. We will in parallel continue to intensify our efforts to grow our pre-sell and pre-lettings. As before, we will continue with the planning and design stages of our strategic projects. We also expect to maintain a strong income stream from our leased investment properties.

As Chairman I am confident that our business plan will allow us to endure the current crisis and position us to take full advantage as markets normalise and improve.

Nigel Wright

Chairman

18 November 2008

CONSOLIDATED BALANCE SHEET

	30 September		31 December
	2008	2007	2007
	Unaudited		Audited
	U.S. dollars in thousands		
ASSETS			
NON-CURRENT ASSETS:			
Investment properties	211,866	199,504	227,030
Investment properties under construction	117,124	68,508	87,963
Long-term loan	49,761	15,623	22,521
Advances on acquisition of subsidiaries	1,857	1,000	1,080
Deferred expenses	1,512	966	796
Long-term receivables and prepayments	18,006	10,119	12,891
Financial derivative	1,952	-	-
Deferred taxes	3,323	-	214
Fixed assets, net	5,388	3,773	4,866
	<u>410,789</u>	<u>298,346</u>	<u>357,361</u>
CURRENT ASSETS:			
Inventories of buildings under construction	144,252	91,390	103,980
Trade and other receivables	12,471	7,364	7,537
Restricted bank deposits	-	71,276	71,406
Cash and cash equivalents	45,286	113,681	117,758
	<u>202,009</u>	<u>283,711</u>	<u>300,681</u>
Total assets	<u><u>612,798</u></u>	<u><u>583,204</u></u>	<u><u>658,042</u></u>

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

CONSOLIDATED BALANCE SHEET

	30 September		31 December
	2008	2007	2007
	Unaudited		Audited
U.S. dollars in thousands			
EQUITY AND LIABILITIES			
EQUITY:			
Equity attributable to equity holders of the Company:			
Share capital	1,036	1,036	1,036
Share premium	359,803	359,803	359,803
Employee equity benefits reserve	7,653	4,747	6,199
Retained earnings	58,288	90,807	96,629
Currency translation reserve	8,599	5,999	9,151
Shareholders contributions	1,718	-	-
	<u>437,097</u>	<u>462,392</u>	<u>472,818</u>
Minority interests	25	25	25
Total equity	<u>437,122</u>	<u>462,417</u>	<u>472,843</u>
NON-CURRENT LIABILITIES:			
Debentures	63,686	-	62,088
Financial derivative	-	-	50
Long-term loans from banks	16,275	19,913	15,873
Other long-term liabilities	12,291	9,183	12,739
Deferred taxes	6,447	4,072	5,118
	<u>98,699</u>	<u>33,168</u>	<u>95,868</u>
CURRENT LIABILITIES:			
Accounts payable and accruals	15,720	13,273	11,145
Short-term loans from banks	59,210	73,109	76,696
Income tax payable	2,047	1,237	1,490
	<u>76,977</u>	<u>87,619</u>	<u>89,331</u>
Total liabilities	<u>175,676</u>	<u>120,787</u>	<u>185,199</u>
Total equity and liabilities	<u>612,798</u>	<u>583,204</u>	<u>658,042</u>

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

17 November 2008

Date of approval of the
financial statements

Moshe Morag
CEO

Roman Rozental
CFO

CONSOLIDATED STATEMENT OF INCOME

	Nine months ended 30 September		Year ended 31 December
	2008	2007	2007
	Unaudited		Audited
	U.S. dollars in thousands		
Revenues:			
Rental income from investment properties	13,563	6,697	10,446
Revenues from managing investment properties	1,742	1,166	1,977
Total revenues	15,305	7,863	12,423
Fair value adjustments of investment properties	(22,643)	67,414	82,138
	(7,338)	75,277	94,561
Operating expenses	(5,849)	(2,841)	(6,384)
Adjustment for the provision of service provider	2,081	(4,844)	(7,840)
General and administrative expenses	(13,899)	(11,967)	(18,866)
Registration of land lease	-	(5,469)	(5,469)
Operating (expense) income	(25,005)	50,156	56,002
Finance costs	(20,372)	(4,582)	(8,703)
Finance income	8,240	17,270	23,004
(Loss) profit before tax expense	(37,137)	62,844	70,303
Tax expense	(1,204)	(3,786)	(5,423)
(Loss) profit for the period	(38,341)	59,058	64,880
Attributable to:			
Equity holders of the Company	(38,341)	59,058	64,880
Minority interest	-	-	-
	(38,341)	59,058	64,880
(Loss) earnings per share (in U.S. dollars per share):			
Basic and diluted	(0.37)	0.57	0.627

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Employee equity benefits reserve	Shareholders contributions	Retained earnings	Currency translation reserve	Total	Minority interests	Total equity	Total recognized loss
	U.S. dollars in thousands									
As of 1 January 2008 (audited)	1,036	359,803	6,199	-	96,629	9,151	472,818	25	472,843	
Loss for the period	-	-	-	-	(38,341)	-	(38,341)	-	(38,341)	(38,341)
Cost of share-based payment	-	-	1,454	-	-	-	1,454	-	1,454	-
Receipt of guarantee from shareholders	-	-	-	1,718	-	-	1,718	-	1,718	-
Foreign currency translation adjustments	-	-	-	-	-	(552)	(552)	-	(552)	(552)
										<u>(38,893)</u>
As of 30 September 2008 (unaudited)	<u>1,036</u>	<u>359,803</u>	<u>7,653</u>	<u>1,718</u>	<u>58,288</u>	<u>8,599</u>	<u>437,097</u>	<u>25</u>	<u>437,122</u>	

	Attributable to equity holders of the Company									
	Share capital	Share premium	Employee equity benefits reserve	Shareholders contributions	Retained earnings	Currency translation reserve	Total	Minority interests	Total equity	Total recognized income
	U.S. dollars in thousands									
As of 1 January 2007 (audited)	1,000	329,028	2,348	-	31,749	2,402	366,527	25	366,552	
Foreign currency translation adjustments	-	-	-	-	-	3,597	3,597	-	3,597	3,597
Income for the period	-	-	-	-	59,058	-	59,058	-	59,058	59,058
Issuance of share capital (net of issuance expenses)	36	30,775	-	-	-	-	30,811	-	30,811	-
Cost of share-based payment	-	-	2,399	-	-	-	2,399	-	2,399	-
										<u>62,655</u>
As of 30 September 2007	<u>1,036</u>	<u>359,803</u>	<u>4,747</u>	<u>-</u>	<u>90,807</u>	<u>5,999</u>	<u>462,392</u>	<u>25</u>	<u>462,417</u>	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						Total	Minority interests	Total equity	Total recognized income
	Share capital	Share premium	Employee equity benefits reserve	Shareholders contributions	Retained earnings	Currency translation reserve				
	Audited									
	U.S. dollars in thousands									
As of 1 January 2007	1,000	329,028	2,348	-	31,749	2,402	366,527	25	366,552	
Issuance of shares	36	30,775	-	-	-	-	30,811	-	30,811	-
Profit for the year	-	-	-	-	64,880	-	64,880	-	64,880	64,880
Cost of share-based payment	-	-	3,851	-	-	-	3,851	-	3,851	-
Foreign currency translation adjustments	-	-	-	-	-	6,749	6,749	-	6,749	6,749
										71,629
As of 31 December 2007	1,036	359,803	6,199	-	96,629	9,151	472,818	25	472,843	

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine months ended		Year ended
	30 September		31 December
	2008	2007	2007
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Profit (loss) before the tax expense	(37,137)	62,844	70,303
Adjustments for:			
Finance costs	20,372	4,582	8,703
Interest paid	(6,943)	(3,836)	(6,881)
Finance income	(8,240)	(17,270)	(23,004)
Interest received	3,101	8,820	10,343
Fair value adjustments of investment properties	22,643	(67,414)	(82,138)
Share-based payments expense	1,454	2,399	3,851
Additions to residential projects for sale under construction	(43,812)	(10,631)	(22,003)
Depreciation of fixed assets	466	166	287
Increase in trade and other receivables	(11,047)	(1,519)	(3,067)
Increase (decrease) in accounts payable and accruals and in provision to service provider	4,985	4,716	6,347
Income taxes paid	(1,670)	(2,331)	(1,169)
Net cash flows used in operating activities	<u>(55,828)</u>	<u>(19,474)</u>	<u>(38,428)</u>
Cash flows from investing activities:			
Additions to fixed assets	(1,510)	(2,709)	(3,373)
Additions to investment properties	(14,154)	(26,612)	(36,056)
Additions to investment properties under construction	(33,453)	(49,296)	(62,658)
Interest capitalized in investment properties under construction	-	-	(2,016)
Loans granted	(39,942)	(14,122)	(22,238)
Loans repaid	14,829	-	-
Release of restricted deposit	71,406	-	-
Deferred expenses	(364)	-	-
Advance on acquisition of subsidiaries	(957)	(1,000)	(1,080)
Net cash flows used in investing activities	<u>(4,145)</u>	<u>(93,739)</u>	<u>(127,421)</u>
Cash flows from financing activities:			
Proceeds from issuance of shares by the Company	-	30,811	30,811
Advances received on account of IPO	-	(966)	1,053
Accrued expenses on account of loan	(404)	-	(767)
Proceeds from issuance of bonds	-	-	61,756
Proceeds (repayment) of short-term borrowings	(14,990)	496	-
Repayment of long-term borrowings from banks	-	(523)	-
Net cash flows (used in)/generated from financing activities	<u>(15,394)</u>	<u>29,818</u>	<u>92,853</u>
Decrease in cash and cash equivalents	(75,367)	(83,395)	(72,996)
Foreign exchange differences on cash and cash equivalents	2,895	490	(5,832)
Cash and cash equivalents at beginning of period	<u>117,758</u>	<u>196,586</u>	<u>196,586</u>
Cash and cash equivalents at end of period	<u><u>45,286</u></u>	<u><u>113,681</u></u>	<u><u>117,758</u></u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine months ended		Year ended
	30 September		31 December
	2008	2007	2007
	Unaudited		Audited
	U.S. dollars in thousands		
<u>Non-cash transactions:</u>			
Payables included for investment properties under construction	-	-	1,638
Reclassification of inventories of land to inventories of buildings under construction	-	-	62,192

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

MIRLAND DEVELOPMENT CORPORATION PLC

NOTE 1:- GENERAL

These financial statements have been prepared in a condensed format as of 30 September 2008 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 2007 and for the year then ended ("annual financial statements").

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the interim financial statements:

The interim condensed consolidated financial statements for the nine months ended 30 September 2008 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.

NOTE 3:- SEGMENTS

	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
		<u>Unaudited</u>	
Nine months ended 30 September 2008:	U.S. dollars in thousands		
Segment revenues	15,305	-	15,305
Segment results	(12,869)	(1,543)	(14,412)
Unallocated expenses			(10,593)
Operating loss			(25,005)
	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
		<u>Unaudited</u>	
Nine months ended 30 September 2007:	U.S. dollars in thousands		
Segment revenues	7,863	-	7,863
Segment results	57,369	(724)	56,645
Unallocated expenses			(6,489)
Operating income			50,156

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NOTE 3:- SEGMENTS (Cont.)

	Commercial	Residential	Total
	Audited		
Year ended 31 December 2007:	U.S. dollars in thousands		
Segment revenues	12,423	-	12,423
Segment results	69,872	(1,314)	68,558
Unallocated expenses			(12,556)
Operating income			56,002

NOTE 4:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

- a. On 31 March 2008, Tamiz (a wholly-owned subsidiary) was informed of its winning a tender for the purchase of 5.3 hectares of land in the city of Penza, Russia.

Following the announcement, on 3 April 2008, Tamiz signed an agreement with the city of Penza, which indicates that all the rights to the land shall be transferred to Tamiz, for the amount of \$4.25 million. The above amount was paid by the Company on 11 April 2008. The Company intends to build a shopping center on the land.

- b. In July 2008, the Company ended its joint venture in two projects in Moscow, because certain of the conditions present in the agreement to develop the residential projects have not been fulfilled by the Company's joint venture partner within the time period stipulated in the agreement.

Pursuant to the provisions of the agreement and in order to secure its rights under the agreement, the Company has made a secured loan of approximately \$ 14 million to support the initial set-up and design stage of the projects. The loan was repayable in the event the projects did not proceed.

The Company's counter party has repaid the \$ 14 million loan in full together with interest. The Company is not liable to make any further payment in respect of the joint venture.

- c. The situation in the Russian real estate market became less stable, due to different economic and political factors, such as the worldwide credit crunch and Russian-Georgian conflict. Due to this market situation, many companies made the decision to freeze projects that are currently in the design stage. There is no or very little activity in the investment market. It is therefore difficult to foresee where the market is heading. As a consequence of this uncertainty, yields in the market have increased. The growth rates and values will depend upon the duration of the credit crunch and whenever stabilization of the markets occurs.

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

There is no clear trend of the demand reduction at present, but it seems almost clear that business activity in every economical sector is slowing during the crisis. As a result, there will be an increasing spread in yields between different quality assets even within one class. Buildings with tenants whose business is stable will become an attractive asset, so tenant profile may become an important quality factor.

Taking into consideration all of the abovementioned factors, the Company believes that, in respect of Yaroslavl, Hydromash service and MAG Properties, the yield should be increased by 1%, due to the real estate market situation in Russia. However, no additional yield increases should be pursued, due to the special risk regarding the assets.

- d. During September 2008, the Company received guarantees from main shareholders (companies owned by Fishman Group) regarding the repayment of loans of about \$ 70 million, received by the Company from banks. Therefore, the banks have removed the restriction from deposits that were pledged to insure the repayment of these loans by the Company.

Due to the fact that according to the bank agreement, the loans can be demanded by the bank for repayment at any time, the loans were classified as short-term loans.