

20 November 2007

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

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 SEPTEMBER 2007**

MirLand Development Corporation, one of the leading residential and commercial property developers in Russia, today announces its interim consolidated financial statements for the nine months to 30 September 2007.

Since the announcement of our Interim results for the six months to 30 June 2007 the Company has continued to make good progress.

We have entered into an agreement to acquire the last remaining stake in our Skyscraper project at Dmitrovskoe schosse 1 Moscow. The acquisition will enable us to fully progress plans to develop a 47-storey office tower, offering circa 90,000 sq m of prime lettable office space and 1,500 parking spaces. Construction is anticipated to begin in Spring 2008.

We also announced in October that the Company has entered into an agreement for the acquisition of a market trading pavilion in Kazan that will result in the acquisition of a site of approximately 0.8 hectares in size. It is expected that the programme will involve the construction by MirLand of a new shopping and entertainment centre of approximately 34,000 sq m plus some 600 parking spaces over a total of 2.2 hectares of land.

Nigel Wright, Chairman, commented:

“We are pleased with the progress that the company is making. We continue to look at acquisition opportunities that fit in with our overall strategy, with a view to expanding our portfolio with additional high quality assets.”

For further information:

MirLand Development Corporation plc +972 5227 76640
Roman Rozental
roman@mirland-development.com

Financial Dynamics +44 20 7831 3113
Dido Laurimore/Nicole Marino
dido.laurimore@fd.com/ nicole.marino@fd.com

CONSOLIDATED STATEMENTS OF INCOME

	Nine months ended 30 September		Year ended 31 December
	2007	2006	2006
	Unaudited		Audited
	U.S. dollars in thousands (except earnings per share)		
Rental income from investment properties	6,697	2,485	3,707
Management fees	1,166	276	533
Fair value adjustments of investment properties	67,414	37,527	35,878
Total income	75,277	40,288	40,118
Expenses			
Operating expenses	(2,841)	(623)	(863)
Adjustment for the provision of service provider	(4,844)	(4,462)	(3,588)
Cost of registration of land-lease	(5,469)	-	-
General and administrative expenses	(11,967)	(1,488)	(5,251)
Financial income	17,270	15	3,556
Financial expenses	(4,582)	(423)	(1,226)
Profit before tax expense	62,844	33,307	32,746
Tax expense	(3,786)	(2,188)	(2,797)
Profit for the period attributable to the equity holders of the parent	59,058	31,119	29,949
Basic and diluted earnings per share	0.57	0.65	0.34

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

CONSOLIDATED BALANCE SHEETS

	30 September 2007	31 December 2006
	Unaudited	Audited
	U.S. dollars in thousands	
ASSETS		
NON-CURRENT ASSETS		
Investment properties	199,504	65,709
Investment properties under construction	68,508	46,930
Inventories of land	-	76,193
Long-term loan granted (Note 3c)	14,476	-
Advance on acquisition of subsidiary	1,000	1,600
Fixed assets, net	3,773	1,082
Long-term receivables and prepayments	-	5,958
Other assets, net	966	-
	<u>288,227</u>	<u>197,472</u>
CURRENT ASSETS		
Residential projects for sale under construction	91,390	-
Short-term loans	1,147	-
Trade receivables	17,483	10,157
Restricted bank deposits	71,276	*) 71,330
Cash and cash equivalents	113,681	*) 196,586
	<u>294,977</u>	<u>278,073</u>
Total assets	<u><u>583,204</u></u>	<u><u>475,545</u></u>
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to equity holders of the parent:		
Share capital	1,036	1,000
Share premium	359,285	*) 328,510
Options	4,747	2,348
Currency translation reserve	5,999	2,402
Retained earnings	91,325	*) 32,267
	<u>462,392</u>	<u>366,527</u>
Minority interest	25	25
Total equity	<u>462,417</u>	<u>366,552</u>
NON-CURRENT LIABILITIES		
Long-term loans from banks	19,913	*) 21,719
Other long-term liabilities	9,183	4,313
Deferred taxes	4,072	1,755
	<u>33,168</u>	<u>*) 27,787</u>
CURRENT LIABILITIES		
Short-term loans from bank	73,109	*) 71,330
Income tax payable	1,237	1,207
Accounts payable and accruals	13,273	8,669
	<u>87,619</u>	<u>*) 81,206</u>
Total liabilities	<u>120,787</u>	<u>108,993</u>
Total equity and liabilities	<u><u>583,204</u></u>	<u><u>475,545</u></u>

*) Reclassified

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							Total recognized income and expenses		
	Share capital	Share premium	Options	Currency translation reserve	Retained earnings	Total	Minority interest	Total equity	Parent	Minority
	U.S. dollars in thousands									
At 1 January 2006 (audited)	7	3,717	-	(95)	3,000	6,629	25	6,654	-	-
Issuance of shares	*) 693	*) 3,679	-	-	*) (682)	3,690	-	3,690	-	-
Capitalization of shareholder loans	-	62,192	-	-	-	62,192	-	62,192	-	-
Issuance of shares in IPO, net of expenses (1)	300	258,922	-	-	-	259,222	-	259,222	-	-
Profit for the period	-	-	-	-	29,949	29,949	-	29,949	29,949	-
Share-based payment	-	-	2,348	-	-	2,348	-	2,348	-	-
Foreign currency translation adjustments	-	-	-	2,497	-	2,497	-	2,497	2,497	-
At 31 December 2006 (audited)	1,000	*) 328,510	2,348	2,402	*) 32,267	366,527	25	366,552	32,446	-
Issuance of shares, net (Note 4b)	36	30,775	-	-	-	30,811	-	30,811	-	-
Share-based payment	-	-	2,399	-	-	2,399	-	2,399	-	-
Profit for the period	-	-	-	-	59,058	59,058	-	59,058	59,058	-
Foreign currency translation adjustments	-	-	-	3,597	-	3,597	-	3,597	3,597	-
At 30 September 2007 (unaudited)	1,036	359,285	4,747	5,999	91,325	462,392	25	462,417	95,101	-
At 1 January 2006 (audited)	7	3,717	-	(95)	3,000	6,629	25	6,654	2,905	-
Issuance of shares	11	3,680	-	-	-	3,691	-	3,691	-	-
Profit for the period	-	-	-	-	31,119	31,119	-	31,119	31,119	-
Foreign currency translation adjustments	-	-	-	2,245	-	2,245	-	2,245	2,245	-
At 30 September 2006 (unaudited)	18	7,397	-	2,150	34,119	43,684	25	43,709	33,364	-

(1) Issuance expenses amounted to US \$ 20,388 thousand.

*) Reclassified

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended 30 September		Year ended 31 December
	2007	2006	2006
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Profit before tax expense	62,844	33,307	32,746
Adjustments for:			
Interest payable	582	423	2,901
Income on loans provided to subsidiaries	(8,620)	-	-
Share based payment	2,399	-	*) 2,348
Fair value adjustments of investment properties	(67,414)	(37,527)	(35,878)
Addition to residential project for sale under construction	(10,631)	-	-
Depreciation of equipment	166	4	8
Increase in trade and other receivables	(7,477)	(5,787)	(4,475)
Increase in accounts payable and accruals	4,716	4,994	*) 7,712
Income taxes paid	(1,997)	(54)	(1,465)
Net cash flows provided by (used in) operating activities	(25,432)	(4,640)	3,897
Cash flows from investing activities:			
Providing of service on account of prepayments (Prepayments)	5,958	(2,315)	(2,315)
Purchase of equipment	(2,709)	(245)	(892)
Additions to investment properties	(26,612)	(5,731)	(4,031)
Additions to investment properties under construction	(49,296)	(8,581)	(16,333)
Interest capitalized in investment properties under construction	-	(4,049)	(3,658)
Purchase of inventories of land	-	(39,279)	(48,235)
Interest capitalized in inventories of land	-	-	(373)
Advance on acquisition of subsidiary	(1,000)	(1,600)	(1,600)
Depositing to restricted bank deposits	-	-	*) (71,000)
Loans granted	(14,122)	(6,437)	-
Payment of amount due in respect of purchase of subsidiaries	-	(300)	(1,250)
Acquisition of joint ventures, net of cash acquired	-	-	(12,875)
Acquisition of subsidiaries, net of cash acquired	-	(5,959)	(5,959)
Net cash flows used in investing activities	(87,781)	(74,496)	*) (168,521)
Cash flows from financing activities:			
Proceeds from issuance of shares by the Company, net	31,550	3,691	259,222
Accrued expenses on account of loan	(966)	-	-
Repayment of short-term borrowings from related parties, net	-	(460)	(460)
Repayment of short-term borrowings	(523)	-	-
Proceeds from long-term borrowings	-	-	*) 16,153
Proceeds from short-term borrowings	496	-	*) 71,000
Proceeds from long-term borrowings from related parties	-	81,245	*) 39,286
Repayment of long-term borrowings from related parties	-	-	*) (28,812)
Net cash flows provided by financing activities	30,557	84,476	356,389
Increase (decrease) in cash and cash equivalents	(82,656)	5,340	*) 191,765
Net foreign exchange differences on cash and cash equivalents	(249)	(96)	*) 4,157
Cash and cash equivalents at beginning of period	196,586	664	664
Cash and cash equivalents at end of period	113,681	5,908	*) 196,586
Non-cash transactions:			
Payables included for investment properties under construction	-	693	2,481
Capitalization of shareholders loans to equity	-	-	62,192

*) Reclassified

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

These financial statements have been prepared as of 30 September 2007 and for the nine month period then ended. These financial statements are to be read in conjunction with the audited annual financial statements of the Company as of 31 December 2006, and their accompanying notes ("annual financial statements").

NOTE 2:- BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements are prepared in accordance with IAS 34, "Interim Financing Reporting".

The accounting policies applied in the preparation of these interim financial statements are consistent with those followed in the preparation of the annual financial statements.

NOTE 3:- SIGNIFICANT EVENTS DURING THE PERIOD

- a. On 3 January 2007, the Company announced that, in connection with its initial public offering of Ordinary shares, Merrill Lynch International, as stabilizing manager, gave notice that it is exercising the over-allotment option in respect of 3,558,000 Ordinary shares in the Company ("the Over-allotment Shares"). The Over-allotment Shares were issued at the offer price of 478 pence per Over-allotment Share. These shares were issued on 8 January 2007 for a consideration of U.S.\$ 30,811, net of issuance expenses of U.S.\$ 2,389.
- b. On 3 January 2007, the Company completed the first share purchase agreement to acquire the entire issued share capital of Gasconade Holding Ltd., a Cypriot company that holds a 58% interest in Real Estate LLC, a Russian company that has the leasehold rights in land to be used for the Company's skyscraper development project in Moscow. The consideration under this agreement is a total of US\$ 13,000 thousand (of which US\$ 1,600 thousand was paid by the Company in 2006). In addition, the Company acquired completed an additional share purchase agreement, pursuant to which it had further 21% interest in the Russian company referred to above for a consideration of US\$ 4,500 thousand. The Company intends to enter into an additional agreement with a view to acquire the remaining 21% interest for a further US\$ 4,500 thousand by the end of 2007.
- c. In March 2007, the Company signed a letter of intent ("LOI") with Ekford Commercial Inc. (the "Seller") whereby the Company expressed its intention to purchase from the Seller a 100% interest in Zhilstroyproekt Limited Liability ("ZLL"), a legal entity incorporated in Russia.

According to the LOI the Company intends to acquire the interest in ZLL for an aggregate purchase price of up to US\$ 10 million subject to the following conditions:

- Payment of a first installment of US\$ 1 million. This installment was paid on March 19, 2007 and is refundable, if the acquisition is not consummated.

NOTE 3:- SIGNIFICANT EVENTS DURING THE PERIOD (Cont.)

- A second installment of US\$ 6 million is payable upon occurrence of all of the following conditions:
 - (i) The transfer of 100% of the interest in ZLL from the seller to the Company.
 - (ii) ZLL enters into a new land lease agreement in respect of the land leased by ZLL in the Dema District in the City of Ufa for a period of not less than two years, in order to design a shopping mall.
 - (iii) ZLL is granted with a legal and valid resolutions of the governmental and municipal authorities pursuant to which ZLL will be permitted to commence the designing of the shopping mall.

- A third installment of US\$ 3,000 thousand is payable upon occurrence of the later of the following conditions:
 - (i) The date of issuance to ZLL of legal and valid resolutions and authorizations of the governmental and municipal authorities pursuant to which the Company will be permitted to commence the construction of the shopping mall.
 - (ii) The date on which the Company enters into another land lease agreement in respect of the land for a period of not less than five years, in order to construct the shopping mall.

- d. In May 2007, Mirland entered into a framework property development agreement with a local Russian company, open Joint Stock Company "494 Department of Work Chief", to establish a limited liability joint venture partnership to develop up to three real estate projects in Moscow.

Under the agreement Mirland will, subject to completion of due diligence to its satisfaction and definitive agreements, provide debt funding of up to US\$ 116.5 million in aggregate for the first two Moscow projects, the Sokolniki Project and the Nemchinovka Project. The funding will be provided by Mirland subject to completion of various milestones. In return, Mirland will receive a 51% equity interest in the joint venture and a share of the profits attributable to the joint venture of not less than 50%. The Company made its first funding payment of approximately US\$ 14 million into the joint venture, in order to support initial project set-up and design stages. This amount is repayable in the event that the transaction is not completed.

- e. On July 30, 2007, a subsidiary of the Company signed an agreement for acquiring the share capital of two Russian companies that own together the rights for the construction of investment property in Moscow.

The Company intends to complete the construction of the investment property. The cost of the acquisition amounted to approximately U.S 6.3 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENT INFORMATION

The following table presents revenue and profit information regarding the Group's business segments for the nine months ended 30 September 2007, 30 September 2006 and for the year ended 31 December 2006.

	Nine months ended 30 September 2007 (unaudited)			Nine months ended 30 September 2006 (unaudited)		
	Commercial	Residential	Total	Commercial	Residential	Total
	U.S. dollars in thousands					
Revenue						
Rental income from investment properties	6,697	-	6,697	2,485	-	2,485
Revenue from management fees	1,166	-	1,166	276	-	276
Fair value adjustments of investment properties	67,414	-	67,414	37,527	-	37,527
	<u>75,277</u>	<u>-</u>	<u>75,277</u>	<u>40,288</u>	<u>-</u>	<u>40,288</u>
Segment results	<u>57,369</u>	<u>(724)</u>	56,645	<u>33,998</u>	<u>(50)</u>	<u>33,948</u>
Unallocated expenses			(6,489)			(234)
Net finance income (costs)			<u>12,688</u>			<u>(407)</u>
Profit before income tax			62,844			33,307
Tax expense			<u>(3,786)</u>			<u>(2,188)</u>
Profit for the period			<u>59,058</u>			<u>31,119</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4:- SEGMENT INFORMATION (Cont.)

	Year ended 2006 (audited)			Total
	Commercial	Residential	Eliminations	
Revenue				
Rental income from investment properties	3,707	-	-	3,707
Revenue from management fees	533	-	-	533
Fair value adjustments of investment properties	35,878	-	-	35,878
Inter segment income	203	-	(203)	-
	<u>40,321</u>	<u>-</u>	<u>(203)</u>	<u>40,118</u>
Segment results	<u>33,289</u>	<u>(289)</u>	<u>-</u>	<u>33,000</u>
Unallocated expenses				(2,584)
Net finance income				<u>2,330</u>
Profit before income tax				32,746
Tax expense				<u>2,797</u>
Profit for the year				<u>29,949</u>

NOTE 5:- SUBSEQUENT EVENTS

- a. In October 2007, a subsidiary of the Company signed an agreement for acquiring the commerce area in Kazan city, Russia. The cost of the acquisition amounted to approximately U.S.\$ 1.3 million. The signature is the first step for realization of the Memorandum of Understanding (MoU) between the Company and Kazan's municipality relating to the development by the Company of a new shopping and entertainment centre in the Kirov district of Kazan.
- b. In October 2007, the company signed an agreement to acquire the remaining 21% of RealService's share capital. The acquisition consideration amounts to approximately U.S.\$ 3.9 million and is expected to be paid before the end of 2007.
