MIRLAND DEVELOPMENT CORPORATION PLC

18 August 2008

MirLand Development Corporation plc ("MirLand" / "Company")

INTERIM REPORT FOR THE SIX MONTH TO 30 JUNE 2008

MirLand Development Corporation, one of the leading international residential and commercial property developers in Russia, today announces interim results for the six month ended 30 June 2008.

The Company successfully raised net proceeds of US$293 million in its IPO on the AIM market of the London Stock Exchange in December 2006. In December 2007 the Company successfully raised net proceeds of US$62 million in a bond issuance on the Tel Aviv stock exchange.

Financial Highlights:

- Profit after tax US$3.062 million (30 June 2007: US$59.5 million – mainly due to revaluation of three commercial projects that had been completed in the period to 30 June 2007).
- Rental Income and property management fees increased to US$9.8 million (30 June 2007: US$4.3 million)
- Increase in total assets to US$665.2 million (30 June 2007: US$578.4 million)
- Company's equity as at 30 June 2008 amounted to US$484.6 million comprising 73% of total assets
- Company's cash and cash equivalents balance US$95.5 million.
- Real estate assets (Mirland's share) were valued by Cushman & Wakefield at US$1.26 billion for freehold/leasehold rights (31 December 2007: US$1.22 billion; 30 June 2007: US$1.04 billion).
- Company's Investment Properties, which are presented in Financial Statements in their Fair Value increased by US$8.9 million in comparison to 31 December 2007. The composition of these assets is as follows:

City	Property Name and Address	Market Value as at 30 June 2008 attributed to Mirland	Market Value as at 31 December 2007 attributed to Mirland	Change
Moscow	Hidromashservice, 2-Khutorskaya str., 38A	$106,570,000	$102,390,000	4.1%
Moscow	MAG, 2-Khutorskaya str., 38A	$106,230,000	$101,080,000	5.1%
Yaroslavl	Phase 1: Operating Shopping Centre, Kalinina str.	$44,546,000	$44,384,200	0.4%
Yaroslavl	Phase 2 (Remaining unimproved Land Plot of 18 Ha)	$7,232,000	$7,829,710	-7.6%
	Total	**$264,578,000**	**$255,683,910**	**3.5%**

Negative fair value adjustment of investment properties of US$ 7.5 million caused solely as a result of FOREX loss due to translation of value of Company's assets from Russian Roubles to Company's functional currency, which is US Dollar. In first half of 2008 exchange rate of US Dollar devalued by 4.5% against Russian Rouble. As the Company is funding projects in Russia by providing loans to its subsidiaries in US Dollars, it recognized a FOREX gain as a result of above mentioned devaluation of US$11.9 Million, representing part of the financial income of US$ 13.2 million.

- Company's NAV per share as at 30 June 2008 is $US 11.9 (£6.4).

Operational highlights:

- 14 significant ongoing projects which, on completion, will provide approximately 1.3 million sqm of office, retail and residential property
- Significant progress in construction of Perkhushkovo, Century and Saratov projects.
- In August the Company signed an agreement with a general contractor and entered into the construction phase of its flagship project – Triumph Park in St Petersburg.
- Acquisition of land plot in Penza for a new shopping centre development
- Construction completed of approximately 69,580 sqm of commercial space
- Approximately 133,000 sqm of new development currently under construction
- According to Cushman & Wakefield valuation, in comparison to December 31, 2007 there is a growth of 3.6% (Company's share) in total value of assets and 11.9% in value of assets on a like-for-like basis.

Nigel Wright, Chairman, commented:

"Mirland has continued to make steady progress throughout the first half of 2008 with advances in most areas of the business. Our key investment properties are making a significant and growing revenue contribution. Building works progress satisfactorily on a number of residential and commercial projects and we are encouraged by pre-leasing demand for our retail scheme in Saratov. Furthermore we continue to grow our human resources to support our expanding scale of operations."

Moshe Morag, MirLand's Chief Executive, added:

"The Company's goal is to continue to progress portfolio projects in terms of planning gains, financing, construction starts, completions and lettings and to bring them to fruition within budget and on time. MirLand's strong financial backing ensures that it is strongly positioned for ongoing investment in both new and existing projects despite the world liquidity crisis.

"We are advancing our projects based on our ability to raise debt and we believe that current structure of our Balance Sheet, which is funded 73% by equity, gives us a positive outlook. Mirland has excellent access to a wide range of international and national financial institutions and we believe that it will allow us to raise funds in order to execute our goals."

For further information, please contact:

MirLand Development Corporation plc	+972 52 2776640
Roman Rozental	+7 499 130 31 09
roman@mirland-development.com	
Financial Dynamics	+44 20 7831 3113
Dido Laurimore/ Rachel Drysdale	
dido.laurimore@fd.com/ rachel.drysdale@fd.com	

CHAIRMAN'S STATEMENT

I am pleased with the continuing solid progress in certain key areas of our business during the period. Construction has started and continues on five significant residential and commercial projects in Moscow and the Regions and we remain confident that the location and quality of these opportunities will ensure successful outcomes in each case. I am also pleased to note that letting progress on our Shopping Centre Development in Saratov, presently under construction, is ahead of plan with a number of substantial pre-lettings. Following a successful tender process, we also completed the acquisition of a new site for a shopping centre development in Penza for the sum of US$4.25 million.

Inevitably we, like other real estate businesses around the world, cannot ignore the difficulties presented by the current illiquidity in the banking markets. Whilst I do not foresee any likely improvement in this situation in the short to medium term we are satisfied with our funding progress to date. As a real estate developer we are of course significantly reliant upon the financial markets to provide us with the necessary funding over and above our own internal resources to enable full delivery of our programme. We are however fortunate as a company to have not only a flexible development programme, but also a good blend of quality residential and commercial projects in Russia where market dynamics to date have remained strong. Our completed investment properties are now yielding and growing cash flow and our management team is focussing particularly on progressing our residential projects during the coming period.

Results

Total assets as at 30 June 2008 amounted to US$665.2 million in comparison with US$578.4 million as at 30 June 2007, and equity as at 30 June 2008 amounted to US$484.6 million in comparison with US$460.1 million as at 30 June 2007. The main reasons for the increase were the bond issuance in Israel in December 2007 and additional investments in real estate assets.

The details of the Company's existing projects are shown in the summary table below. The comprehensive report prepared by Cushman & Wakefield is available on the Company's web-site: www.mirland-development.com

City	Property Name and Address	Market Value as at 30th June 2008 (Rounded)	Total sqm of Land	Mirland share	Value attributed to Mirland
Moscow	Hidromashservice, 2-Khutorskaya str., 38A	$106,570,000	12,237	100%	$106,570,000
Moscow	MAG, 2-Khutorskaya str., 38A	$106,230,000	21,940	100%	$106,230,000
Moscow region	Perkhushkovo, Odintsovsky district	$104,194,000	225,300	100%	$104,194,000
Saratov	Retail mall, 167 Zarubina street	$55,429,000	22,000	95%	$52,658,000
Moscow	Skyscraper, Dmitrovskoe shosse 1	$184,888,000	9,079	100%	$184,888,000
St. Petersburg	Residential	$461,551,000	326,651	100%	$461,551,000
St. Petersburg	Trade Centre, 86 Baumana str.	$43,551,000	81,663	100%	$43,551,000
Moscow region	Techagrocom, Kaluzhskoe Highway	$91,109,000	220,000	50%	$45,555,000
Yaroslavl	Phase 1: Operating Shopping Centre, Kalinina str.	$90,910,000	120,000	49%	$44,546,000
Yaroslavl	Phase 2 (Remaining uniproved Land Plot of 18 Ha)	$14,760,000	180,000	49%	$7,232,000
Kazan	Kazan Commercial	$12,564,000	22,000	100%	$12,564,000
Moscow	Tamiz building, 2-Khutorskaya str., 38A	$37,022,000	4,500	100%	$37,022,000
Moscow	Century buildings, 2-Khutorskaya str., 38A	$89,753,000	5,800	50%	$44,877,000
Penza	Retail Centre	$8,797,000	52,790	100%	$8,797,000
		$1,407,328,000			**$1,260,235,000**

The Company's adjusted net asset value amounted to US$1,232.9 million in comparison with US$916.2 million in 30 June 2007. The Company's real estate assets were valued by an external independent appraiser (Cushman & Wakefield Stiles& Riabokobylko) in accordance with International Valuation Standards on 30 June 2008 at US$1,407.3 million (for 100% rights from freehold/leasehold), of which MirLand's share is US$1,260.2 million in comparison with US$1,214.8 million as at 31 December 2007. MirLand's policy is to revalue its assets semi annually, ordinarily on 30 June and 31 December. This increase comes despite terminating our agreement on the Nemchinovka and Sokolniki projects so that they no longer form part of our portfolio. On a like-for-like basis the increase in Cushman & Wakefield valuation represents growth of 11.9 % in the value of our assets.

Portfolio Progress

On 31 March 2008, Tamiz (a wholly-owned company) won 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 US$4.25 million, which was paid on 11 April 2008. The Company intends to build a shopping centre on this land plot.

In July 2008, the Company ended its joint venture on two residential projects in Moscow, due to failure by the Company's joint venture partner to fulfil major conditions precedent in the development agreement within the time period stipulated, these largely related to the permits for the development. Pursuant to the provisions of the agreement and in order to secure its rights under the agreement, the Company had made a secured loan of approximately US$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 US$14 million loan in full together with an additional sum of approximately US$1.5 million as payment for interest. The Company is not liable to make any further payment in respect of the joint venture.

Significant progress in construction of Perkushkovo, Century and Saratov projects was achieved during the first half of 2008.

In August, the Company signed an agreement with a general contractor and entered into the construction phase of its flagship project – Triumph Park in St Petersburg.

Outlook

Mirland has continued to make steady progress throughout the first half of 2008 with advances in most areas of the business. Our key investment properties are making a significant and growing revenue contribution. Building works progress satisfactorily on a number of residential and commercial projects and we are encouraged by pre-leasing demand for our retail scheme in Saratov. Furthermore we continue to grow our human resources to support our expanding scale of operations.

Nigel Wright
Chairman
18 August 2008

CHIEF EXECUTIVE'S STATEMENT

MirLand is focused on the value-enhancing acquisition, refurbishment, construction, lease and sale of residential and commercial real estate in Russia. MirLand's business arena was expanded in 2008 and is now covering a wider geographic area.

The Company's projects vary in their locations (major and regional cities), sectors (residential, commercial), and status of development (ranging from already generating income to the pre-planning stage). For every one of MirLand's main projects which is located outside of Moscow, a local management team is put in place which is responsible for the development and, in the case of investment assets, the ongoing management of the asset. These teams report on an ongoing basis to MirLand's central management team.

The Company has made significant progress in pursuing its strategy during the first half of 2008. Its key achievements include:

- Strong progress in the construction of approximately 133,000 sqm of new development across four projects: Perkhushkovo, Saratov, Tamiz and Century Buildings.
- The Company's operational base has been expanded with a number of new appointments which will allow the Company to manage the expanded project portfolio successfully.
- Financing activities included signing a detailed final agreement with EBRD for US$48.5m of project financing for the Saratov shopping centre project. In July 2008, MirLand signed a term-sheet with the EBRD for a loan of up to US$150 million for the Triumph park residential project in St. Petersburg. The loan is towards syndication by EBRD. This loan is part of MirLand's efforts towards securing banking facilities to finance both existing completed investments and our continuing development programme. These facilities, together with securing financing on a corporate level such as the Company's US$62 million bond issue in Israel in December 2007, will assist MirLand in securing financial resources to progress its existing schemes and projects.

Geographic distribution by value

Region	% of portfolio by are a
Moscow & Moscow Region	50
St. Petersburg & other regional cities	50

Segmentation distribution by value

Use	% of portfolio by area
Residential	45
Commercial	55

Strategy

MirLand's principal activity is the acquisition, development, construction, refurbishment, rental and sale of residential and commercial real estate in Russia. Its particular geographic focus is on Moscow, St. Petersburg and major regional cities with a population of more than 500,000, in which it has identified a significant demand for such properties. The Company invests primarily in projects where it has identified the potential for a high return on equity and the generation of high yields, stemming from relatively low costs and high demand and prices.

The key elements of its ongoing strategy are as follows:

- Focus on the executing portfolio projects in line with budget and timescale both on operational and financial levels.
- Advancement with marketing and sales, with strong emphasis on residential projects (Perkhushkovo St. Petersburg).
- Utilization of acquisition opportunities; the Company will continue to examine development projects in various sectors, locations and development stages.
  - Geographic location: the Company intends to spread its investments over Moscow, St. Petersburg, and other major regional cities. During 2008, the Company is also examining opportunities in cities of over 300,000 inhabitants – which have high potential profitability. The Company makes its assessments on the basis of economic and demographic data and the balance between supply and anticipated demand for international standard properties. Potential projects in such cities will be evaluated on the basis of their estimated rates of return on capital.
  - Sector: the Company will continue to invest in a balanced mix of residential, retail, office and logistics properties and will consider expansion into other sectors (such as cold storage) as well as mixed-use projects. Each development site will be evaluated for its most appropriate use and highest potential return.
  - The Company's portfolio includes projects which are of varying duration, phasing and anticipated completion. The Company intends to hold a balanced portfolio of yielding and development properties to

obtain a relatively balanced spread in the use of working capital and management attention while at the same time generating an income flow from sales and yielding properties.

- Realization of assets upon promising opportunities: the Company will continuously reassess whether to retain yielding properties or realize their market value through disposal, depending on the opportunity and on prevailing market conditions. The Company will use revenues from the yielding assets to diversify its income sources.
- Use of diverse financing resources to accelerate business activity and growth: equity, loans backed by shareholders guarantee, bank loans and the recent bond issuance are used to finance the Company's activities. As the Russian credit market develops, the Company intends to take advantage of available financing to enhance returns on equity.
- The extension of relationships with local partners, especially in the regions. Having a local partner promises daily proximity to the projects and thus a greater level of control and involvement. In addition, these relationships are expected to lead to future investment opportunities.

The Company's portfolio has been valued by Cushman & Wakefield at US$1.26 billion (MirLand's share) as of 30/06/2008, based on the company's rights from freehold/leasehold interest. This value represents an increase of US$43.5 million in the portfolio's value since 31/12/2007**,** a net result of US$134.5 million increase in value of the existing assets, US$8.8 million value of newly acquired assets, and a decrease of US$99.8 million – value of the two projects removed from Mirland's portfolio.

Prospects

The Company's goal is to continue to progress portfolio projects in terms of planning gains, financing, construction starts, completions and lettings and to bring them to fruition within budget and on time. MirLand's strong financial backing ensures that it is strongly positioned for ongoing investment in both new and existing projects despite the world liquidity crisis.

We are advancing our projects based on our ability to raise debt and we believe that current structure of our Balance Sheet, which is funded 73% by equity, gives us a positive outlook. Mirland has excellent access to wide range of international and national financial institutions and we believe that it will allow us to raise funds in order to execute our goals. The Company continues to consider potential acquisitions but with very stringent criteria, assessing their potential profitability and Company’s ability to finance and execute.

We are confident that the many opportunities in the Russian market will enable us to constantly expand our portfolio, whilst also progressing our high-quality committed and pipeline schemes in order to create optimum shareholder value.

Moshe Morag
Chief Executive Officer
18 August 2008

CONSO LIDATED BALANCE SHEETS

	30 June 2008	30 June 2007	31 December 2007
	Unaudited	Unaudited	Audited
	U.S. dollars in thousands		
ASSETS			
NON-CURRENT ASSETS:			
Investment properties	239,791	188,074	227,030
Investment properties under construction	112,059	47,613	87,963
Long-term loan	15,529	14,122	14,829
Advances on acquisition of subsidiaries	1,696	1,000	1,080
Deferred expenses	1,233	-	796
Long-term receivables and prepayments	18,969	-	12,891
Financial derivative	2,590	-	-
Deferred taxes	969	-	214
Fixed assets, net	5,103	2,207	4,866
	397,939	253,016	349,669
CURRENT ASSETS:			
Inventories of buildings under construction	127,580	85,221	103,980
Trade and other receivables	9,346	12,046	7,537
Short-term loans	34,840	-	7,692
Restricted bank deposits	65,353	71,408	71,406
Cash and cash equivalents	30,190	156,746	117,758
	267,309	325,421	308,373
Total assets	665,248	578,437	658,042

CONSOLIDATED BALANCE SHEETS

	30 June		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	7,165	3,776	6,199
Retained earnings	99,691	91,228	96,629
Currency translation reserve	16,858	4,277	9,151
	484,553	460,120	472,818
Minority interests	25	25	25
Total equity	484,578	460,145	472,843
NON-CURRENT LIABILITIES:			
Debentures	63,586	-	62,088
Financial derivative	-	-	50
Long-term loans from banks	18,354	18,682	15,873
Other long-term liabilities	14,877	7,705	12,739
Deferred taxes	7,111	2,244	5,118
	103,928	28,631	95,868
CURRENT LIABILITIES:			
Accounts payable and accruals	9,055	14,010	11,145
Short-term loans from banks	67,051	74,078	76,696
Income tax payable	636	1,573	1,490
	76,742	89,661	89,331
Total liabilities	180,670	118,292	185,199
Total equity and liabilities	665,248	578,437	658,042

CONSOLIDATED STATEMENTS OF INCOME

	Six months ended 30 June		Year ended 31 December
	2008	2007	2007
	Unaudited		Audited
	U.S. dollars in thousands		
Revenues:			
Rental income from investment properties	8,701	4,017	10,446
Revenues from managing investment properties	1,138	302	1,977
Total revenues	9,839	4,319	12,423
Operating expenses	(3,639)	(1,680)	(6,384)
Adjustment for the provision of service provider	1,159	(3,342)	(7,840)
General and administrative expenses	(8,108)	(7,253)	(18,866)
Registration of land lease	-	(5,469)	(5,469)
Operating loss	(749)	(13,425)	(26,136)
Finance costs	(5,944)	(2,898)	(8,703)
Finance income	19,133	8,599	23,004
Fair value adjustments of investment properties	(7,534)	69,414	82,138
Profit before tax expense	4,906	61,690	70,303
Tax expense	(1,844)	(2,211)	(5,423)
Profit for the period attributable to the equity holders of the Company	3,062	59,479	64,880
Attributable to:			
Equity holders of the Company	3,062	59,479	64,880
Minority interest	-	-	-
	3,062	59,479	64,880
Earnings per share (in U.S. dollars per share):			
Basic	0.0296	0.574	0.627
Diluted	0.0296	0.570	0.627

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2008	2007	2007
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from operating activities:			
Profit before the tax expense	4,906	61,690	70,303
Adjustments for:			
Finance costs	5,944	2,898	8,703
Interest paid	(4,776)	(2,222)	(6,881)
Finance income	(19,133)	(8,599)	(23,004)
Interest received	1,148	6,106	10,343
Fair value adjustments of investment properties	7,534	(69,414)	(82,138)
Share-based payments expense	966	1,428	3,851
Addition to residential projects for sale under construction	(16,459)	(7,489)	(22,003)
Depreciation of fixed assets	273	89	287
Increase in trade and other receivables	(6,836)	(429)	(3,067)
Increase (decrease) in accounts payable and accruals and in provision to service provider	(1,772)	6,334	6,347
Income taxes paid	(1,168)	(1,997)	(1,169)
Net cash flows used in operating activities	(29,373)	(11,605)	(38,428)
Cash flows from investing activities:			
Additions to fixed assets	(63)	(1,184)	(3,373)
Additions to investment properties	(8,987)	(12,604)	(36,056)
Additions to investment properties under construction	(19,429)	(30,102)	(62,658)
Interest capitalized in investment properties under construction	-	(1,213)	(2,016)
Loans granted	(23,832)	(14,122)	(22,238)
Repayment of restricted deposit	5,980	-	-
Advance on acquisition of subsidiaries	(696)	(1,000)	(1,080)
Net cash flows used in investing activities	(47,027)	(60,225)	(127,421)
Cash flows from financing activities:			
Proceeds from issuance of shares by the Company	-	30,811	30,811
Advances received on account of IPO	-	-	1,053
Accrued expenses on account of loan	(397)	-	(767)
Proceeds from issuance of bonds	-	-	61,756
Proceeds from long-term borrowings	-	-	-
Proceeds from short-term borrowings	-	496	-
Repayment of long-term borrowings from banks	(6,755)	-	-
Net cash flows provided by/(used in) financing activities	(7,152)	31,307	92,853
Net decrease in cash and cash equivalents	(83,552)	(40,523)	(72,996)
Net foreign exchange differences on cash and cash equivalents	(4,016)	683	(5,832)
Cash and cash equivalents at beginning of period	117,758	196,586	196,586
Cash and cash equivalents at end of period	30,190	156,746	117,758

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June		Year ended 31 December
	2008	2007	2007
	Unaudited		Audited
	U.S. dollars in thousands		
Non-cash transactions:			
Payables included for investment properties under construction	-	32,081	1,638
Reclassification of inventories of land to inventories of buildings under construction	-	-	62,192

NOTE 1:- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD

On 31 March 2008, Tamiz (a wholly-owned company) 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.

NOTE 2:- SUBSEQUENT EVENTS

In July 2008, the Company ended its joint venture in two projects in Moscow, because certain of the conditions precedent 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 US dollars 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 US dollars loan in full together with interest. The Company is not liable to make any further payment in respect of the joint venture.