13 November 2013

MIRLAND DEVELOPMENT CORPORATION PLC
("MirLand" / "Company")

UNAUDITED INTERIM CONSOLIDATED REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

MIRLAND CONTINUES SUCCESSFUL YEAR WITH STRONG PRE SALES ON PHASE III OF ST. PETERSBURG RESIDENTIAL DEVELOPMENT

MirLand, one of the leading international residential and commercial property developers in Russia, announces its interim results for the nine months ended 30 September 2013.

Financial Highlights:

- Total revenues up 55.9% to US$46.3 million (nine months ended 30 September 2012: US$29.7 million) due to a high occupancy rate of approximately 99% in the investment portfolio, the positive impact of rental indexation and first time partial recognition of revenues from the Triumph Park residential project;
- Net operating income ("NOI") from investment properties (Company's share) up 18.8% to US$24.0 million (nine months ended 30 September 2012: US$20.2 million);
- Gross profit up 122.8% to US$23.4 million (nine months ended 30 September 2012: US$10.5 million);
- EBITDA increased 82% to US$14.4 million (nine months ended 30 September 2012: US$7.9 million);
- Net profit of US$0.6 million (nine months ended 30 September 2012: loss of US$7.3 million) due to increased operational profitability, decrease in general and administrative expenses, recognition of revenues in residential projects and fair value adjustments of investment properties;
- Total assets up 13.4% to US$843.5 million (31 December 2012: US$743.7 million), of which 88% are property and land assets;
- Total equity increased by 3.5% to US$328.3 million (31 December 2012: US$317.3 million), equating to 39% of total assets;
- Net leverage slightly reduced to 40.6% of total assets (31 December 2012: 40.9%);

Operational Highlights

Residential:

Triumph Park in St. Petersburg

Sales rate remains high indicating prospect of solid future income, while the sales prices being achieved in the later phases have increased ahead of inflation:

- Phase I: All 510 apartments pre-sold (505 at 30 June 2013), indicating a projected income of approximately US$66 million to be recognized during the second half of 2013 in accordance with IFRS standards; an occupancy permit was received from the governmental authorities and accordingly the delivery of apartments to owners commenced at the beginning of September 2013;
- Phase II: Launched in Q3 2012,482 out of 630 apartments have been pre-sold – to 13 November 2013 totalling circa 77% of the scheme. This represents sales of approximately US$67 million. Completion is expected by Q4 2014;
- Phase III: Strong sales launch in Q4 2013, 135 out of 1,346 homes have been pre-sold – to 13 November 2013 totalling circa 10% of the scheme. This represents sales of approximately US$16 million.

Western Residence, Perkhushkovo, Moscow

- We have also sold a further five houses at our Western Residence development in Perkhushkovo, Moscow, taking the total now sold to 30 of the 77 houses in the scheme.

Retail:

- Both regional shopping centres, Vernissage Mall in Yaroslavl and Triumph Mall in Saratov, are 100% occupied and continue to report high levels of footfall. Nine months NOI was up 18% to US$14.4 million, compared to US$ 12.2 million in the first nine months of 2012, the strongest ever performance from the retail portfolio;
- Exploring potential to extend Vernissage Mall by additional 20,000 sqm, and also seeking further development opportunities in Russian regional markets

Offices:

- 98% average occupancy rate at the MirLand Business Center. Nine months like for like NOI up 20% to US$9.6 million.

Nigel Wright, Chairman, commented:

“During 2013 we have continued our successful approach to investment and development whilst remaining committed to the diversification of our funding sources. The occupancy rates of our investment assets are at almost 100% and the net operating income-flow continues to increase, whilst at our residential projects, sales demand from customers is resilient. Triumph Park, in particular, has generated strong pre-sales, and our success in securing funding for the third phase ensures we can continue to deliver high-quality homes at this development to capture this demand.

"The Russian economy continues to show signs of improvement, and we are well placed to capitalise on increased consumer confidence and a strengthening residential and commercial property market. We will actively look for further opportunities, as well as ensuring we generate maximum value from our existing assets. We are confident that using our proven skill and considerable experience in acquisition, management and development we can continue to generate value for shareholders."

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MirLand has delivered a strong nine month period with improvements in a wide range of key performance indicators against the backdrop of a Russian economy that continues to show moderate growth. We have made further progress in successfully delivering the business plan and strategy:

- to maximize returns from our existing diversified portfolio of assets;
- to successfully complete those projects currently under construction; and
- to activate pipeline projects and selectively seek new projects subject to availability of appropriate funding and market demand.

In addition, due to improved market conditions and the growing availability of financing sources, MirLand continues to identify and assess opportunities for new investments that have the potential to enhance long term shareholder value. The Company is seeing a growing number of potentially attractive deals becoming available in the market.

FINANCING

During the period, net leverage decreased to 40.6% of total assets (31 December 2012: 40.9%). Total net borrowings amounted to US$342.4 million (31 December 2012: US$304.2 million).

In July 2013, following the publication of an amendment to the Company's shelf prospectus and shelf offering report, the Company issued new debentures (Series E) in the total amount of NIS240 million (approximately US$67.2 million). The debentures (Series E) bear annual fixed interest of 7.21% and have been rated by Midroog at "ilBaa1/Stable". The debentures are repayable in five unequal annual payments, the first payment is 10% of the principal and each of the second to the fifth payments is 22.5% of the principal, payable on 31 May of each year from 2016 to 2020 (inclusive).

In August 2013, a wholly owned subsidiary of the Company, Limited liability Company Investicionno-Ipotechnaya Kompaniya ("**IIK**"), entered into a US$95 million loan agreement with Sberbank for a seven year term, at fixed interest rate of 7%, payable quarterly. The loan refinances IIK’s existing debt of US$36 million and allows the business to release additional funds. The loan is secured by various mortgages, charges, pledges and other customary security interests for the benefit of the bank which have been entered into by both IIK and the Company. The loan will be repaid within seven years through regular quarterly payments and a final balloon payment of 53% of the loan principal at the end of the term.

In August and October 2013, the Company partly repaid a number of short-term loans from banks which are secured by non-cancelable bank guarantees of the controlling shareholders for US$50 million.

On 30 October 2013, the Company successfully financed the third phase of 1,346 apartments at Triumph Park. Petra 8 LLC ("Petra"), a wholly owned subsidiary, entered into a loan agreement with SberBank, who also financed the previous two phases. The loan agreement comprises a non-revolving credit line of up to US$96 million which will provide approximately 70% of the expected third phase construction cost, with the balance financed from sale proceeds. It fulfills the outstanding funding requirement for this latest phase of the project and will be provided to Petra in three tranches over the next three years, secured by way of mortgage, charge, pledge and other appropriate security interests for the benefit of the Bank. The Loan, which matures in four years, is in addition to two facilities previously granted by the Bank to Petra, the outstanding balance of which, to date, is approximately US$2 million.

The net proceeds of the Bonds D and E issuances as well as loans obtained by subsidiaries will be applied for general working capital purposes and repayment of certain financial liabilities including, inter alia, bank loans guaranteed by Parent Companies, Bonds and loans provided to subsidiaries in Russia.

The recent capital raisings support the Company’s strategy to diversify funding sources whilst keeping long term leverage at a relatively low level, with net leverage currently at 40.6%.

OPERATIONAL UPDATE

The Company has made good progress in the pre-sale, build and delivery of its BREEAM certified Green residential project, Triumph Park in St. Petersburg. The government authorities issued the required occupancy permit for Phase I of the scheme, and handovers to owners began in September 2013. Construction and sales of Phase III started in October with a strong sales launch resulting in 135 apartments being pre-sold in the first month since launch. The prices that the Company is achieving in its pre-sales at the later phases of the project have increased ahead of the rate of inflation as the scheme has progressed, maintaining good levels of profitability.

The Western Residence residential development scheme at Perkhushkovo, Moscow, has also maintained momentum with the sales of further five houses, taking the total now sold to 30 of the 77 houses in the scheme.

Vernissage Mall in Yaroslavl and the Triumph Mall in Saratov remain fully let with 100% occupancy and continue to generate high footfall. Occupancy rates in the MirLand Business Centre office buildings remain at circa 98%. Our retail portfolio delivered its highest ever level of net operational income, remaining fully occupied and with rental indexation delivering increased revenues. In light of the success of our retail portfolio, we are looking at potential opportunities to grow our holdings in the sector through the extension of our Vernissage Mall by additional 20,000 sqm, and also seeking new opportunities in this segment.

MARKET UPDATE

In the third quarter of 2013, the Russian economy continued to grow, although the IMF revised its 2013 GDP growth forecast down from 2.4% to 1.8%. The outlook for 2014 is more positive with official forecasts predicting economic growth of around 2.6% to 3%, providing oil prices remain stable.

Consumer sentiment remained strong and unemployment stayed relatively low at 5.3%. Current inflation is at circa 6.1% and is projected to remain stable as we approach the end of the calendar year. The price of Urals oil, a key economic indicator, continued its positive trend since June, trading at an average of US$111.4 per barrel for the year to date. The Central Bank Refinancing Rate was raised to 8.25% in September 2012 and has since remained unchanged.

As part of the effort by the Central Bank of Russia ('CBR') to cap inflation and make the country's banking more consistent, a new 5.5% unified interest rate for liquidity absorption and extension operations, with a one-week maturity, was introduced in September 2013. Capital outflows continue to cast a shadow with a full year outflow forecast at circa US$50 billion. The Government maintains a substantial contingency reserve fund in excess of US$500 billion.

Real Estate market

The real estate market remains generally positive across Russia, with Moscow still experiencing an undersupply of quality stock. The total volume of investments for the year to date totaled US$5.75 billion, with foreign capital accounting for 42% of investments in the first three quarters of 2013, up from 19% for the equivalent period in 2012. The total level of investments forecast for 2013 is US$7.9 billion.

Regional investment volumes continued to be relatively low at circa 4%, as investment activity tended to concentrate around developed markets such as Moscow and St. Petersburg (For the year to date, 80-90% of investments were made in Moscow).

Office segment

The average vacancy rate has decreased from 13.15% in the second quarter of 2013 to 12.8% in the third quarter (19.6% in Class A and 11.2% in Class B). The rental rates remain unchanged in the third quarter with a Class A average of $860/sqm and a Class B average of $500/sqm. Third quarter take up of 386,000 sqm was down 20% compared to the previous year, whilst take up for the year to date totaled 1.19m sqm. Over 594,000 sqm of office space has been completed so far in 2013, with nine buildings of 245,000 sqm completed in Moscow. By the end of third quarter, the entire market for good quality office space in Moscow was 13.6m sqm.

Retail segment

Demand for quality space remains steady, and the vacancy rate in Moscow is low at 1.2%. In the third quarter, rental rates for gallery space in Moscow ($500-3800/sqm per year) and the regions remained stable (30-60% below Moscow levels). The rental growth rate is not forecast to exceed 5%. Visitor levels to Moscow's shopping centers stayed high, supported by consumer sentiment and real disposable income growth of 2.1% compared to August 2012. In general, the volume of newly built retail space in Russia is still relatively high, with 15 new retail centers comprising 294,000 sqm, delivered across the country in the third quarter of 2013. Renowned international retailers continue to open stores in Russia and brands that are already present in Moscow and St Petersburg are looking to expand into the regions.

Residential segment

Customer demand for new homes remains strong, supported by improving mortgage availability and affordability, with rates having decreased throughout the year and forecast to reduce further. Over RUB800.4bn (RUB32.4bn in St. Petersburg) of mortgages were approved year to date, which is RUB1.3bn higher than the same period last year. The CBR has forecast RUB1,050-1,200bn of approvals by the end of 2013. According to the European Mortgage Federation, Russia has one of the lowest levels of living space per capita compared to other European countries at 23 sqm per person, although this is expected to grow to 31 sqm by 2020.

Industrial segment

Despite the slowdown in GDP growth, demand for warehouse facilities remains high. In the third quarter of 2013, more than 235,000 sqm of quality warehouse space was brought into use. The vacancy rate for Class A warehouses in Moscow remains low at 1% and this is expected to remain low because of the lack of development across Russia for the foreseeable future.

Update to remuneration policy

Following the period end MirLand adopted a new remuneration policy, approved by the remuneration committee. As per this policy, the Company announces the re-issue today to Chief Executive Officer Mr Roman Rozental of 449,198 options (in lieu of the same number) at the original exercise price of £2.50 on a fully vested basis and extended until 30 May 2017. In addition, the Chief Financial Officer Mr Yevgeny Steklov will today receive 258,750 new options at an exercise price of £2.60 vesting in equal tranches at the end of years one, two and three and expiring on the fifth anniversary of the date of grant.

OUTLOOK

During 2013 we have continued our successful approach to investment and development whilst remaining committed to the diversification of our funding sources. The occupancy rates of our investment assets are at almost 100% and the net operating income-flow continues to increase, whilst at our residential projects, sales demand from customers is growing. Triumph Park, in particular, has continued to generate strong pre sales, and our success in securing funding for the third phase ensures we can continue to deliver high-quality homes and strong future revenue stream for the business.

The Russian economy is showing signs of improvement, and we are well placed to capitalise on increased consumer confidence and a strengthening residential and commercial property market. We will actively look for further opportunities, as well as ensuring we generate maximum value from our existing assets. We are confident that using our proven skill and considerable experience in acquisition, management and development we can continue to generate value for shareholders.

Nigel Wright	**Roman Rozental**
Chairman	**Chief Executive**
13 November 2013	**13 November 2013**

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 September 2013	30 September *) 2012	31 December *) 2012
	Unaudited	Unaudited	Audited
	U.S. dollars in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	47,414	33,027	25,669
Restricted bank deposits	229	1,100	1,119
Trade receivables	848	1,421	2,476
Other receivables	8,436	5,487	7,627
VAT receivable	5,355	5,519	4,801
Inventories of buildings for sale	213,668	183,294	190,821
Loans granted to associates	3,229	-	9,070
	279,179	229,848	241,583
NON-CURRENT ASSETS:			
Investment properties	394,110	284,224	302,789
Investment properties under construction	50,456	80,205	51,552
Inventories of buildings for sale	84,066	76,941	79,100
VAT receivable	464	229	226
Fixed assets, net	927	1,104	825
Other long-term receivables	2,334	4,012	3,038
Prepaid expenses	636	541	541
Deferred taxes	2,506	2,282	2,350
Investments in associates	28,810	57,270	61,650
Loans granted to associates	-	11,053	-
	564,309	517,861	502,071
TOTAL ASSETS	843,488	747,709	743,654

*) Restated, see Note 2b.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	30 September		31 December
	2013	*) 2012	*) 2012
	Unaudited		Audited
	U.S. dollars in thousands		
EQUITY AND LIABILITIES			
CURRENT LIABILITIES:			
Credit from banks	44,892	69,511	68,523
Current maturities of long-term loans from banks and debentures	49,751	42,569	50,360
Credit from banks for financing of inventory of buildings for sale	501	16,514	15,421
Government authorities	2,238	2,713	2,679
Trade payables	8,736	6,941	7,294
Deposits from tenants	2,824	1,796	2,663
Advances from buyers	104,823	51,505	77,321
Other accounts payable	2,301	1,297	2,211
	216,066	192,846	226,472
NON-CURRENT LIABILITIES:			
Loans from banks	106,576	84,291	81,385
Debentures	187,521	121,230	114,169
Other non-current liabilities	4,979	3,998	4,281
	299,076	209,519	199,835
TOTAL LIABILITIES	515,142	402,365	426,307
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	12,186	12,036	12,186
Capital reserve for transactions with controlling shareholders	8,391	6,565	8,391
Foreign currency translation reserve	(59,305)	(47,337)	(42,286)
Retained earnings (accumulated deficit)	(24,583)	13,241	(21,783)
TOTAL EQUITY CONTRIBUTABL TO EQUITY PARENT	297,528	345,344	317,347
Non controlling interest	30,818	-	-
TOTAL EQUITY	328,346	345,344	317,347
TOTAL EQUITY AND LIABILITIES	843,488	747,709	743,654

*) Restated, see Note 2b.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Nine months ended 30 September		Year ended 31 December
	2013	*) 2012	*) 2012
	Unaudited		Audited
	U.S. dollars in thousands		
Rental income from investment properties	33,671	23,463	32,231
Income from sale of inventories	11,487	5,126	8,079
Revenues from management fees	1,115	1,108	1,641
Total revenues	46,273	29,697	41,951
Cost of sales and maintenance of inventories	(9,746)	(8,437)	(12,833)
Cost of maintenance and management	(13,165)	(10,715)	(14,874)
Gross profit before deductions	23,362	10,545	14,244
Impairment of inventory of buildings for sale	-	-	(8,041)
Gross profit	23,362	10,545	6,203
General and administrative expenses	(9,133)	(10,073)	(14,607)
Marketing expenses	(2,713)	(1,434)	(2,102)
Fair value adjustments of investment properties and investment properties under construction	34,276	(9,748)	(31,554)
Other expense, net	(774)	(558)	(1,832)
Group's share in earnings of associates	5,174	3,287	6,340
Operating profit (loss)	50,192	(7,981)	(37,552)
Finance income	879	923	1,382
Finance expenses	(23,245)	(19,591)	(24,941)
Net foreign exchange differences	(27,191)	20,412	19,892
Profit (loss) before taxes	635	(6,237)	(41,219)
Taxes on income	36	1,041	1,083
Net profit (loss)	599	(7,278)	(42,302)
Attributable to:			
Equity holders of the parent	(2,800)	(7,278)	(42,302)
Non-controlling interest	3,399	-	-
Basic and diluted net earnings (loss) per share attributable to equity holders of the parent (US dollars)	(0.03)	(0.07)	(0.41)

*) Restated, see Note 2b.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine months ended 30 September		Year ended 31 December
	2013	*) 2012	*) 2012
	Unaudited		Audited
	U.S. dollars in thousands		
Net profit (loss)	599	(7,278)	(42,302)
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 accounted for the equity method	244	-	-
Exchange differences on translation of foreign operations	(17,214)	3,690	8,178
Group's share of net other comprehensive income (loss) of companies accounted for the equity method	(2,188)	1,099	1,662
Total other comprehensive income (loss)	(19,158)	4,789	9,840
Total comprehensive loss	(18,559)	(2,489)	(32,462)
Attributable to:			
Equity holders of the parent	(19,819)	(2,489)	(32,462)
Non-controlling interest	1,260	-	-
	(18,559)	(2,489)	(32,462)

*) Restated, see Note 2b.

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 payment transactions	Capital reserve for transactions with controlling shareholders	Retained earnings (accumulated deficit)	Foreign currency translation reserve	Total equity attributable to equity parent	Non Controlling interest	Total equity
	U.S. dollars in thousands								
At 1 January 2013	1,036	359,803	12,186	8,391	(21,783)	(42,286)	317,347	-	317,347
Net loss for the year	-	-	-	-	(2,800)	-	(2,800)	3,399	599
Other comprehensive loss	-	-	-	-	-	(17,019)	(17,019)	(2,139)	(19,158)
Total comprehensive income (loss), net	-	-	-	-	(2,800)	(17,019)	(19,819)	1,260	(18,559)
Obtaining control in companies accounting in the equity method	-	-	-	-	-	-	-	29,558	29,558
At 30 September 2013 (unaudited)	1,036	359,803	12,186	8,391	(24,583)	(59,305)	297,528	30,818	328,346

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Capital reserve for share-based payment transactions	Capital reserve for transactions with controlling shareholders	Foreign Currency translation reserve	Retained earnings (accumulated deficit)	Total
	U.S. dollars in thousands						
At 1 January 2012 (audited)	1,036	359,803	11,341	6,565	(52,126)	20,519	347,138
Net loss for the year	-	-	-	-	-	(7,278)	(7,278)
Other comprehensive income	-	-	-	-	4,789	-	4,789
Total comprehensive income (loss), net	-	-	-	-	4,789	(7,278)	(2,489)
Share-based payment transactions	-	-	695	-	-	-	695
At 30 September 2012 (unaudited)	1,036	359,803	12,036	6,565	(47,337)	13,241	345,344

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 payment transactions	Capital reserve for transactions with controlling shareholders	Foreign currency translation reserve	Retained earnings (accumulated deficit)	Total equity
	U.S. dollars in thousands						
At 1 January 2012	1,036	359,803	11,341	6,565	(52,126)	20,519	347,138
Net loss for the year	-	-	-	-	-	(42,302)	(42,302)
Other comprehensive income	-	-	-	-	9,840	-	9,840
Total comprehensive income (loss), net	-	-	-	-	9,840	(42,302)	(32,462)
Equity component of transaction with controlling shareholders (1)	-	-	-	1,826	-	-	1,826
Share-based payment transactions	-	-	845	-	-	-	845
At 31 December 2012	1,036	359,803	12,186	8,391	(42,286)	(21,783)	317,347

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended 30 September		Year ended 31 December
	2013	*) 2012	*) 2012
	Unaudited		Audited
	U.S. dollars in thousands		
Net profit (loss)	599	(7,278)	(42,302)
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:			
Adjustments to the profit or loss items:			
Deferred taxes, net	(305)	1,127	705
Depreciation and amortization	161	248	491
Finance expenses, net	49,557	(1,744)	3,667
Share-based payment	-	695	845
Fair value adjustment of investment properties and investment properties under construction	(34,276)	9,748	31,554
Group's share in earnings of associates	(5,174)	(3,287)	(6,340)
Loss from obtaining control in company accounted for equity method	244	-	-
Gain from sale of investment property	(548)	-	-
	9,659	6,787	30,922
Working capital adjustments:			
Decrease (increase) in trade receivables	1,703	(2,057)	(4,095)
Decrease (increase) in VAT receivable and others	(815)	1,761	2,991
Increase in inventories of buildings for sale	(34,600)	(26,530)	(32,544)
Increase (decrease) in trade payables	396	(285)	(59)
Increase in other accounts payable	33,084	43,002	70,319
	(232)	15,891	36,612
Interest paid	(19,466)	(18,251)	(23,851)
Interest received	349	3,571	4,291
Taxes paid	(342)	(396)	(629)
	(19,459)	(15,076)	(20,189)
Net cash provided by (used in) operating activities	(9,433)	324	5,043

*) Restated, see Note 2b.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended 30 September		Year ended 31 December
	2013	*) 2012	*) 2012
	Unaudited		Audited
	U.S. dollars in thousands		
Cash flows from investing activities:			
Acquisition of additional interest in jointly controlled entity	-	(1,500)	(1,500)
Additions to investment properties	(4,838)	(5,599)	(7,881)
Additions to investment properties under construction	(1,081)	(117)	(2,277)
Purchase of fixed assets	(392)	(279)	(279)
Settlement of restricted deposit	890	639	620
Repayment of loans granted to related parties	-	250	250
Loans granted to related parties	(560)	(1,466)	(1,630)
Proceeds from repayment of loans granted to associates	-	10,926	12,088
Cash from obtaining control in companies accounted for the equity method	86	-	-
Proceeds from sale of investment property under construction	3,973	-	-
Net cash provided by (used in) investing activities	(1,922)	2,854	(609)
Cash flows from financing activities:			
Repayment of debentures	(17,751)	(15,584)	(26,456)
Issuance of debentures	82,959	-	-
Receipt of loans from banks and others, net from origination costs paid	88,706	81,892	91,118
Repayment of loans from banks and others	(120,168)	(62,557)	(69,268)
Receipt of loans from shareholders	-	12,422	12,422
Repayment of loans from shareholders	-	(18,306)	(18,306)
Net cash provided by (used in) financing activities	33,746	(2,133)	(10,490)
Exchange differences on balances of cash and cash equivalents	(646)	506	249
Increase (decrease) in cash and cash equivalents	21,745	1,551	(5,807)
Cash and cash equivalents at the beginning of the period	25,669	31,476	31,476
Cash and cash equivalents at the end of the period	47,414	33,027	25,669

*) Restated, see Note 2b.

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 September 2013 and for the nine months 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 2012 and for the year then ended ("annual financial statements").

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, except as noted below:

<u>IFRS 10, IFRS 11, IAS 28R - Consolidated Financial Statements Joint Arrangements, Investments in Associates and Jointly Controlled Entities</u>

<u>IFRS 10 - Consolidated Financial Statements</u>

IFRS 10 replaces the parts of previous existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements.

The initial adoption of IFRS 10 had no impact on the Company's consolidated financial statements.

<u>IFRS 11- Joint Arrangements</u>

IFRS 11 replaces IAS 31 interests in Joint Ventures.

The main effect of IFRS 11 arises from joint ventures of the Group in Inomotor and Avtoprioriet ("Century companies") and Inverton which previously, under IAS 31, were recognized using the proportionate consolidation method and under IFRS 11 are accounted for at equity method. During January 2013, the Company obtained control over Century companies and since then started to consolidate them, see Note 3.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Under the equity method, the investment in the associate is presented at cost with the addition of post-acquisition changes in the Group's share of net assets, including other comprehensive income of the associate. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The equity method is applied until the loss of significant influence or classification as an asset held-for-sale.

IAS 28R, "Investments in Associates and Joint Ventures"

IAS 28R ("IAS 28R") supersedes IAS 28. The main changes included in IAS 28R compared to IAS 28 address the accounting treatment of investments in joint ventures using the equity method.

Amendments to IFRS 10, IFRS 11, IFRS 12 - Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities ("the Amendments")

In July 2012, the IASB issued Amendments to the above Standards which provide reliefs with respect to the transition provisions and allow restatement of comparative amounts for one year only. The restatement of comparative amounts for earlier periods is optional.

The Company began to apply the amendment in the financial statements as of 1 January 2013.

Below is the effect of the change in accounting policies as a result of the initial adoption of IFRS 11 on the Company's financial statements:

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In the statements of financial position

As of 30 September 2012 (unaudited)	As reported in the past	Influence of IFRS 11	As presented in these financial statements
	U.S. dollars in thousands		
CURRENT ASSETS			
Cash and cash equivalents	34,944	(1,917)	33,027
Restricted bank deposits	1,100	-	1,100
Trade receivables	1,513	(92)	1,421
Other receivables	5,755	(268)	5,487
VAT receivables	5,785	(266)	5,519
Inventories of building for sale	183,294	-	183,294
	232,391	(2,543)	229,848
NON-CURRENT ASSETS			
Investments properties	374,698	(90,474)	284,224
Investments properties under construction	80,205	-	80,205
Inventories of buildings for sale	76,941	-	76,941
Loans granted to related parties	4,004	(4,004)	-
VAT receivables	229	-	229
Fixed assets, net	1,292	(188)	1,104
Other long-term receivables	4,012	-	4,012
Prepaid expenses	541	-	541
Deferred taxes	2,299	(17)	2,282
Investments in associates	-	57,270	57,270
Loans granted to associates	-	11,053	11,053
	544,221	(26,360)	517,861
	776,612	(28,903)	747,709

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

	As reported in the past	Influence of IFRS 11	As presented in these financial statements
	U.S. dollars in thousands		
CURRENT LIABILITIES			
Credit from banks	69,511	-	69,511
Current maturities of long-term loans from banks and debentures	45,685	(3,116)	42,569
Credit from banks for financing of inventory of buildings for sale	16,514	-	16,514
Government authorities	3,291	(578)	2,713
Trade payables	7,297	(356)	6,941
Deposits from tenants	2,673	(877)	1,796
Advances from buyers	51,505	-	51,505
Other accounts payable	1,436	(139)	1,297
	197,912	(5,066)	192,846
NON CURRENT LIABILITIES			
Loans from banks and others	102,120	(17,829)	84,291
Debentures	121,230	-	121,230
Other non-current liabilities	10,006	(6,008)	3,998
	233,356	(23,837)	209,519
EQUITY ATTRIBUTSBLE TO EQUITY HOLDERS OF THE PARENT			
Issued capital	1,036	-	1,036
Share premium	359,803	-	359,803
Capital reserve for share based payment transactions	12,036	-	12,036
Capital reserve for transactions with controlling shareholders	6,565	-	6,565
Foreign currency translation reserve	(47,337)	-	(47,337)
Retained earnings	13,241	-	13,241
TOTAL EQUITY	345,344	-	345,344
TOTAL EQUITY AND LIABILITIES	776,612	(28,903)	747,709

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

	As reported in the past	Influence of IFRS 11	As presented in these financial statements
	U.S. dollars in thousands		
As of 31 December 2012 (audited)			
CURRENT ASSETS			
Cash and cash equivalents	26,685	(1,016)	25,669
Restricted bank deposits	1,119	-	1,119
Trade receivables	2,713	(237)	2,476
Other receivables	7,746	(119)	7,627
VAT receivables	5,111	(310)	4,801
Loans granted to related parties	3,665	(3,665)	-
Inventories of building for sale	190,821	-	190,821
Loans granted to associates	-	9,070	9,070
	237,860	3,723	241,583
NON-CURRENT ASSETS			
Investments properties	396,865	(94,076)	302,789
Investments properties under construction	51,552	-	51,552
Inventories of buildings for sale	79,100	-	79,100
VAT receivables	226	-	226
Fixed assets, net	1,015	(190)	825
Other long-term receivables	3,038	-	3,038
Prepaid expenses	541	-	541
Deferred taxes	2,437	(87)	2,350
Investments in associates	-	61,650	61,650
	534,774	(32,703)	502,071
	772,634	(28,980)	743,654

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

	As reported in the past	Influence of IFRS 11	As presented in these financial statements
	U.S. dollars in thousands		
CURRENT LIABILITIES			
Credit from banks	68,523	-	68,523
Current maturities of long-term loans from banks and debentures	53,493	(3,133)	50,360
Credit from banks for financing of inventory of buildings for sale	15,421	-	15,421
Government authorities	3,677	(998)	2,679
Trade payables	7,463	(169)	7,294
Deposits from tenants	3,636	(973)	2,663
Advances from buyers	77,321	-	77,321
Other accounts payable	2,346	(135)	2,211
	231,880	(5,408)	226,472
NON CURRENT LIABILITIES			
Loans from banks	98,700	(17,315)	81,385
Debentures	114,169	-	114,169
Other non-current liabilities	10,538	(6,257)	4,281
	223,407	(23,572)	199,835
	455,287	(28,980)	426,307
EQUITY ATTRIBUTSBLE TO EQUITY HOLDERS OF THE PARENT			
Issued capital	1,036	-	1,036
Share premium	359,803	-	359,803
Capital reserve for share based payment transactions	12,186	-	12,186
Capital reserve for transactions with controlling shareholders	8,391	-	8,391
Foreign currency translation reserve	(42,286)	-	(42,286)
Accumulated deficit	(21,783)	-	(21,783)
TOTAL EQUITY	317,347	-	317,347
TOTAL EQUITY AND LIABILITIES	772,634	(28,980)	743,654

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In the consolidated income statement and consolidated statement of comprehensive income

For the nine months ended 30 September 2012 (unaudited)	As reported in the past	Influence of IFRS 11	As presented in these financial statements
	U.S. dollars in thousands (except per share data)		
Rental income from investment properties	35,950	(12,487)	23,463
Income from sale of inventories	5,126	-	5,126
Revenue from management fees	2,631	(1,523)	1,108
Total revenues	43,707	(14,010)	29,697
Cost of sales and maintenance of inventories	(8,437)	-	(8,437)
Cost of maintenance and management	(13,242)	2,527	(10,715)
Gross profit	22,028	(11,483)	10,545
General and administrative expenses	(10,306)	233	(10,073)
Marketing expenses	(1,500)	66	(1,434)
Fair value adjustments of investments properties and investment properties under construction	(17,408)	7,660	(9,748)
Other expenses, net	(321)	(237)	(558)
Group's share in earnings of associates operating loss	-	3,287	3,287
Operating profit	(7,507)	(474)	(7,981)
Finance income	595	328	923
Finance expenses	(20,933)	1,342	(19,591)
Net foreign exchange differences	21,737	(1,325)	20,412
Loss before taxes on income	(6,108)	(129)	(6,237)
Tax benefit	1,170	(129)	1,041
Loss	(7,278)	-	(7,278)
Basic and diluted loss per share attributable to equity holders of the parent	(0.07)	-	(0.07)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

For the year ended 31 December 2012 (audited)	As reported in the past	Influence of IFRS 11	As presented in these financial statements
	U.S. dollars in thousands (except per share data)		
Rental income from investment properties	47,267	(15,036)	32,231
Income from sale of inventories	8,079	-	8,079
Revenue from management fees	3,689	(2,048)	1,641
Total revenues	59,035	(17,084)	41,951
Cost of sales and maintenance of inventories	(12,833)	-	(12,833)
Cost of maintenance and management	(18,396)	3,522	(14,874)
Gross profit before deduction	27,806	(13,562)	14,244
Impairment of inventory of buildings for sale	(8,041)	-	(8,041)
Gross profit	19,765	(13,562)	6,203
General and administrative expenses	(14,898)	291	(14,607)
Marketing expenses	(2,291)	189	(2,102)
Fair value adjustments of investments properties and investment properties under construction	(37,258)	5,704	(31,554)
Other expenses, net	(1,664)	(168)	(1,832)
Group's share in earnings of associates operating loss	-	6,340	6,340
Operating loss	(36,346)	(1,206)	(37,552)
Finance income	1,007	375	1,382
Finance expenses	(26,760)	1,819	(24,941)
Net foreign exchange differences	21,675	(1,783)	19,892
Loss before taxes on income	(40,424)	(795)	(41,219)
Taxes on income	1,878	(795)	1,083
Loss	(42,302)	-	(42,302)
Basic and dilute loss per share attributable to equity holders of the parent	(0.41)	-	(0.41)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In the consolidated statement of changes in equity

	As reported in the past	Influence of IFRS 11	As presented in these financial statements
	U.S. dollars in thousands		
As of 1 January 2012 (audited)			
Retained earnings	20,519	-	20,519

In the consolidated statements of cash flows

	As reported in the past	Influence of IFRS 11	As presented in these financial statements
	U.S. dollars in thousands		
For the nine months ended 30 September 2012 (unaudited)			
From operating activities	9,684	(9,360)	324
From investing activities	(3,812)	6,666	2,854
From financing activities	(3,711)	1,578	(2,133)

	As reported in the past	Influence of IFRS 11	As presented in these financial statements
	U.S. dollars in thousands		
For the year ended 31 December 2012 (audited)			
From operating activities	15,213	(10,170)	5,043
From investing activities	(8,671)	8,062	(609)
From financing activities	(12,488)	1,998	(10,490)

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

IFRS 13, "Fair Value Measurement":

IFRS 13 establishes guidance for the measurement of fair value, to the extent that such measurement is required according to IFRS. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use. IFRS 13 also specifies the characteristics of market participants and the assumptions that market participants would use when measuring fair value. The provisions of IFRS 13 are applied prospectively and they do not apply to comparative figures.

The initial adoption of IFRS 13 did not have a material effect on the Company's financial statements.

The fair value of the financial assets and liabilities is not significantly different from the value presented in the annual financial statements, except as mentioned in Note 4.

Disclosure of New Standards In The Period Prior To Their Adoption

Amendments to IAS 36 - Impairment of Assets:

In May 2013, the IASB issued amendments to IAS 36, "Impairment of Assets" ("the Amendments") regarding the disclosure requirements of fair value less costs of disposal. The Amendments include additional disclosure requirements of the recoverable amount and fair value. The additional disclosures will be based on the fair value hierarchy, the valuation techniques and changes therein, the discount rates and the principal assumptions underlying the valuations.

The Amendments are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted.

The required disclosures will be included in the Company's financial statements upon the first-time adoption of the Amendments.

IFRIC 21 - Levies:

In May 2013, the IASB issued IFRIC 21, "Levies", regarding levies imposed by governments through legislation. According to IFRIC 21, the liability to pay a levy will only be recognized upon the existence of a present obligation as a result of a past event.

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted.

The Company is evaluating the possible impact of the adoption of the amendments to IAS 32 but is presently unable to assess the effects, if any, on its financial statements.

NOTE 3:- BUSINESS COMBINATIONS

On 4 January 2013, the Company entered into an agreement with its partners in Inomotor LLC and Avtoprioriet LLC ("the Century Companies") according to which the partners will waive the option previously granted to them for the acquisition of 1% of the Century Companies in consideration of 600 thousand US dollars. The parties agreed that such amount will be set off against the balance of the loan previously granted to one of the partners. In addition, the original repayment date of the loan was extended by six months.

Simultaneously, the Company amended its joint control agreements with the partners in the Century Companies in such a way that from the date of the amendment the Company obtained control over the Century Companies.

Before the date of obtaining control, the Century Companies were accounted for at equity.

In a business combination achieved in stages, equity interests in the acquiree that had been held by the acquirer prior to obtaining control are measured at the acquisition date fair value while recognizing a gain or loss resulting from the revaluation of the prior investment on the date of achieving control. Accordingly, the Company recognized a loss from the realization of exchange differences in the amount of 244 thousand US dollars.

The Group has elected to measure the non-controlling interests in the Century Companies at the proportionate share of the non-controlling interests in the acquired identifiable net assets.

NOTE 3:- BUSINESS COMBINATIONS (Cont.)

	Fair value U.S. dollars in thousands
Cash and cash equivalents	86
Trade receivables	38
Other receivables	38
VAT receivables	254
Investment properties	85,760
Deferred taxes	119
Other long-term receivables	71
	86,366
Trade payables	(228)
Loans from bank and others	(12,854)
Government authorities	(111)
Deposits from tenants	(779)
Other non-current liabilities	(866)
Loans from related parties	(5,973)
	(20,811)
Net identifiable assets	65,555
Non-controlling interests	(29,558)
Total acquisition cost	35,997

The total acquisition cost was 36,597 thousand US dollars including waiver of an option previously granted to the partner in the amount of 600 thousand US dollars, which reflected the fair value of the existing investment in the Century Companies on the date when control was obtained.

Cost of acquisition

	Fair value U.S. dollars in thousands
Cash paid	-
Waiver of option (1%) previously granted to the sellers, at fair value	600
Fair value of existing investment on acquisition date	35,997
Total	36,597

Cash flow on the acquisition

Cash and cash equivalents in the Century Companies on acquisition date	86
Cash paid	-
Net cash	86

NOTE 3:- BUSINESS COMBINATIONS (Cont.)

From the date of acquisition, the Century Companies have contributed 7,595 thousand US dollars to the consolidated net income and 7,009 thousand US dollars to the consolidated revenues.

NOTE 4:- FINANCIAL INSTRUMENTS

Set out below is a comparison of the carrying amounts and fair values of financial instruments as of September 30, 2013:

	Carrying amount	Fair Value
	U.S. dollars in thousands	
Financial liabilities:		
Debentures (series A)	6,699	7,027
Debentures (series B)	26,750	27,572
Debentures (series C)	55,730	61,179
Debentures (series D)	62,600	67,278
Debentures (series E)	67,998	70,466
	219,777	233,522

NOTE 5:- SEGMENTS

General

As discussed in the annual consolidated financial statements, the Group has the following operating segments:

1. Commercial real estate segment.
2. Residential real estate segment.

Segments performance is evaluated based on the operating profit or loss which, in certain cases, as explained in the following table, is measured differently from operating profit or loss in the consolidated financial statements.

Jointly controlled entities, which are accounted for using the equity method, are presented as part of the results of the commercial real estate segment.

The Group's financing (including finance costs and finance income) and taxes on income are managed on a group basis and are not allocated to segments.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- SEGMENTS (Cont.)

	Commercial	Residential	Total
	U.S. dollars in thousands		
Nine months ended 30 September 2013 (unaudited):			
Segment revenues	34,786	11,487	46,273
Segment results	57,395	(1,531)	55,864
Unallocated expenses			(5,672)
Finance expenses, net			(49,557)
Profit before taxes on income			635

	Commercial	Residential	Total
	Unaudited		
Nine months ended 30 September 2012:	U.S. dollars in thousands		
Segment revenues	24,571	5,126	29,697
Segment results	5,280	(5,507)	(227)
Unallocated expenses			(7,754)
Finance income, net			1,744
Loss before taxes on income			(6,237)

	Commercial	Residential	Total
	U.S. dollars in thousands		
Year ended 31 December 2012 (audited) *):			
Segment revenues	33,872	8,079	41,951
Segment results	(10,572)	(16,789)	(27,361)
Unallocated expenses			(10,191)
Finance expenses, net			(3,667)
Loss before taxes on income			(41,219)

*) Reclassified, see Note 2b.

NOTE 6:- DISCLOSURE OF JOINTLY CONTROLLED ENTITY ACCOUNTED FOR USING THE EQUITY METHOD OF ACCOUTING

Summarized data for jointly controlled entity accounted for using the equity method of accounting, for all reported periods

The Group's share in the Summarized data of the financial statements of the associates:

Summarized financial information of financial position:

	30 September		31 December
	2013	**2012**	**2012**
	Unaudited		**Audited**
	U.S. dollars in thousands		
CURRENT ASSETS:			
Cash and cash equivalents	2,760	1,539	927
Trade receivables	210	162	216
Other receivables	-	159	96
VAT receivable	159	146	169
	3,129	2,006	1,408
NON-CURRENT ASSETS:			
Investment properties	46,772	45,567	46,396
Fixed assets, net	178	187	190
Other long term receivables	82	-	15
	47,032	45,754	46,601
CURRENT LIABILITIES:			
Current maturities of long-term loans from banks	1,382	1,382	1,382
Government authorities	905	467	936
Trade payables	56	34	40
Deposits from tenants	458	441	532
Other accounts payable	151	139	106
	2,952	2,463	2,996
NON-CURRENT LIABILITIES:			
Loans from banks	9,661	11,043	10,697
Loans from related parties	2,909	4,033	2,786
Other non-current liabilities	5,863	5,659	5,839
	18,433	20,735	19,322
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT:	28,776	24,562	25,691

NOTE 6:- DISCLOSURE OF JOINTLY CONTROLLED ENTITY ACCOUNTED FOR USING THE EQUITY METHOD OF ACCOUTING (Cont.)

Summarized financial information of comprehensive income

	Nine months ended 30 September		Year ended 31 December
	2013	2012	2012
	Unaudited		Audited
	U.S. dollars in thousands		
Rental income from investment properties	4,445	4,186	5,679
Revenues from management fees	1,562	1,471	1,995
Total revenues	6,007	5,657	7,674
Cost of sales and maintenance of inventories	(1,516)	(1,598)	(2,114)
Gross profit	4,491	4,059	5,560
General and administrative expenses	(306)	(200)	(152)
Fair value adjustments of investment properties and investment properties under construction	3,330	(2,366)	(2,354)
Other income, net	-	103	132
Operating profit	7,515	1,596	3,186
Finance expenses	(960)	(1,045)	(1,477)
Net foreign exchange differences	(890)	694	956
Profit before taxes	5,665	1,245	2,665
Taxes on income	488	128	795
Net profit	5,177	1,117	1,870
Other comprehensive income (loss)	(2,188)	1,109	1,662
Total comprehensive income	2,989	2,226	3,532

The Company does not attach the financial statements of Inverton Enterprises Limited, a company which accounted for the equity method, since the Company's management believes that the disclosure of the financial statements will not add significant information to that already included in the Company's' financial statements.

NOTE 7:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

a. On 23 January 2013, an indirect subsidiary of the Company ("the Subsidiary"), which holds the leasehold rights to a project known as the "Skyscraper" in Moscow, received a letter dated January 9, 2013 from the Department of Land Resources of the Moscow Government, notifying it of the termination of its lease agreement. During February 2013, the Company filed an objection for the cancelation of the lease agreement, claiming that the lease agreement had been unlawfully terminated by the Moscow Government since any alleged breach of its terms had been due to the actions and omissions on the part of the Moscow Government itself.

   The objection of the Subsidiary was denied by the Moscow Government, based mainly on procedural arguments. Following the Subsidiary's rejection of the above objection as aforesaid, the Subsidiary of the Company filed a law suit against the Moscow Government to cancel the above mentioned decision. During the legal proceedings between the Parties, the Moscow government filed its position that the claim should be dismissed because of a defect in the cancellation of the lease agreement by the city. On September 28, 2013, and during the legal proceedings, the Subsidiary received a letter dated September 23, 2013, from the assets department of the government of Moscow which notified the Subsidiary about confirmation of lease agreement's cancelation which was first stated in the letter dated January 9, 2013. The following hearing in the legal proceedings is scheduled for December 2013. The intention of the Company is to continue to take all measures, including legal steps, in order to protect its rights.

   The Company has fully impaired the project value as of 31 December 2012.

b. On 25 February 2013, Midroog announced that the rating of the Company's debentures (Series A, B and D) in circulation was increased from Baa2 to Baa1.

c. During the reporting period, a subsidiary of the Company entered into an agreement with an investment house which is an unrelated party ("the investment house") for the provision of a short-term credit line in the amount of NIS 37 million (approximately 10 million US dollars).

   At the beginning of August 2013 the Company has repaid the loan.

d. On 22 April 2013, Tamiz, a 100% owned subsidiary of the Company, completed the sale of land designated for the development of a commercial center in the city of Penza, Russia, in consideration of approximately 4 million US dollars. As a result, the Company recognized profit in the financial statements of approximately 548 thousand US dollars. As of the balance sheet date the Company received full consideration from the buyers.

e. In May 2013, the Company received commitments from several investors to purchase debentures (Series D) of the Company in private placements with par value of NIS 60,000,000 ("the new debentures").

NOTE 7:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

The issuance of the new debentures was carried out by way of a series expansion at a price of NIS 104.08 per NIS 100 par value, which reflects a discount on the debenture value on the issuance date.

After the consummation of the aforementioned private placements, the par value of the debentures (Series D) is NIS 272,089,500.

The total proceeds that the Company received from the issuance of the new debentures amount to approximately NIS 62,448 thousand (17,563 thousand US dollars) (approximately NIS 61,930 thousand (17,419 thousand US dollars), net).

The effective interest rate of the new debentures is 7.86%.

f. On May 19 2013, Mashinostroenie & Hydravlika OJSC ("the subsidiary") entered into a loan agreement with SberBank of Russia ("the Bank") under which the Bank will grant the subsidiary a credit line in an aggregate amount of up to 19 million US dollars ("the Loan"), for the purpose of refinancing one of the subsidiary's projects.

Out of aforementioned credit line, an amount of 10 million US dollars had been obtained by the Company and the balance of 9 million US dollars will be made available within a period of 11 months.

The Loan is for a period of approximately 6.5 years and bears fixed dollar interest at the rate of 8.75% per annum, payable quarterly, in addition to other commissions as set out in the Loan agreement.

To secure the repayment of the Loan, the Company and the subsidiary gave the Bank the following securities: a pledge over the entire holdings in the project; the Company's guarantee for the repayment of the debt and the full and complete fulfillment of the entire undertakings of the subsidiary, and a pledge over the loans between the Company and the subsidiary.

In addition, the Company undertook that the LTV ratio of the project will not exceed 70%.

As of September 30 2013, the Company is in compliance with the above financial covenant.

g. On 25 July 2013, the Company issued new debentures (Series E) in the total amount of NIS 240 million (approximately 67.2 million US dollars). The debentures (Series E) bear annual interest of 7.21% and were rated by Midroog Moody's at "ilBaa1/Stable".

The debentures are repayable in five unequal annual payments, the first payment is 10% of the principal and each of the second to the fifth payments is 22.5% of the principal, payable on May 31 of each of the years 2016 through 2020 (inclusive).

The effective interest rate of the new debentures is 7.59%.

NOTE 7:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

h. During August 2013, a wholly owned subsidiary of the Company, Limited liability Company Investicionno-Ipotechnaya Kompaniya ("IIK") has entered into a 95 million US dollars loan agreement, at fixed interest of 7%, payable quarterly. The loan refinances IIK existing debt of 36 million US dollars. As of the balance sheet date, IIK has received 50 million US dollars out of the 95 US dollars million. After the balance sheet date, IIK received another 24 million US dollars.

The loan is secured by various mortgages, charges, pledges and other customary security interests for the benefit of the bank, provided by both IIK and the Company. The loan will be repaid within seven years through regular quarterly payments and a final balloon payment of 53% at the end of the term.

i. On August 6 and 13, 2013 the Company has partly repaid the short-term loans from banks which are secured by non-cancelable bank guarantees of the controlling shareholders with the total amount of 25 million US dollars.

In addition, during October, 2013 the Company repaid the additional amount of 25 million US dollars.

NOTE 8: - SUBSEQUENT EVENTS

a. On 30 October, 2013, a wholly owned subsidiary Petra 8 LLC ("Petra") has entered into a new loan agreement with SberBank of Russia ("Bank"). The Bank will provide a non-revolving credit line of up to Russian rubles equivalent to 96 million US dollars (the "Loan") to finance the construction of third phase of 1,346 apartments at MirLand's "Triumph Park" major residential development in St. Petersburg.

The Loan will be provided to Petra in three tranches over the next three years, and will be secured by way of mortgage, charge, pledge and other appropriate security interests for the benefit of the Bank which will be provided by Petra and the Company.

The Loan bears annual interest rate of 11% and matures in four years. Starting November 2016 (inclusive) it will be repaid in monthly installments in accordance with the terms of the Loan, and through to the end of the four year term. The Loan will be partly repaid from the Petra's sale of residential units, commercial space, and parking spaces.

The Loan is in addition to two facilities previously granted by the Bank to Petra, the outstanding balance of which, to date, is approximately 2 million US dollars.

b. On 11 November, 2013 the Board of Directors of the Company resolved numerous resolutions in connection with un-registered options ("options") which are exercisable into Company's shares that are traded on the AIM in London, as follows:

NOTE 8: - SUBSEQUENT EVENTS (Cont.)

1. To re-issue 449,198 options exercisable into 449,198 shares at an exercise price of £2.50 per option, to Mr. Roman Rozental, CEO of the Company, in lieu of 449,148 options which were previously issued to Mr. Rozental.

   The abovementioned 449,198 options will be granted on a fully-vested basis from the date of issuance, where the last date on which the options may be exercised is 30 May, 2017.

   In addition, it was resolved to extend the Mr. Rozental's term by additional three years to November 30, 2016.

2. To issue 258,750 new options to Mr. Yevgeny Steklov, CFO of the Company, exercisable into 258,750 shares at an exercise price of £2.60 for each option.

   The abovementioned 258,750 options will be exercisable in three equal parts: the first will be exercisable at the end of the first year from the date of issuance of such options; the second will be exercisable at the end of the second year from the date of issuance of such options; the third will be exercisable at the end of the third year from the date of issuance of such options. The options will expire at the end of the fifth year after the date of issuance.

The issuance of the abovementioned options is in accordance with the Company's option plan of November 2006 and will be issued in accordance with Section 102 of the Income Tax Ordinance, as capital gains route, and will be held in trust.

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