

19 December 2014

MirLand Development Corporation plc

(“MirLand” or the “Company”)

Response to the economic situation in Russia and Financing update

Further to the 3rd Quarter Results released on 12 November 2014, which provided detailed commentary on the economic situation in Russia and its impact on MirLand, the Company is providing further commentary now following recent developments in the economic situation in Russia and the extreme fluctuations in the currency exchange rate of the Rouble relative to the US dollar.

In recent months there has been a significant deterioration of the economic situation in Russia due to various macroeconomic factors which resulted from, inter alia, the accelerated depreciation of the Rouble exchange rate against the US dollar. The exchange rate at the beginning of the year was approximately 32.72 Roubles to the US dollar; in late September the Rouble exchange rate stood at approximately 39.39 Roubles to the US dollar; in recent weeks the Rouble exchange rate dropped to a minimum of approximately 80 Roubles to the US dollar, and at the date of this report the Russian currency is trading at approximately 60 Roubles to the US dollar. In addition, the base interest rate in Russia rose sharply from 5.5% in January of this year up to 17% as of this announcement, with the last interest rate increase being 6.5%, carried out on 16 December 2014.

The situation is due to, as detailed in Note 25B to the financial statements of the Company released on 12 March 2014, events that occurred and that may further develop between Russia and Ukraine, and since the beginning of the year, the imposition of various economic sanctions on Russia which was also accompanied by a sharp drop in global oil prices.

Commercial investments

Most of the income of the Company's subsidiaries comes from the leasing of commercial centres and office complex which are in Rouble and linked to the US dollar on the date of payment. The financing agreements of the subsidiaries that lease commercial properties and office complex, with the domestic banking system in Russia of pledged assets are also in US dollars, while most of the income of the tenants is in Rouble, therefore, the extreme currency devaluation may have severe implications on the ability of tenants to meet their obligations and thus affect the Company's financial results and liquidity.

The Company and management are in ongoing regular contact with tenants of our commercial properties and office complex on an individual basis and are providing discounts for certain specific and fixed-term periods (typically, for three months) to try to deal with the extreme changes being experienced by the economy in Russia to allow them to continue to meet their financial obligations to the Company, as well as holding discussions with the Company's subsidiaries' financing banks. Due to the high volatility in the Russian currency rate, the Company is unable to assess the extent of the decrease in income of the Company earned from the rentals.

Residential developments

With regard to the Company's residential developments, the Company's financing agreements are in Roubles and the proceeds from the sale of apartments and payments to various suppliers relating to the St. Petersburg project are also made in the Russian Rouble currency.

As of the date of this announcement, the delivery of Phase II of the project in St. Petersburg is currently underway, and 615 apartments out of a total of 630 were sold.

Additionally, as of the date of this announcement marketing of Phase III of the project is currently underway with approximately 800 apartments out of a total of 1,346 sold, while completion is expected in the first quarter of 2016.

Furthermore, it should be noted that as of the date of this announcement the Company has begun construction of Phase IV of the project and has entered into an agreement to finance the development with the SberBank of Russia, but has not begun to market this phase therefore the Company has no current commitment to a completion date.

Bonds

Yesterday, meetings were called for all holders of debentures, issued in Israel, of the Company for 22 December 2014, by the trustees of the debentures in order to discuss the status of the Company and potential actions in relation to some of the debenture series. As such, and in light of the fact that some of bond holders addressed the Company, the Company has decided to delay, at this stage, the repayment of the principal and interest to the holders of debentures series A and B set for 31 December 2014.

As such, Midroog, a subsidiary of Moody's Investor Services, the credit rating agency has downgraded the credit rating for Mirland's Series A, B, D, E and F Bonds to B1 on a local Israeli scale while, Standard & Poor's Maalot, a subsidiary of Standard & Poor's Rating Services, the credit rating agency, has downgraded the credit rating of Mirland, and its Series A, B, C and D Bonds to ilCC on a local Israeli scale.

Outlook

The Company, including the Board of Directors, is closely examining developments in the economic situation in Russia, and continues to focus acutely on the business' strategy as it works to actively deal with the consequences of the macro economic pressures in Russia.

It should be noted that as of the date of this announcement the Company has not received any notice of infringement and / or non-compliance regarding the ability of its subsidiaries to meet their liabilities to the domestic banks in Russia as they fall due.

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