

7 July 2015

MirLand Development Corporation plc

(“MirLand” or the “Company”)

Bonds update

Further to its announcement on 1 April 2015, regarding indicative non-binding debt restructuring terms (the “**Arrangement**”) with the trustees of the Series A-F bondholders (“**Bondholders**”), the Company announces it has now made an application to the Cypriot Court to sanction the convening of meetings of the Bondholders and shareholders of the Company to approve the Arrangement.

The key terms of the proposed Arrangement are as follows:

1. Payments of principal are currently postponed for 3 years and 6 months (30 July 2018) and once the Arrangement becomes effective, the interest payments due for all Series of Bonds in 2015, together with interest payments of Series A and B Bonds deferred from 2014, will be paid in full on the Arrangement becoming effective.
2. As of the execution of the Arrangement the interest on the Series A-F bonds will increase by 1.25% to the current base interest of each bond series with this additional interest being added to the principal and paid off with the principal payments on the Arrangement becoming effective.
3. Interest payments for Series A-F bonds will be paid in 2016-2017 annually on the same day each year and as of 2018 in two fix dates on the same day each year. All future interest payments will be paid in full although 50% of payments due in 2016 may be deferred at the option of the Company subject to certain conditions. In this case, from 31 December 2016 until fully paid, the deferred interest payments will bear an interest of 2.50% (including the 1.25% additional interest detailed in paragraph 2 above).
4. Should the Company exercise its right to defer interest payments, Darban Investments Ltd, Jerusalem Economy Ltd. and Industrial Buildings Corporation Ltd (together the “**Majority Shareholders**”) shall provide either by exercise of its share options (referred to in paragraph 8 below) or by providing a loan to the Company in an amount equal to USD15million less any amounts subscribed for pursuant to the exercise of such options together with any amounts subscribed for pursuant to the open offer (referred to in paragraph 5 below) by the Majority Shareholders.
5. The Majority Shareholders will participate in an issue of approximately USD12.885 million of new shares (in which all other shareholders of the Company will have the opportunity to participate by means of an open offer) of which approximately USD6.1 million will be subscribed for shortly after the Arrangement becomes effective and the rest (according to their holdings in the company at the date of the open offer) by no later than 30 June 2016. If either issue is not fully subscribed for by the Majority Shareholders they are required to exercise certain of their options or provide a dollar bearing loan to the Company, to the extent that other shareholders of the Company do not take up their entitlements under the open offer.
6. Should the Majority Shareholders not comply with the provision above they will be required to transfer a controlling equity interest in the Company to the Bondholders, which will be placed with an escrow agent.

7. Bondholders will be issued with 5.5% of the Company's existing issued share capital together with options (of three different types – A, B and C) with 12% of the issued share capital at an exercise price discounted to the prevailing market price.
8. Type A options will also be granted to the Majority Shareholders in such number that would enable them, in the event that no options other than Type A options are exercised, to hold a maximum of approximately 84% of the issued share capital of the Company (being their existing interest).
9. All bond payments with regards to the bonds held by the Majority Shareholders shall not be paid until June 2019. These bonds shall bear interest referenced to a prevailing consumer price index and will be paid in one payment at the end of June 2019. The Majority Shareholders will also be restricted from selling their bonds until the 30 June 2019. These restrictions will not, however, apply with respect to several entities included in the Majority Shareholders, if Mr Eliezer Fishman is no longer a direct or indirect majority shareholder.
10. Upon the completion of the Arrangement, officers, directors, employees and the Majority Shareholders of the Company and their consultants shall receive full waiver from any claims by Bondholders via the Trustees, excluding any criminal, fraudulent or malicious actions.
11. The completion of the Arrangement is conditional upon (a) approval of the Company's shareholders; (b) approval of the Tel Aviv Stock Exchange and Israel Securities Authority; (c) approval of the Bondholders; (d) approval of the Cypriot Court of the Arrangement; (e) receiving a ruling from Israel Tax Authority; and (f) execution of a new Trust Deed with the Trustees on behalf of the Bondholders.
12. The Company will be entitled to repay bonds prior to the maturity date without penalty until 31 July 2019.
13. Restrictions on payments of dividends, the purchase and disposal of assets, the business of the Company and related party transactions along with financial covenants will be placed on the Company and the Company will provide a negative pledge to the Bondholders by way of security. The Bondholders will also have the power to appoint a director.

In addition to the terms of the Arrangement provided to the Cypriot Court, the amendment set out below has been agreed between the Bondholders and the Company. A further application will be made to the Cypriot Court to amend the Arrangement accordingly.

At the earlier of either three months from the increase in the debt rating of Jerusalem Economy Ltd (one of the Majority Shareholders) to a rating of "A" (or higher); or upon each of 1 August 2016 and 31 December 2016, the Majority Shareholders will either, at their sole discretion:

1. exercise options allocated to them under the Arrangement for consideration of at least USD5 million; or-
2. procure that the Company will issue to Bondholders additional shares, for no consideration, a further 5% of its existing issued share capital.

The Majority Shareholders will be expected to make a cumulative capital injection of up to USD 10 million or issuance of up to 10% of the share capital.

It should be noted that this amendment has not yet been submitted to the Cypriot Court. However, it will be presented at the meeting of the Bondholders for their approval pursuant to the entire Arrangement.

Upon the Arrangement becoming effective, the terms also require the admission of the entire issued and to be issued share capital of the Company to trading on the Tel Aviv Stock Exchange. The Company's shares will continue to be admitted to trading on AIM.

The terms of the Arrangement are to be sanctioned by the Cypriot Court and is subject to further approvals as set out above. Further information will be included in the circular to be sent to shareholders of the Company to approve the Arrangement.

The Arrangement would also represent a related party transaction pursuant to the AIM Rules for Companies.

Further updates will be provided in due course.

MirLand Development Corporation plc

Roman Rozental

roman@mirland-development.com

+7 495 787 49 62

+7 499 130 31 09

FTI Consulting

Dido Laurimore / Ellie Sweeney/Tom Gough

+44 20 3727 1000

Investec Bank plc

Jeremy Ellis / David Anderson

+44 20 7597 4000