

23 November 2012

Dragon-Ukrainian Properties & Development plc

("DUPD" or the "Company" and together with its subsidiaries, the "Group")

Reduction of Capital

At the extraordinary general meeting on 14 November 2012 shareholders granted DUPD authority to apply to the High Court in the Isle of Man to approve a reduction of capital in accordance with the Isle of Man Companies Act 1931 to cancel the shares which DUPD bought back through a series of on-market transactions made between August 2008 and May 2009, and in response to three public tender offers made respectively on 4 June 2009, 25 October 2011 and 6 December 2011.

A letter has been sent to the identifiable former DUPD shareholders who participated in the transactions mentioned above, and a copy of the letter will be available on the Company's website: <http://dragon-upd.com/investor-information/important-information/announcements>

The application to the Isle of Man courts has been listed to be heard on 18 December 2012.

For further information, please contact:

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who specialises in advising on shares or other securities and who is, in the case of UK shareholders, authorised under the Financial Services and Markets Act 2000.

DRAGON – UKRAINIAN PROPERTIES & DEVELOPMENT PLC

(Incorporated in the Isle of Man with registered number 119018C)

Directors:

Aloysius Wilhelmus Johannes van der Heijden (Chairman)
Tomas Fiala
Fredrik Svinhufvud
Rory Macnamara
Nikolai Artemenko

Registered Office:

Standard Bank House
One Circular Road
Douglas, Isle of Man
IM1 1SB

23 November 2012

To all known sellers of ordinary shares to the Company between August 2008 and December 2011

Dear Sirs

NOTICE OF PROPOSED REDUCTION OF SHARE CAPITAL

Dragon - Ukrainian Properties & Development PLC (the “Company”) has bought its own shares through a series of on-market transactions made between August 2008 and May 2009 and in response to three public tender offers made respectively on 4 June 2009, 25 October 2011 and 6 December 2011 (the “Tender Offers”).

These buy-backs were authorised by resolutions purportedly passed on 31 July 2008, 1 December 2008, 9 November 2011 and 12 December 2011 and the Company purported to cancel those shares that it acquired. However, because those resolutions were invalidly passed due to the failure to achieve a quorum at the general meetings of shareholders purportedly held on those dates, the buy-backs were void. We are writing to you in relation to the number of ordinary shares referred to in the schedule to this letter (the “Shares”), that you sold to the Company pursuant to the Tender Offers.

The Company has applied to the High Court of Justice in the Isle of Man (“Court”), to approve a reduction of share capital in accordance with the Isle of Man Companies Act 1931, to resolve this issue. The effect of the reduction will be to cancel the shares purchased by the Company and achieve, in practice, the same outcome as was believed to have been achieved by the purported share buy-backs already referred to in this letter. No funds will be returned to you as a result of the share capital reduction, nor will you be asked to pay any further amount to the Company.

The Company held an extraordinary general meeting of shareholders on 14 November 2012 which, amongst other things, authorised the reduction of share capital subject to the confirmation of the Court.

The Company will take steps to advertise the application after it has been issued by the Court and notice of the first hearing date has been given; and it will publish announcements as appropriate through a regulatory news service. However, the Directors are writing to you to draw your specific attention to the application and to give you the opportunity to raise any objections or concerns you may have.

As you have received the amount set out in the schedule from the Company for the Shares and the share buy-back was considered by all concerned to have been validly completed, the Directors believe that you will not be prejudiced or disadvantaged in any way by the Company’s application to Court. The Directors have been

advised that the Court will not require that actual consent be provided by any person who sold shares to the Company, whether pursuant to the Tender Offers or otherwise. However, the Directors consider it prudent to give you the opportunity to raise any issues, objections or other concerns of any nature that you may have and would like to draw to the attention of the Company and/or the Court.

Action to be taken

We would therefore be grateful if you would please contact us with any issues, objections or other concerns of any nature that you may have concerning the Company's application to the Court to reduce its share capital. As the application was provided to the Court on 14 November 2012 and is expected to be heard sometime after 17 December 2012, **we would encourage you to make your concerns known to us by 14 December 2012.**

In order that we may draw the Court's attention to them, if you would like to raise any issues, objections or other concerns of any nature concerning the Company's application to reduce its share capital please do so by any of the following methods:

By telephone

Please call Sarah McLennan at Faegre Baker Daniels LLP on 0207 4504533.

By email

Please send an email to Sarah.mclennan@faegrebd.com.

By fax

Please send a fax to Sarah McLennan at Faegre Baker Daniels LLP on 0207 450 4545.

By post

Please send a written note of your issues, objections or other concerns of any nature to Dragon – Ukrainian Properties & Development Plc c/o Faegre Baker Daniels LLP, 7 Pilgrim Street, London EC4V 6LB marked for the attention of Sarah McLennan in the pre-paid envelope provided.

In each case we would be grateful if you would respond to us as soon as possible and, in any event, by no later than 14 December 2012. We will ask the Court to view any failure to respond to this letter by that date as amounting to consent to the Company's application. Nothing in this letter will prevent you from being able to attend the hearing of this matter and making direct representations to the Court in due course.

We are grateful for your assistance and apologise for any inconvenience caused.

Yours faithfully

Aloysius van der Heijden
Chairman