

1 December 2016

Dragon-Ukrainian Properties & Development PLC

("DUPD" or the "Company")

Adoption of a new management agreement

The Board of DUPD announces certain modifications to the existing investment management arrangements through amendments to the final two year period of the investment management agreement with the Company's investment manager, DCM Limited (the "**Investment Manager**") (the "**Fourth Revised Management Agreement**").

The existing management agreement (the "**Third Revised Management Agreement**"), which was entered into in early 2014, expires on 31 December 2016 unless a certain level of distributions, being US\$42.4 million, have been made to DUPD shareholders by 31 December 2016. The Board and the Investment Manager agree that this threshold will not be met due to the difficult and unforeseen market conditions of the previous three years. As such, the Board has decided to amend the management arrangements with the Investment Manager for the final two years with certain modifications to the terms.

Mark Iwashko and Lou van der Heijden (the "Independent Directors") believe these amendments will better align the interests of the Investment Manager with those of the Company's shareholders and will continue to incentivise the Investment Manager to maximise the disposal proceeds of the Company's properties and cash returns to shareholders in a controlled and timely manner.

The Fourth Revised Management Agreement is essentially the same as the Third Revised Management Agreement, with the following key amendments:

Reduction in the Fixed Component of the Investment Manager remuneration (Management Fee)

- 2017: a management fee of US\$1.25m (reduced from US\$1.50m under the Third **Revised Management Agreement** which would have been payable if the automatic extension had occurred)
- 2018: US\$1.00m (reduced from US\$1.40m under the Third Revised Management Agreement which would have been payable if the automatic extension had occurred)

If DUPD sell the right to the development of the third phase of Obolon Residences, the management fee will be reduced to US\$1.00m per annum.

Simplified Performance Fee

The tiered level of performance fees based on distributions to DUPD shareholders has been replaced with a fixed performance fee of 5 per cent. of all distributions to DUPD shareholders. Distributions will continue to include cash dividends, share buy backs and other returns of capital, and also in-specie distributions.

Term

The Fourth Revised Management Agreement will become effective on 1 January 2017 and will expire on 31 December 2018.

Related Party Transaction

Under the AIM Rules for Companies, the Manager is deemed to be a related party of the Company, and the entry into the Fourth Revised Management Agreement is deemed to be a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies.

The Independent Directors consider, having consulted with the Company's nominated adviser, Panmure Gordon (UK) Limited, that the terms of the Fourth Revised Management Agreement are fair and reasonable insofar as the Company's shareholders are concerned.

For further information, please contact:

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