



CONCORDE CAPITAL

Ukraine / Real Estate

KDD Group

Seeking a partner for key project

June 23, 2008

Current price: GBP 1.71 / USD 3.38
Target price: N/R

N/R

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Tickers

Bloomberg KDDG LN

Market information

Market price, GBP	1.71
USD	3.38
MCap, GBP mln	276.8
USD mln	546.4
Chg YTD	-14%
52 Wk H/L, GBP	2.09/1.62
USD	4.21/3.22
No of shares, mln	161.9
Avg Mon Tr Vol YTD, USD ths	3 056
Free float	19.6%
Free float, GBP mln	54.25
USD mln	107.1

Prices as of June 20, 2008

Corporate Governance

Concorde Rating* Q

* The rating is based on Concorde Capital's corporate governance survey. Q denotes quality corporate governance standards, AA - above average standards, A - average, BA - below average and P - poor.

Shareholders

Group of seven individuals	80.4%
Portfolio investors	19.6%

- KDD Group announced recently that it is seeking a partner for its World Trade Center project, which accounts for 25% of its portfolio value
- Project financing via partnership is becoming a new market trend for Ukrainian & Russian developers due to tight debt & equity markets
- We estimate that a co-investor would demand an IRR of ~25%, putting the selling price for a 49% stake in the project at USD 35-40 mln

KDD Group seeks partner for project development

This month, KDD Group Vice President Petro Radchuk said that the company is considering the sale of a 49% stake in its World Trade Center project in Kyiv (total area of 159 ths m²). The office center represents 25% of KDD's portfolio value according to Colliers, with an estimated cost of development of USD 210 mln. The deal is expected to be closed by the end of 2008.

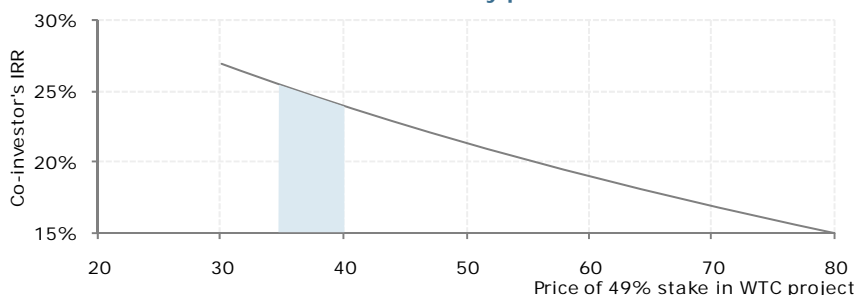
Development by partnership – a new market trend

KDD Group became the second public Ukrainian real estate developer, after XXI Century, to announce a plan to attract a partner for project development. We think attraction of an outside investor will become a new market trend in the mid-term as debt and equity market conditions remain tight. In neighboring Russia, this tendency is already coming in vogue (e.g. RTM's JV with Immoeast and PIK Group's partnership agreements with Storm Properties and Singaporean GIC Real Estate).

What is the price?

KDD Group did not disclose the offering price for the 49% stake in its WTC project. We estimate that a co-investor would demand an IRR of ~25%, which puts the stake's value in the range of USD 35-40 mln assuming exit in 2012, one year after the project's completion, and a yield of 9% upon exit.

Co-investor's IRR over 2008-12 vs. entry price



Source: Concorde Capital estimates

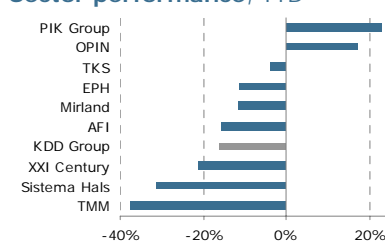
We will follow the situation with KDD's search for a WTC project partner and any agreements from peer XXI Century, as the potential deals could provide a useful benchmark for valuing Ukrainian developers' portfolios.

Stock performance, YTD



Note: The Ukrainian Real Estate Index is MCap-weighted and includes XXI Century, TMM and DUPD. Source: Bloomberg, PFTS

Sector performance, YTD



Real Estate Indices, YTD

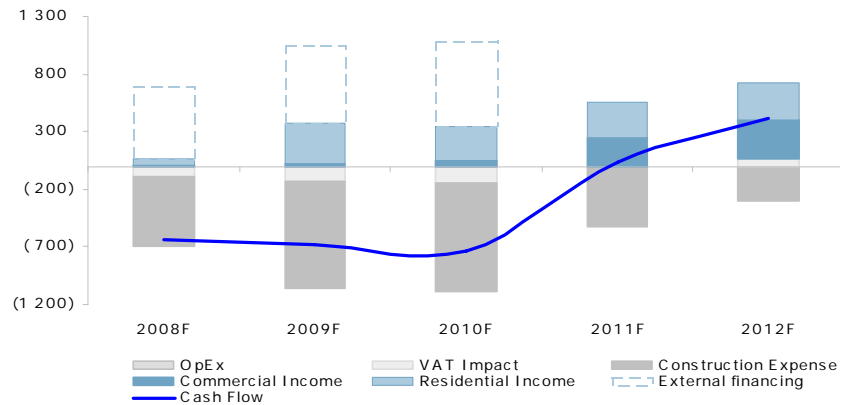


KDD Group's project appraisal, USD mln

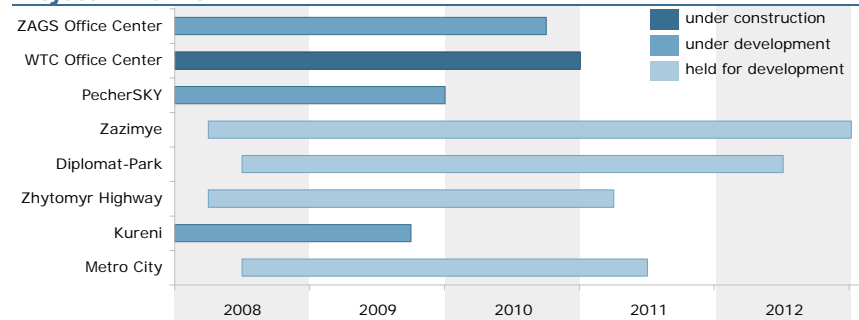
Project Name	Type	Region	NAV*
ZAGS Office Center	Office	Kyiv	226.7
WTC Office Center	Office	Kyiv	226.6
PecherSKY	Residential	Kyiv	70.9
Zazimye	Residential	Kyiv reg.	82.4
Diplomat-Park	Residential	Lviv	50.6
Zhytomyr Highway	Retail	Kyiv reg.	51.0
Kureni	Mixed-use	Kyiv	36.7
Metro City	Mixed-use	Kyiv	163.3
Total			908.2

* Colliers International as of December 31, 2007

Source: Company data

Cash flow schedule, USD mln


Source: Company data, Concorde Capital estimates

Project Timeline


Source: Company data

Peer comparison

Company	MCap, USD mln	Net debt, USD mln	EV, USD mln	NAV, USD mln	Appraisal date	Appraiser	EV/NAV
AISI Realty	102	(36)	66	68	1-Feb-08	DTZ	0.98
KDD Group	546	(103)	459	908	30-Sep-07	Colliers	0.49
TKS Real Estate	204	(1)	203	254	31-Dec-07	Veritas	0.80
TMM Real Estate Development	773	67	840	1468	31-Dec-07	Colliers	0.57
XXI Century Investments	1034	88	915	2020	31-Dec-07	JLL	0.45
Median							0.57

Source: Bloomberg, Concorde Capital estimates

Financial statements, IFRS

Income statement summary, USD mln

	2006	2007
Net Revenues	0.3	0.6
Cost of Sales	(0.3)	(0.3)
Gross Profit	0.0	0.4
Other Operating Income/Costs, net	222.7	145.3
SG&A	(0.1)	(2.0)
EBITDA	222.7	143.7
Depreciation	(0.6)	(0.8)
EBIT	222.1	142.9
Interest Expense	(0.9)	-
Financial Income	-	0.2
Other Income/(Expense)	-	-
PBT	221.2	143.1
Tax	(55.7)	(37.7)
Net Income	165.5	105.4

Balance sheet summary, USD mln

	2006	2007
Current Assets	21	191
Cash & Equivalents	2	128
Trade Receivables	13	7
Inventories	0	56
Other Current Assets	6	0
Fixed Assets	536	653
PP&E, net	2	2
Investment Property & Other Fixed Assets	534	651
Total Assets	557	844
Shareholders' Equity	381	615
Share Capital	0	122
Reserves and Other	381	493
Current Liabilities	49	46
ST Interest Bearing Debt	13	16
Trade Payables	35	30
Advances from Customers & Other	2	-
LT Liabilities	127	183
LT Interest Bearing Debt	1	11
Other LT	125	172
Total Liabilities & Equity	557	844

Cash flow statement summary, USD mln

	2006	2007
Net Income	165	105
D&A	1	1
Non-operating and Non-cash Items	(168)	(108)
Changes in Working Capital	1	17
Operating Cash Flow	(1)	15
Capital Expenditures, net	(1)	(0)
Other Investments, net	(27)	(22)
Investing Cash Flow	(29)	(23)
Net Borrowings/(Repayments)	-	13
Dividends Paid	-	-
Equity Financing & Other	31	121
Financing Cash Flow	31	134
Beginning Cash Balance	-	2
Ending Cash Balance	2	128
Net Cash Inflows/Outflows	2	127

UAH/USD exchange rates

	2006	2007
Average	5.05	5.05
Yearend	5.05	5.05

Source: Company data

Investment ratings

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Concorde Capital ratings distribution

Buy	56	49%
Hold	22	19%
Sell	19	17%
Under Review	18	16%
Total	115	100%

Investment banking clients*

Buy	6	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
Total	6	100%

* Within the last twelve month period, Concorde Capital has obtained compensation from these companies for investment banking services.

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