



CONCORDE CAPITAL

Ukraine / Real Estate

TKS Management

Conversation with CEO

February 21, 2008

Current price: EUR 15.0/ USD 22.2
12M Target: Suspended

Suspended

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Today we talked to TKS CEO and co-founder Torsky. Last week, TKS Management reported news that Torsky received a gunshot wound and was undergoing medical treatment. From our conversation with Torsky, we concluded that there is no immediate threat to the company's business and that he is getting back to running the company. That said, there is some uncertainty with regard to the direction of the company's future development. We suspend our recommendation on the stock until we have a better understanding of the company's long-term prospects.

Tickers

Bloomberg 37W1 GR

Market information

Market price, EUR	15.0
USD	22.2
MCap, EUR mln	135.0
USD mln	199.8
Chg YTD	-1%
52 Wk H/L, EUR	15.64/13.87
USD	22.94/20.34

DR/ Ord. ratio	2:1
No of shares, mln	4.5
Avg M Tr Vol 6M, EUR mln	16.0
USD mln	23.5
Free float	22%
Free float, EUR mln	29.7
USD mln	44.0

Prices as of Feb. 21, 2008

Shareholders

Strikewell Investments Limited*	78%
Other	22%

* The key beneficiaries of Strikewell Investments Limited are two individuals: Ivan Torsky and Volodymyr Hovirko

What is the situation?

In its press release issued on February 15, 2008, TKS Management revealed that co-founder and CEO Ivan Torsky received a gunshot wound and was undergoing treatment in a hospital. Co-founder Volodymyr Hovirko is the alleged perpetrator, and the incident is being investigated by the authorities. Today we were in touch with Torsky and were relieved to see that his condition is improving and he is involved in strategic aspects of the company's business, communicating with his management team from the hospital on a daily basis. We also had a meeting with TKS's top managers and were assured that the company is operating in a regular mode and executing its 2008 development plan.

What is the source of the conflict?

According to Ivan Torsky, tension between him and partner Volodymyr Hovirko (both hold 38% stakes in TKS) began two months ago over different views on the company's development. Torsky's stance was reportedly to further increase TKS's transparency, in line with the company's commitments following its equity placement with institutional investors in August 2007. We think the conflict may have to do with Torsky's apparent intentions to reinvest the company's earnings back into its development business, as required by its investment program.

What's next?

While at this point we do not think TKS's business is under threat, the situation around the company's longer-term development remains vague. We see several likely scenarios:

Ownership change	Effect on business	Probability
Torsky acquires Hovirko's stake and consolidates 78% in TKS	The company will follow previously declared strategy	40%
Torsky & third-party investor acquire Hovirko's stake	The company will follow previously declared strategy	40%
Third-party investor acquires Hovirko's stake	The strategy may see some changes	15%
Other		5%

We do not think Hovirko will remain a TKS shareholder for long: though a co-founder, he has always stayed away from running the company's business and does not appear to have relevant expertise or experience. On top of that, he now may face criminal charges and, therefore we believe he is very unlikely to dedicate his time to the company. We think he is most likely to exit by selling out to interested parties or possibly through an out-of-court settlement.

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